



Audit Report no 18/23

Funds and property of the State under the management of national parks' administrations

The audit was included in the audit plan of the Supreme Audit Office (SAO) for 2018 under number 18/23. The audit was headed and the Audit Report drawn up by the SAO Member Petr Neuvirt.

The aim of the audit was to verify whether national parks' administrations manage the State's property and funds effectively, economically and in accordance with legal regulations.

The audit of these organisations was performed between October 2018 and April 2019.

The audited period was 2016–2018 and, where related, also the previous and subsequent periods.

Audited entities:

Ministry of the Environment (hereinafter the "MoE");

Krkonoše National Park Administration, Vrchlabí (hereinafter the "KRNAP Administration");

Šumava National Park Administration, Vimperk (hereinafter the "Šumava NPA");

Podyjí National Park Administration, Znojmo (hereinafter the "Podyjí NPA");

České Švýcarsko National Park Administration, Krásná Lípa (hereinafter the "České Švýcarsko NPA").

At its XII meeting held on 19 August 2019, the *Board of the SAO* adopted Resolution no 11/XII/2019 whereby it approved the following wording of the audit report:

KEY FACTS

CZK 7.2 billion	CZK 1.085 billion	CZK 1.108 billion
BOOK VALUE OF THE ASSETS OF NATIONAL PARK ADMINISTRATIONS AS AT 31 DECEMBER 2018 (NETTO)	TOTAL COSTS OF NATIONAL PARK ADMINISTRATIONS IN 2018	TOTAL REVENUES OF NATIONAL PARK ADMINISTRATIONS IN 2018

CZK 356 million

CONTRIBUTION FROM THE MINISTRY OF THE ENVIRONMENT FOR THE OPERATION OF ALL NATIONAL PARK ADMINISTRATIONS IN 2018, I.E. 32% OF TOTAL NATIONAL PARK ADMINISTRATION REVENUES.

CZK 488 million

REVENUES FROM THE SALE OF WOOD OF ALL NATIONAL PARK ADMINISTRATIONS IN 2018, I.E. 44% OF TOTAL NATIONAL PARK ADMINISTRATION REVENUES.

61%

INCREASE IN LOGGING BY NATIONAL PARK ADMINISTRATIONS IN 2018 COMPARED TO 2016.

CZK 23 million

PROFIT OF NATIONAL PARK ADMINISTRATIONS IN 2018.

CZK 870 thousand

KRNAP ADMINISTRATION FAILED TO ACT ECONOMICALLY IN THE LEASE OF LAND PARCELS AND REDUCED REVENUES FROM THE LEASE OF ASSETS. THE SAO FILED A SUSPICION THAT KRNAP ADMINISTRATION MAY HAVE COMMITTED A CRIMINAL OFFENCE BY VIOLATING ITS OBLIGATIONS IN MANAGING ENTRUSTED PROPERTY.

CZK 20 million

ČESKÉ ŠVÝCARSKO NATIONAL PARK ADMINISTRATION DID NOT COMPLY WITH THE PROCEDURE LAID DOWN BY THE PUBLIC PROCUREMENT ACT AND THEREFORE THE SAO NOTIFIED THE TAX ADMINISTRATOR OF BREACHING BUDGETARY DISCIPLINE.

I. Summary and evaluation

The SAO audited four National Park Administrations (hereinafter “NPAs”) and the MoE, which is their founder. The aim of the audit was to verify that the national park administrations managed the State’s assets and funds efficiently, economically and in accordance with legal regulations.

The audit found partial shortcomings in the management of NPAs with State assets and funds.

NPAs fulfil their tasks in nature protection and manage State assets and funds effectively. The audit found a case of uneconomical use of State assets at the KRNAP Administration. Furthermore, the audit revealed some cases of breaching legal regulations. This concerned in particular violations in the areas of the leasing assets, public procurement, accounting and internal control.

The revenue from the sale of wood constituted a significant source of self-financing for NPAs during the period under review (44% of total revenues in 2018). This revenue was influenced by the increasing volume of incidental logging due to abiotic and biotic agents¹ in national parks (NPs). The SAO draws attention to the risk of increasing claims for the future financing of NPAs’ activities from the State budget due to the expected decline in this revenue.

The MoE managed the economic activities of NPAs without identified shortcomings.

The MoE, as the Central State Administration Authority for nature protection, failed to fulfil the measures of the basic strategic framework of nature and landscape protection. The MoE had not prepare the strategy of multi-source financing for nature and landscape management by the deadline approved by the Government. MoE also did not elaborate a comprehensive development strategy for national parks in the period under review.

