



## Report of the Working Group meeting on Economic and Social Assessment for the forthcoming Croatian Marine and Coastal Strategy

PAP/RAC

(Split, November 6, 2013)

## REPORT

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#### Background information

<b>Title:</b> « MedPartnership » - Strategic Partnership for the Mediterranean Sea Large Marine Ecosystem
<b>Implementing Agency:</b> United Nations Environment Programme
<b>Executing Agencies:</b> FAO, UNESCO-IHP, UNICI, GWP-Med, MOI-ECSDE, WWF MedPO, UNEP/MAP's MEDPOL programme and Regional Activity Centres (CP/RAC, PAP/RAC and SPA/RAC)
<b>Project duration:</b> 5 years
<b>Participating countries:</b> Albania, Algeria, Bosnia and Herzegovina, Croatia, Egypt, Libya, Morocco, Montenegro, Syria, Tunisia, and Turkey.
<b>Budget:</b> The total budget of the Project is 36 million USD. Out of it GEF will secure 12.9 million, while the remaining amount would be secured by the participating countries, executing agencies, and sponsors.
<b>Objectives:</b> The MedPartnership catalyzes action to create an enabling environment for the necessary policy, legal and institutional reforms in the partner countries, as well as investments, to: <ul style="list-style-type: none"><li>• Improve environmental conditions of pollution and biodiversity hotspots and other priority areas under stress;</li><li>• Promote the sustainable use of marine and coastal resources through integrated approaches;</li><li>• Reduce pollution from land-based sources;</li><li>• Enhance the protection of "critical" habitats and species;</li><li>• Integrate climate considerations into national marine and coastal planning.</li></ul>

## Wednesday, November 6

The meeting was attended by 12 participants. In addition to representatives of the PAP/RAC office, the meeting was also attended by the representatives of the Croatian Ministry of Environment and Nature Protection; representatives of the University of Split, of the Institute of Economics in Zagreb, of BC3-the Basque Climate Change Research Centre from Spain, of the Global Climate Forum from Germany. Prior to the meeting of the ESA working group, a “Meeting to present initial results of the assessment of the costs of climate variability and change for the Croatian coast and for the Šibenik – Knin County” was held on November 4-5. Activities presented and discussed are to a high point relevant for the ESA study. Therefore, some notes relevant to ESA have been prepared for this report and are attached as Annex I to this report. Complete List of participants is attached as Annex II to this report.

1. The meeting was opened by Ms. Daria Povh, who presented the project, institutions and experts involved, including their tasks. She pointed out the importance of identifying areas of integration for the socio-economic assessment, for the DIVA model and for the local assessment of the environmental and socio-economic costs of climate variability and change. Mr. Nenad Starc added that the most important task was to build a pragmatic working framework, enabling good coordination between partners.
2. The agenda had to be re-arranged at the last minute as Mr. Anil Markandya could not join the meeting for medical reasons. Therefore, Mr. Nenad Starc commented Mr. Markandya’s work on Economic and Social Assessment (ESA) for the Croatian Marine and Coastal Strategy.
3. The discussion was brought on the topic of Costs of environmental degradation (COED), and many methodologies being used for ESA. Ms. Marta Pascual stipulated that within the PERSEUS project, Guidelines are being developed for adaptive management of marine zones, addressing Marine Spatial Planning, when limited data are available.
4. The scope and availability of needed data were discussed, as well as the problem of insufficiently clear goals set by different strategies regarding a wide range of interests, which restricts the relevance of calculations and projections. It was argued that the time frame of projections is a problem, and that the social coverage is limited only to employment, while the rest is limited by the bad economic situation in the country. It was suggested that currently problematic areas should be prioritised and addressed in cooperation with the local community. It is needed to exclude from the beginning some components, and concentrate only on the relevant ones. Mr. Hinkel added that policy Directive of the European Union, which are very bureaucratic, should be followed only to some extent, insisting on the fact that identified specific social conflicts should be of much greater concern.
5. Key groups and sectors are to be identified, and participatory processes will be encouraged. It was pointed out as crucial to identify weak and endangered groups, and concentrate the action on them. It is also of a great importance to identify groups that lead to a good environmental condition, where good examples can be taken from other countries. To that endeavour, the particular examples of socio-economic studies undertaken in the Netherlands, United Kingdom and in Germany were discussed. Moreover, so as to overcome the problem of insufficiently clear

goals or data sets, projections of neighbouring/"similar" countries, and those from EU should be used and consulted. The key concern of the experts was the time frame and the prioritisation of social issues and institutional capability for the implementation of measures.

