



INSTRUMENT NAME: 5.1 ENVIRONMENTAL SUBSIDIES

Pondscape-specific definition: An environmental subsidy is a financial contribution from the government to a person, company or organisation to support activities which protect the environment or reduce the use and extraction of natural resources. Governments provide subsidies in order to lower the cost of providing a service or good (or reducing the use/extraction of natural resources). Subsidies should be targeted to increase incentives for goods/services that have public benefits but that are otherwise underproduced, such as NBS. Subsidies generally cover a proportion of costs. Subsidies generally cover a proportion of costs. Subsidies can be either related to the production of an NbS (i.e. recipient is rewarded/compensated for a particular production approach or element) or on the output (i.e. the NbS, where the level of subsidy depends on how many NbS are produced).

Subsidies can take many forms, including tax concessions (*Tax concessions*), one-off grants (see *Public Grants*),¹ or low-cost loans (see *Green loans, green bonds*). Here, we focus on direct payments in return for activities/outputs that protect/restore the environment.

CATEGORY	Subsidies			
ALSO-KNOWN-AS				
RELATED INSTRUMENTS	Grants; tax concessions			
APPROPRIATE FOR: Who can use this type of financing instrument?	Pondscape developer	NGOs and non-profits	Local/city/ regional govt. and agencies	National govt. and public agencies
SOURCE OF FINANCE: Who provides the finance?	Public funding: national, EU			
PAYMENT FORM: What form is the payment?	Cash			
IN RETURN FOR WHAT? What is the NBS project obliged to deliver in return?	Ecosystem-service provision – differs per subsidy Products or services – differs per subsidy			
RECIPIENT REQUIREMENTS: What requirements must recipients meet to receive finance?	Private organisation or individual			
PROJECT REQUIREMENTS: What requirements must the pondscape project meet?	The project must deliver products or services or implement production processes that are targeted by the environmental subsidy in a manner that is recognised by the subsidy.			
OTHER REQUIREMENTS: What additional requirements are attached to the financing?	The requirements differ per environmental subsidy.			
SPEED: How quickly do recipients receive money?	Fast (<4months) – Medium(5-12months) – Slow (12months+)			
FUNDING TIMELINE: When does the recipient receive the funding?	Ongoing: the recipient receives the subsidy payment either every time they deliver the product (e.g. pond creation) or in an ongoing manner for production (e.g. pond management)			
NBS TYPE: What types of NBS is the financing for?	Pondscape <u>creation</u>	Pondscape <u>restoration</u>	Pondscape <u>management</u>	

¹ Grants are closely related to subsidies. Like subsidies, grants generally do not have to be repaid. The key difference is that grants are payments for a specific activity, while subsidies are payments made by the government to lower the costs of purchases or production.





SCALES: What scale of financing?	Small (<€10k)	Medium (€10k-€99k)	Large (€100k-€999k)	Very large (€1million+)
COMPLEXITY: How complex is applying for the finance	Simple	Medium	Complex	
EXIST NOW IN EU?	Yes		No	
REFERENCES:	Eurostat (2015) Environmental subsidies and similar transfers. Publications Office of the European Union https://ec.europa.eu/eurostat/documents/3859598/6923655/KS-GQ-15-005-EN-N.pdf/e3be619b-bb19-4486-ab23-132a83f6ff24			





Instrument: 5.1 Environmental subsidies example

Example name: 5.1.1 Ecofarm Petra Marada, Czech Republic – CAP subsidies

Example description: The Marada family farm near the village of Šardice in the South Moravia region of the Czech Republic is an ecological farm. It received subsidies from 2015-2020 under the second pillar of the EU's Common Agricultural Policy, in the form of agri-environment climate measures, a funding mechanism aiming to provide financial support to farmers to contribute to the protection or enhancement of biodiversity, soil, water, landscape, or air quality, or climate change mitigation or adaptation.

From 2015-2020, the following sustainable practices were implemented for the protection of soil, water, landscape and regenerative processes, including establishing grass buffer zones on the land most at risk of water erosion, setting up a network of feed bio-belts to support farmland birds and wildlife, among others. Other EU funds were used in conjunction to promote the implementation of agri-environment-climate measures on-farm, such as the Operational Programme Environment 2014-2020, which financed wetlands, pools, bio-belts, the planting of regional varieties of fruit trees, and green infrastructure measures.

Payments were made as part of Common Agricultural Policy payments. Payments were made annually for the funding time period (e.g. 2015-2020) on a per ha rate, conditional on implementation of particular actions.

NBS DESCRIPTION	
LOCATION	Ecofarm Petra Marada, Czech Republic
NBS TYPE	Creation Restoration Management
ECOSYSTEM TYPE	Wetland, grassland, farmland
NBS BENEFITS	Climate adaptation, biodiversity, soil restoration, reduce erosion, education
NBS DESCRIPTION	Management measures were undertaken to protect soil, water and landscape, specifically: a) establishing grass buffer zones on the land most at risk of water erosion; b) setting up a network of feed bio-belts to support farmland birds and wildlife; c) implementing measures on arable land with the aim to protect northern lapwing and wetland ecosystem habitats bordering the fields; d) planting grassy areas with typical regional varieties of fruit trees
SCALE (SIZE)	Not reported
NBS PERFORMANCE CRITERIA	Key environmental indicators (ha where measures were implemented)
NBS PERFORMANCE	<ul style="list-style-type: none"> Measures for water retention in the landscape (wetlands and pools): built on 3 ha of previously arable land, which provide for better adaptation to climate change throughout the farm's landscape by maintaining soil cover and establishing perennials to reduce soil disturbance and improve structure so that water permeability is improved as well as retention. In addition: Bio-belts: established on 6 hectares of arable land to stop the decline in plant and animal biodiversity, populations of wild partridge, common pheasant and hare – indicator species of the health status of the landscape – were restored special forage mix grown ecologically on 14 hectares of arable land has improved soil fertility and water management 28 hectares of extensive organically managed orchards were established, which has helped to restore the soil structure and landscape diversity as well as generate predators of crop pests <p>Green infrastructure for outdoor recreation, space for indoor vocational education, information and advisory services, as a result of which hundreds of individuals have been trained</p>
FINANCING DESCRIPTION	
SOURCE OF FINANCING	European Agricultural Fund for Rural Development (EAFRD), Czech national government





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RECIPIENT	Pondscape developer
SCALE (FINANCING)	Total budget €56 311 - of which 31100€ as a subsidy from the EAFRD, 10300€ as a subsidy from the national/ regional government, 3100€ from private sources and 11,811€ from other sources
TIMELINE	The financing was provided over a period of 5 years, from 2015 to 2020.
FINANCING REQUIREMENTS	<ul style="list-style-type: none">- positive contribution to the environment and climate- benefits must go beyond the greening measures required by Pillar 1 of the COP (crop diversification, maintenance of permanent grassland, Ecological Focus Areas)
FINANCING PERFORMANCE	Not reported
TRANSACTION COSTS	Not reported
REFERENCE	<p><u>Specific project:</u> European Network for Rural Development (2020), Agri-environment business focused on adaptation to climate change (Ekofarma Petra Marada), https://enrd.ec.europa.eu/projects-practice/agri-environment-business-focused-adaptation-climate-change-ekofarma-petra-marada_en.</p> <p><u>Agri-environment measures in general:</u> European Network for Rural Development (n.d.), RDP analysis: Support to environment & climate change: M10.1 Agri-environment-climate commitments, https://enrd.ec.europa.eu/sites/enrd/files/rdp_analysis_m10-1.pdf.</p>