The SAO also found that the obligation of the MoE to ensure the registration of the State’s pre-emption right to land parcels in the NPs cannot be fulfilled due to legislative ambiguity². As a result, naturally valuable land is transferred without the State having the right to exercise the pre-emptive right.

The overall assessment is based on the following audit findings:

1. Deficiencies in the economic management of NPAs

The audited NPAs failed to act in accordance with the Property Act³, the Budgetary Rules Act⁴, the Public Procurement Act⁵, the Act on Awarding Public Contracts⁶, the Accounting Act⁷ and the Register of Contracts Act⁸.

¹ Abiotic agent – influence of inanimate nature, e.g. wind, snow, frost; biotic agent – influence of living organisms, e.g. bark and wood decaying insects.

² Act no 123/2017 amending Act no 114/1992 on nature and landscape protection, as amended, (hereinafter the “Amendment to the Nature and Landscape Protection Act”) is effective from 1 June 2017. The amendment to the Nature and Landscape Protection Act was prepared by the MoE, as the ministry responsible for the proper legal regulation within its competence.

³ Act no 219/2000 on the property of the Czech Republic and its acts in legal relationships (hereinafter the “Property Act”).

⁴ Act no 218/2000 on budgetary rules and amending certain related acts (Budgetary Rules), (hereinafter the “Budgetary Rules Act”).

The České Švýcarsko NPA failed to act in accordance with the Public Procurement Act⁹. Based on this, the SAO notified the tax administrator of breaching budgetary discipline by the České Švýcarsko NPA in the amount of CZK 20 million.

The KRNAP Administration acted uneconomically in the lease of land and reduced the revenues from the lease of assets by CZK 870 thousand in 2018. The SAO consequently filed a suspicion that the KRNAP Administration may have committed a criminal offence by violating its obligations in managing entrusted property.

2. Revenue from the sale of wood is a significant source of funding for NPAs and its expected decline is a risk

Wood production and its sale are not among the priorities of the NP's forest management; still, the revenue from the sale of wood accounts for 44% of the total revenues. The expected decrease in this revenue presents a risk that the claims for further financing of NPAs from the State budget will increase in the future.

3. The MoE did not fulfil the measures of the basic strategic framework of nature and landscape protection

In the period under review, the MoE strategic documents in the area of nature and landscape protection were the *Strategy for the Protection of Biodiversity of the Czech Republic 2016–2025* and the *State Programme of Nature and Landscape Protection of the Czech Republic*.

The MoE did not meet the deadline set in the *Strategy for the Protection of Biodiversity of the Czech Republic 2016–2025* for the elaboration of the *Strategy of Multi-Source Financing for Nature and Landscape Management*. The strategy is intended to ensure a sufficient volume of funds for nature and landscape protection, i.e. including NPs. This strategy had not been prepared by the end of the audit.

The *State Programme of Nature and Landscape Protection of the Czech Republic* stipulated that in relation to protected areas, a NPs' Development Strategy must be prepared by 2011. In the period under review, the MoE did not have a comprehensive NPs' development strategy. The SAO also pointed out the absence of the NPs' development strategy in its audit no 11/06¹⁰.

4. The MoE did not apply for registration of the State's pre-emptive right to NPs' land parcels in the Real Estate Registry

The Amendment to the Nature and Landscape Protection Act, which was prepared by the MoE, was intended to unambiguously regulate the procedure for the exercise of the State's pre-emption right to land parcels in NPs. The audit found that, due to legislative ambiguity the MoE failed to fulfil its obligation to file an application for the registration of the

⁵ Act no 137/2006 on public procurement (hereinafter the "Public Procurement Act").

⁶ Act no 134/2016 on the act on awarding public contracts (hereinafter the "Act on Awarding Public Contracts").

⁷ Act no 563/1991 on accounting (hereinafter the "Accounting Act").

⁸ Act no 340/2015 on special conditions governing the effect of certain contracts, the disclosure of these contracts and the register of contracts (Register of Contracts Act).

⁹ Section 74(5) of the Public Procurement Act.

¹⁰ SAO Audit no 11/06 – Funds and assets of the State whose management is within the competence of selected national park administrations

pre-emption right. As a result, land parcels are transferred without the State having the right of pre-emptive offer.

II. Information on the audited area

Under the Act on the Establishment of Ministries and Other Central State Administration Authorities of the Czech Republic¹¹, the **MoE** is the supreme state supervision authority in environmental matters. The MoE is the Central State Administration Authority for, among other things, nature and landscape protection and hunting, fishing and forestry in NPs.