6. Some comments were related to the presentation given the day before by Mr. Nenad Starc from the Institute of Economics Zagreb, prepared jointly with the experts from the Faculty of Economics Split. The Croatian experts' presentation opened the question of reliability of projections of main economic indicators describing the economy in crisis. A pilot projection of GDP and GVA for the Primorje - Gorski kotar County revealed that the lack of economic policy reduces projections to the growth path under BaU conditions. It was argued that the BaU conditions will persist in other coastal counties as the Primorje - Gorski kotar County appears as one of the most developed ones. The main obstacle to a development path that would lead towards GES is therefore existing inefficient and definitely not integrated land use and economic policies on county level. Although this point is more relevant for the Strategy for ICZM it will affect ESA too due to the unreliable projections. With a possible exception of tourism which reveals steady growth, development of other sectors is highly unpredictable even in the very short run. The first part of ESA will thus be hard to complete with projections to 2020. Mr. Starc pointed out that estimates of changes in the value of ecosystem services (ESS) under BaU compared to under GES required in the second part of ESA, will be also hard to achieve. GES can be defined as environmental standards are given by the Croatian legislation now made compatible with EU standards, but its achievement relies on the development policy that has yet to be defined and on the institutional capacity that has yet to be built. Discussants pointed out that institutional factor appear as the most constraining one.
7. It was agreed that the first part of the ESA study concerning the description of the coastal areas of Croatia and their role in the economy and society of the country could be made with no conceptual problems. There are enough data and GIS tools to develop a map of the coastline showing key physical and economic features according to the sectors proposed in the Mr. Markandya's presentation. It was pointed out that a better communication should be established with the Institute for Physical Planning and other institutions that are in possession of required data. It was remarked, however, that while there the data on Gross Value Added (GVA) on county level and employment on both county and sectoral level can be obtained, the data on intermediate consumption remain out of reach. Input output table has not been made for the Croatian economy as yet. Proposed table on pressures will be completed and extended to coastal environment as well.
8. Finally, Mr. Starc stipulated that the study should result with some indicators and measures that should be built in the Strategy. Plus, indicators will be further selected down the road regarding the availability of data.
9. The discussion opened on a definition of a good environmental status, where for every relevant activity some threshold should be determined. To help resolve this Ms Nevja Kružić said that next month the Ministry is starting to make good environmental status for the sea, and that thresholds for coastal part can be taken from the water management plan. It is needed to identify business as usual by screening the stakeholders who will detect positive and negative

trends. Also ecosystem services that will be affected by Marine Strategy Framework Directive should be detected. On the question on the evaluation of ecosystem services, which has not been addressed in Croatia yet, Mr. Markandya's expertise and assistance will be precious. Estimation of the costs of upgrading the marine environment so that the GES indicators are met proposed in the Mr. Markandya's presentation was assessed as being more promising than linking the state of the environment to the value of ESS obtained. It was also pointed out that qualitative assessment would have to be made in quite a few issues e.g. assessment of damages from forest fires, currently and under future fire risk, assessment of the impact of climate change on coastal waters in the area of study and assessment of likely damages from extreme heat waves in terms of local health and infrastructure.