Within their territories and protection zones, **NPAs** are responsible for nature protection and perform state administration within the scope of the Nature and Landscape Protection Act¹². NPAs **are government subsidised** organisations (SOs)¹³ established by the MoE and, in accordance with the Budgetary Rules Act, they manage finances received from the State budget in a manner determined by their founder, or obtained from their activities, and furthermore they manage their own funds. NPAs are separate entities, which are required to keep accounts in accordance with the Accounting Act and to manage State property in accordance with the Property Act. The core purpose and subject of the main and business activity of NPAs are defined in detail in the Deed of Foundation.

NPs are one of the categories of specially protected areas. Pursuant to Section 15 of the Nature and Landscape Protection Act, it is possible to declare as NPs large areas with typical relief and geological structure and prevalent occurrence of natural ecosystems or ecosystems only slightly altered by man, which are unique and significant nationally or internationally from an ecological, scientific or educational point of view. The **long-term objective** of NPs' conservation is preserving or gradually restoring natural ecosystems, including ensuring the undisturbed course of natural processes in their natural dynamics in the predominant area of the NPs, and preserving or gradually improving the condition of ecosystems the existence of which is conditional on human biodiversity-relevant activities in the remaining NPs' territory.

The specifications of the Krkonoše NP, the Šumava NP, the Podyjí NP and the České Švýcarsko NP are given in Annex 1 to this audit report. Cross-border cooperation of NPAs is given in Annex 2 to this audit report.

As of 1 June 2017, an **amendment to the Nature and Landscape Protection Act** came into effect in the period under review, addressing a number of changes in the area of nature and landscape protection in national parks. It redefined NPs, laid down the individual NPs and their basic and closer protective conditions, resting areas of NPs, the classification of the NPs' territory and the regime of zones, visiting rules, principles of care, etc. The MoE is

¹¹ Section 19 of Act no 2/1969 on the establishment of ministries and other Central State Administration Bodies of the Czech Republic.

¹² Act no 114/1992 on nature and landscape protection (hereinafter the "Nature and Landscape Protection Act").

¹³ Until 31 December 2017, the České Švýcarsko NPA was a State organisational unit (SOU) subordinate to the MoE. It was transformed from an SOU to a SO in connection with the amendment to the Nature and Landscape Protection Act. The intention of the MoE to change the legal form was to subordinate the individual activities carried out by NPAs to the same regime, namely in the area of management of assets and funds of the State.

currently collecting data to assess the impact of the amendment to comply with the 3-year period for reviewing the effectiveness and assessing progress in achieving the objectives of the amendment.

III. Scope of audit

The aim of the audit was to verify whether NPAs manage State assets and funds efficiently, economically and in accordance with legal regulations.

The following were audited in NPAs:

- management of State assets and funds;
- adherence to obligations related to NPs' activities according to the Nature and Landscape Protection Act and procedures according to NP management plans;
- cooperation with territorial self-government and cross-border partners; and attitude of NPAs to the issue of public use of NPs' territory.

At the MoE, the audit focused on financial relations with individual NPAs, setting up a system for controlling the management of NPAs and related conceptual and methodological activities in the area of nature and landscape protection in NPs.

The audited period was 2016–2018 and, where related, also the previous and subsequent periods.

When auditing NPAs, the Supreme Audit Office audited the following:

- funds in the amount of CZK 1,341,613,296;
- assets in the amount of CZK 86,960,112;
- related public contracts worth CZK 469,164,231 including VAT.

The criteria were drawn mainly from the Property Act, Budgetary Rules Act, Accounting Act, Nature and Landscape Protection Act and Public Procurement Act and the Act on Awarding Public Contracts.

Note: *The legal regulations referred to in this audit report are applied as effective in the audited period.*

IV. Detailed facts ascertained by the audit

As at 31 December 2018, NPAs had assets (net) of CZK 7.229 billion. The costs of NPAs in 2018 totalled CZK 1.085 billion. The revenues of NPAs in 2018 totalled CZK 1.108 billion. Selected items of the financial statements are shown in Tables 1 and 2 for 2018, when all NPAs had the same method of financing with respect to their legal form.

Table 1: Overview of selected items from balance sheet and profit and loss account of NPAs for 2018 (in CZK thousands)

NP Administration	Net book value of assets as at 31 December 2018	Total costs (2018)	Total revenues (2018)
Krkonoše NPA	2,847,582	344,878	349,973
Šumava NPA	3,308,400	586,673	590,412
Podyjí NPA	375,351	49,766	49,810
České Švýcarsko NPA	698,525	103,780	117,375
Total	7,229,858	1,085,097	1,107,570

Source: Balance Sheets and Profit and Loss Accounts of individual NPAs as at 31 December 2018.

Table 2: Selected revenues of NPAs for 2018 (in CZK thousands)

NP Administration	Operating contribution from the founder	Revenue from the sale of wood
Krkonoše NPA	126,884	104,588
Šumava NPA	147,900	313,902
Podyjí NPA	30,480	9,505
České Švýcarsko NPA	51,159	60,148
Total	356,423	488,143

Source: 2018 general ledgers of individual NP Administrations.

In 2018, the operating contribution from the founder of all NPAs amounted to CZK 356 million, i.e. 32% of total revenues. Revenues from the sale of wood of all NPAs in 2018 amounted to CZK 488 million, i.e. 44% of total revenues.

In the audited period, the management of NPAs was financed by an operating contribution from the founder, subsidies from the State budget, from the EU budget, from the EEA and Norway grants and by NPAs' own resources. The operating contribution from the MoE included, in particular, a contribution to activities, a contribution to forest management, funds from the *Landscape Management Programme* and compensation for damages caused by complicating agricultural or forestry management.

A detailed overview of the amount of funds provided by the MoE to individual NPAs in the audited period within the financial relations set by the founder pursuant to the Budgetary Rules Act¹⁴ is given in Annex 3 to this audit report.

In 2018 NPAs posted a profit after tax (Table 3) in the total amount of CZK 23,063 thousand (main activity CZK 22,474 thousand, economic activity CZK 589 thousand).

Table 3: Economic results of National Park Administrations in 2018 (CZK thousands)

NP Administration	Total economic result (main and economic activity)
Krkonoše NPA	5,100
Podyjí NPA	181
Šumava NPA	4,021
České Švýcarsko NPA	13,761
Total	23,063

Source: Profit and Loss Accounts of individual NPAs as at 31 December 2018.

¹⁴ Section 54 of the Budgetary Rules Act.

1. Deficiencies in the economic management of NPAs

When auditing the selected sample, the SAO verified whether NPAs managed State assets and funds efficiently, economically and in accordance with legal regulations.

The SAO audit found the following:

- The KRNAP Administration leased land parcels for the purpose of locating a cable car and ski slope with a total area of 193,315 m². The annual rent effective from 1 January 2018 was set by the KRNAP Administration at CZK 1,848,490. This rent did not correspond to the size of the leased land parcels and the rates stated in the lease agreement. The rent should have amounted to CZK 2,709,830. The KRNAP Administration set the rent by CZK 861,340 lower. Furthermore, in 2018 the KRNAP Administration did not assess the rent for two land parcels in the amount of CZK 9,334.

The KRNAP Administration thus agreed on an annual rent for the lease of the land parcels which was lower by a total of CZK 870,674 and unjustifiably reduced the property lease income by this amount in 2018. The KRNAP Administration leased their assets for temporary use to another person in such a way that the revenue from these assets was unreasonably reduced. Thus, the KRNAP Administration did not fulfil the assigned tasks in the most economical way in accordance with the State Property Act¹⁵ and the Budgetary Rules Act¹⁶. The SAO reported a suspicion that the KRNAP Administration may have committed a criminal offence by violating its obligations in managing entrusted property

- The České Švýcarsko NPA failed to act in accordance with the law concerning the award of two above-the-threshold public contracts in an open procedure pursuant to the Public Procurement Act¹⁷. The value of the concluded contracts was CZK 20,007,361. The SAO notified the tax administrator of breaching budgetary discipline in this amount.
- The Podyjí NPA did not act in accordance with the Budgetary Rules Act¹⁸ in 2016–2018, as it did not keep business activities separate from the main activity. The revenues from the provision of services (especially in forestry and agriculture) amounting to CZK 24,419 and accommodation services amounting to CZK 232,993 were recorded by the Podyjí NPA in the main activity, although these activities are part of the business activity according to the Deed of Foundation.
- In 2015, the Podyjí NPA demolished five buildings registered in the Real Estate Registry, but, contrary to the Cadastral Act¹⁹, it did not report this information within 30 days after it became obliged to do so.
- Podyjí NPA did not act in accordance with *the Directive on Awarding Public Contracts and the Public Procurement Act*²⁰, since in two cases it concluded a works contract for the supply of intangible fixed assets without making a selection from several tenders, thus awarding two public contracts by direct award. The value of these contracts was CZK 1,123,130.

¹⁵ Section 14(1) of the Property Act.

¹⁶ Section 53(4) of the Budgetary Rules Act.

¹⁷ Section 74(5) of the Public Procurement Act.

¹⁸ Section 63 of the Budgetary Rules Act.

¹⁹ Section 37(1)(d) of Act no 256/2013 on the Real Estate Registry (the Cadastral Act).