10. The economic structure of each coastal Province was discussed; particularly the need to use coherent data sets for the local and national analysis. Different key points have been raised, such as:
  - the "Adriatic Croatia" is above the country average in terms of economic importance of the tourism sector;
  - the number of municipalities under the "territorial scope of the ICZM Protocol" is 139;
  - fishing was given special attention, where the main issue is related to the evaluation of leisure and small scale fishing;
  - synergy building have to be pushed forward between ongoing development processes, and in this direction, the Ministry of Regional Development will have to be involved, especially the Department in charge of the coasts and islands.
11. Regarding the large range and the specificity of the issues, pragmatic approaches and tools were discussed and agreed upon, such as the distribution of income per sector (GINI coefficient) can be calculated and developed.
12. The question of the qualitative assessment of climate change impacts was raised. After a widely discussion, the participants agreed that the most feasible approach should be fostered. It was suggested that an assessment of the likely impacts of climate change in terms of agricultural yields and implied income losses at current prices would be quantitative, but the figures would be projected on the bases of experts' judgement rather than on any kind of trend extrapolation. Therefore, a quantitative approach will be developed regarding the availability of data, but also regarding the budget and time available. What will not be possible to do in a first step, will be added as recommendations for monitoring and further steps. For example, a risk analysis will have to be mentioned regarding the oil and gas production.
13. The discussion revolved around the methodologies and approaches to apply in Croatia and how to implement adopted measures, moreover the relevance and the emphasis to put on each issue was widely discussed. The discussants finally concluded that in spite of existing difficulties ESA can be completed to serve as a valuable input for the Croatian Coastal and Marine Strategy. Further methodological consulting is necessary, however.

## **Annex I – Relevant Notes from the Meeting to present initial results of the assessment of the costs of climate variability and change for the Croatian coast and for the Šibenik –Knin County, Split, 4-5 November 2013**

The meeting provided an opportunity to ascertain the relevance of DIVA project implemented in the Croatia, including its downscaling and application to Šibenik-Knin County, for the economic and social assessment in the Croatian marine and coastal strategy. Presentation on Croatian efforts to get prepared for the climate variability and change given by the representative of the Ministry of Environment and presentation on GIS given by the representative of the National Institute for Physical Planning were not directly related to ESA but proved an important resource for the study, as well as highly relevant for the forthcoming Marine and Coastal Strategy.

Presentations on DIVA methodology and the corresponding data base proved relevant both for ESA and the Strategy. It was remarked, however, that the national assessment of climate change impacts on coastal flooding, coastal erosion and degradation of coastal ecosystems (wetlands in particular), as proposed by GCF may not provide a full picture of impacts as the mainly rocky coast will not be affected by erosion much and the wetlands are too few. It was acknowledged that downscaling that is to be provided by Metroeconomica will have to take much wider approach to provide for projections of impacts on the level of the county.

In the other hand an estimate of changes in number of tourists due to climate change at the national level (different scenarios will be made) will be very useful both for ESA and the Strategy. However, long term projections provided by DIVA model will be of use in defining strategic goals and general measures only. Several discussants pointed that economic projections will not be reliable if made for the period of next 15 or 25 years and that a much shorter period (up to 5 years) should be considered. Both, DIVA and ESA results will be used in preparation of the Strategy, whereas DIVA will cover a longer term view aspects, while ESA will be focused on a shorter period and in particular provide inputs for the preparation of the Action plan that will be prepared along with the Strategy.

Presentation of DIVA data base was followed by remarks on existing data bases controlled by various Croatian institutions (Croatian Bureau of Statistics (CBS), Financial Agency (FINA), some national institutes, public utilities etc.) Some of these are easily obtainable, some have to be purchased and some are almost out of reach.

It was acknowledged that a lot have been done concerning data collecting so far. It appears, however, that reliability and effectiveness of downscaling depends on even more data and that more joint efforts will be needed in this respect. It was concluded that a better contact with the Institute for Physical Planning has to be established.

As for the projections, it was proposed and accepted that the existing county physical plans and their population projections be reviewed and compared to standardized demographic analysis and projections provided by the CBS.

## Annex II - LIST OF PARTICIPANTS

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Croatian Marine and Coastal Strategy  
(Split, 6 November 2013)

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