²⁰ Section 18(5) and Section 6(1) of the Public Procurement Act.

- In the case of one contract, the Podyjí NPA did not comply with the rules for awarding public contracts in the below-the-threshold regime governed by the Act on Awarding Public Contracts.
- The Podyjí NPA had rules in place for the internal control system, and in spite of it, in many cases, it did not verify the documentation of the upcoming operations and did not consistently perform preliminary management control pursuant to the Financial Control Act²¹. Since 2018, there has been a gradual improvement. The MoE continuously monitored this situation.
- In 3 cases, NPAs did not act in accordance with the Accounting Act²² by not accounting for changes in assets in the period in which these accounting transactions were made:
 - The Podyjí NPA accounted for the disposal of tangible fixed assets (buildings) in the amount of CZK 2,259,565 in 2016, although the accounting transaction was made in 2015;
 - The Podyjí NPA accounted for the disposal of tangible fixed assets (vehicles) in the amount CZK 703,731 in 2017, although the accounting transaction was made in 2016;
 - The KRNAP Administration accounted for the purchase of tangible fixed assets (land parcels) in the amount of CZK 453,395 in 2017, although the accounting transaction was made in 2016.
- In 43 cases, when publishing contracts through the Register of Contracts, the KRNAP Administration, the Šumava NPA and the Podyjí NPA did not act in accordance with the Register of Contracts Act²³. The value of these contracts was CZK 10,945,763.

The audit found other partial deficiencies in individual NPAs, especially in relation to accounting.

2. Revenue from the sale of wood is a significant source of funding for NPAs and their expected decline is a risk

Forests account for about 85% of the NPs' area and are in most cases classified as special purpose forests in terms of their predominant functions²⁴. The ongoing natural processes in the NPs include insects and their impacts, including species referred to as bark beetles (e.g. spruce bark beetles) and wood decaying insects (e.g. longhorn beetle).

Wood production and its sale are not among the priorities in forest management in the territory of the NPs; still, the revenue from the sale of wood accounts for a significant part of the total revenues. In the future, this item will be influenced by the current state of wood surplus on the Czech and European markets, and by a gradual reduction in the extent of logging due to the achievement of set targets and the reduction of active management in forest ecosystems.

²¹ Section 25(2)(c) and (4) and Section 26(1) of Act no 320/2001 on financial control in public administration and amending certain acts (the Financial Control Act).

²² Section 3(1) of the Accounting Act.

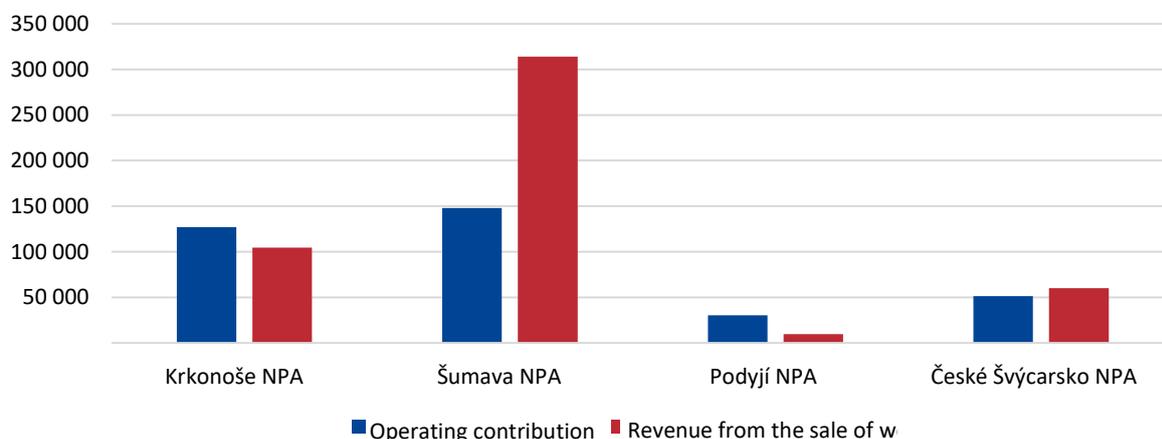
²³ Section 5(2) of the Register of Contracts Act.

²⁴ Section 8(1)(c) of Act no 289/1995 on forests and amending and supplementing certain acts (the Forest Act), (hereinafter the "Forest Act").

In 2018, a total of 431,930 m³ of wood was logged in the forests of the NPs²⁵, which represents an increase of 61% compared to 2016.

The following chart shows the amount of the operating contribution and the revenue from the sale of wood for each NPA in 2018, when all NPAs had the same method of financing with respect to their legal form.

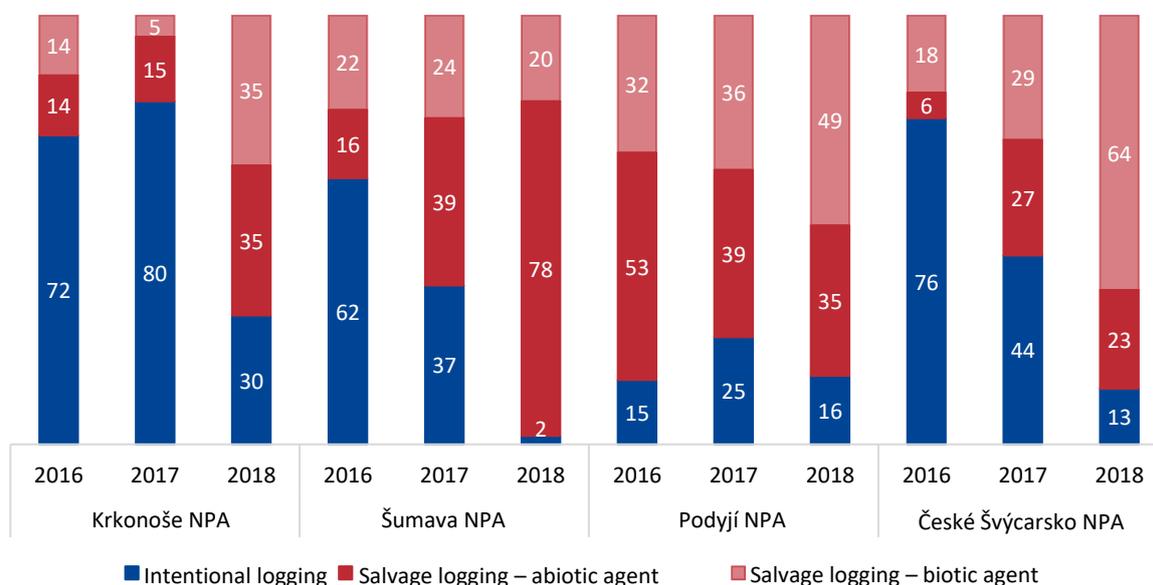
Chart 1: Operating contribution and revenue from the sale of wood in 2018 (CZK thousands)



Source: Data from the MoE and individual NPAs.

In the audited period, the share of intentional logging²⁶ (restoration and educational logging) decreased and, conversely, the share of salvage logging increased²⁷. The increase in salvage logging was caused by abiotic agents and the excessive occurrence of harmful biotic agents. Coniferous wood logging in total logging accounted for approximately 97%.

Chart 2: Intentional and salvage logging in 2016–2018 (%)



Source: data from individual NPAs.

²⁵ KRNP Administration and Podyjí NPA manage the forest lands of the NP territory and its protection zone. The following data also include the protection zone for these NPAs.

²⁶ Intentional logging is intended for the restoration of forests that are older than 80 years and do not exceed the size of the logging area laid down by the Forest Act.

²⁷ Logging for the purpose of processing dry, uprooted, diseased or damaged trees.

Influence of biotic agents

Forest protection, e.g. against insect pests, is one of the standard forest management activities of individual NPAs and NPAs intervene against bark and wood decaying insects in accordance with the applicable management plan²⁸ and forest management plans created for all land parcels intended for forest functions.

For the KRNAP Administration, 2018 was the fourth worst in terms of the share of salvage logging and the second worst in terms of the share of bark beetle logging since 1994. The KRNAP Administration does not determine the area affected by bark and wood decaying insects. As part of ecosystems, insects occur throughout the entire forest area. The only method of reporting is the quantification of salvage logging in m³.

Forest areas damaged, *inter alia*, by bark and wood decaying insects are monitored by the Šumava NPA annually by aerial photography. In 2018, according to the Šumava NPA, the total area of dead trees in the Šumava NP which died mainly due to the effects of the bark and wood decaying insects was 5,570 ha, i.e. the standing dead tree area accounted for 8% of the total NP area.

The Podyjí NPA does not register any large-scale dying of coniferous trees, because, given the dominance of deciduous trees (85%), coniferous trees often form only isolated or group addition to deciduous forests.

In 2018, forestry activities and interventions in the territory of the České Švýcarsko NP were influenced by the bark beetle gradation and the priority given to salvage logging; 166 ha of forest areas were affected by bark insects, i.e. approximately 2% of the total NP area. In May 2019, following the completion of the audit, the České Švýcarsko NPA issued a decision to limit salvage logging in the national park.

Logging activity²⁹

Natural influences and outbreaks of bark insects in spruce forests caused, in the audited period, an increase in salvage logging in the NP and, due to the similar condition of forests in most of the Czech Republic, an increased supply of spruce wood. This led to a deterioration in sales and a gradual decline in wood prices. The fall in prices was also affected by the reduced quality of the logs due to pest insects. An analysis of the costs of logging and revenues from the sale of wood of individual NPAs in the period under review is given in Annex 4 to this audit report.

Table 4 presents an overview of selected costs of NPAs for 2018.

²⁸ The administration of the Šumava NP acts in accordance with the Director's Order no 141 on the method of management of the Šumava NP ecosystems in partial areas.

²⁹ The logging activity consists of partial operations, namely logging (felling), skidding (including routing) and transport.

Table 4: Overview of selected costs of NPAs for 2018 (CZK thousands)

NP Administration	Costs of activities	– of which logging costs
Krkonoše NPA	340,852	51,590
Šumava NPA	581,273	182,729
Podyjí NPA	49,738	5,146
České Švýcarsko NPA	100,780	35,033
Total	1,072,643	274,498

Source: 2018 General Ledgers of individual NP Administrations.

3. The MoE did not fulfil the measures of the basic strategic framework of nature and landscape protection

The *Strategy for the Protection of Biodiversity of the Czech Republic 2016–2025* (hereinafter the “Strategy”) was submitted by the MoE to the Government, which approved it by Resolution no 193 of 9 March 2016. The main objective of the Strategy is to prevent the continuing overall loss of biodiversity in the Czech Republic and at the same time to implement measures and activities that will improve the condition and long-term sustainability of biodiversity.

The crucial objective of the Strategy for the financing of nature and landscape management is objective 1.5 *Economic instruments and financial support*. In the audited period, sub-objective 1.5.1, given in Table 5, was to be achieved.

Table 5: Sub-objective 1.5.1 and its selected measures

Sub-objective	Measure	Indicator	Deadline	Verification sources	Responsible body
1.5.1 Ensure sufficient funds and subsidies for nature and landscape management	Creation of inter-ministerial strategy for the multi-source financing of nature and landscape management	Strategy of multi-source financing	2017	Strategy; data on financial requirements of implemented projects	MoE in cooperation with the MoA, MF and other ministries concerned
	Analysis of the system of compensations for damage and harm for the complication caused to economic management.	Legislative-economic analysis of the system of providing compensation for damage and harm for economic management in the Czech Republic and in neighbouring countries and possible optimization under the existing or new legislation	2018	Analysis and proposal of possible optimization	MoE in cooperation with MoA and MF

Source: *Strategy for the Protection of Biodiversity of the Czech Republic 2016–2025*.

In relation to the financing of nature and landscape management, the Strategy set the year 2017 as the deadline for the MoE to elaborate the *Strategy of Multi-Source Financing for Nature and Landscape Management*; however, the MoE did not meet this deadline. The strategy is intended to ensure a sufficient volume of funds for nature and landscape protection, i.e. including NPs. The MoE will not set the next deadline for the elaboration of this strategy until the mid-term evaluation of the sub-objectives of the Strategy in 2020.

Under the sub-objective 1.5.1, measure “analysis of the system of compensations for damage and harm for the complication caused to management”, the MoE proposed a legislative amendment according to which the entitlement to financial compensation due to limitations under the Nature and Landscape Protection Act does not apply to damage incurred or existing on land parcels owned by the State. The Chamber of Deputies of the Parliament of the Czech Republic did not adopt the proposed amendment. The entitlement to financial compensation for damage incurred or existing on land parcels owned by the State in the Nature and Landscape Protection Act remains unchanged. Thus, the NPAs continue to provide financial compensation from the State budget to the State-owned enterprise Lesy ČR.

Table 6: Amount of compensation paid for the complication caused to forestry or agricultural management (CZK)

	2016	2017	2018
Šumava NPA	29,544,633	21,332,114	15,284,993
of which Lesy ČR, s. p.	5,281,133	4,254,139	4,744,271
České Švýcarsko NPA	0	0	160,491
of which Lesy ČR, s. p.	0	0	160,491

Source: MoE data

The Government of the Czech Republic approved the update of the **State Programme for Nature and Landscape Protection of the Czech Republic** (hereinafter the “SPNLP”) by its Resolution no 1497 of 30 November 2009. SPNLP, prepared by the MoE, analyses the state of the natural and landscape environment and formulates long-term goals and measures necessary to achieve them. It deals with the issue of landscape protection in general and also in detail according to individual types of landscape ecosystems, species protection and protected areas. It serves as an action plan for the achievement of the Strategy’s objectives.

One of the measures in the SPNLP protected areas was to develop an NPs’ development strategy with a deadline in 2011. In the audited period, the MoE did not have a comprehensive NPs’ development strategy that would deal with the development of NPs and set specific objectives and priorities, indicators for their evaluation and a timetable for achieving the target state.

In the hierarchy of documents, general strategic documents of nature and landscape protection for NP territories are further specified in plans (or documents regulating the subject of protection of a special area of conservation³⁰), which usually deal with the system of management of natural and landscape environment, ecosystems and their components in a specific NP.

In the period under review 2016–2018, as in previous years, the Šumava NPA was the only NPA not to have a valid management plan³¹ which, based on data on the current development and current state of the NP territory, proposes measures to preserve or improve the state of the subject of protection. Necessary duties and activities in the administered territory were performed by the Šumava NPA on the basis of the *Nature and Landscape Protection Act, the Deed of Foundation of the Šumava National Park*

³⁰ The system of specially protected areas and NATURA 2000 sites (special areas of conservation and bird protection areas) overlap each other.

³¹ Pursuant to the provisions of Section 79(3)(h) of the Act on Nature and Landscape Protection, the MoE is responsible for the preparation of and approves plans for the management of a specially protected area and its protection zone.

*Administration (subsidised organisation) and the Summary of Recommended Measures for the Šumava special area of conservation*³².

4. The MoE did not file an application in the Cadastre of Real Estate to register the State's pre-emptive right to land parcels within the NPs

With effect from 1 June 2017, the MoE is obliged, in accordance with Section 61(1) of the Nature and Landscape Protection Act, to file an application for the registration of the State's pre-emptive right in the Cadastre of Real Estate for undeveloped land parcels outside built-up areas of municipalities on the territory of the NP, national nature reserves, national natural monuments and land parcels related to caves.

In 2017, the MoE commenced talks with the Czech Office for Surveying, Mapping and Cadastre on the manner of registration of the statutory pre-emptive right to the land parcels in question in the Cadastre of Real Estate. Because Section 61(1) of the Nature and Landscape Protection Act does not prescribe the document to be used to file the application, the registration of the pre-emptive right in the Cadastre of Real Estate for undeveloped land parcels outside built-up areas of municipalities on the territory of the NP, national nature reserves, national natural monuments and land parcels related to caves, is not applicable in practice.

The MoE proposed an amendment to the above provision in an upcoming amendment to the Nature and Landscape Protection Act³³, which was sent to the inter-ministerial comment procedure on 27 March 2019. The proposed amendment should come into effect on 1 July 2020.

Owners of forests, watercourses, water bodies and undeveloped land parcels on the territory of the NP must not sell this type of land parcel without first offering it to the MoE. The MoE knows of a number of cases of land parcel transfer without a purchase offer to the State. There are 88 cases in the Šumava NPA, 600 cases in the KRNP Administration and 23 cases in the Podýjí NPA. Upon the request of the MoE sent to the owners of selected land parcels, these owners are obliged to offer the said land parcels to the MoE for purchase and must do so under the conditions under which they acquired the land themselves³⁴.

Purchases of land parcels increase naturally valuable land owned by the State, which guarantees more efficient management of forest and non-forest ecosystems in the territory of individual NPs. This procedure also minimizes the required funding from the State budget in the case of harm that may be incurred as a result of restrictions on forestry or agricultural management³⁵. In the period under review, land parcel purchases were paid through the *National Environmental Programme* of the State Environmental Fund of the Czech Republic in the total amount of CZK 44,041,524.

³² The expert strategic document *Summary of recommended measures for the Šumava special area of conservation* was approved by the MoE on 16 June 2016.

³³ On the basis of the proposal (submitter ref.: MZP/2019/410/192) amending certain acts in relation to the adoption of Regulation (EU) No 1143/2014 of the European Parliament and of the Council on the prevention and management of the introduction and spread of invasive alien species and Council Regulation (EC) No 708/2007 concerning use of alien and locally absent species in aquaculture. The proposal is available at: <https://apps.odok.cz/veklep-detail?pid=KORNBANEWTVL>.

³⁴ Section 2144 and Section 2147 of Act no 89/2012, the Civil Code.

³⁵ Section 58 of the Nature and Landscape Protection Act.

The State is the majority owner of land parcels in the NPs. The following table shows the area of land parcels in the territory of NPs by ownership.

Table 7: Land parcel area in NP territory by ownership – 1st half of 2018 (ha)

	KRNAP	Šumava NP	Podyjí NP	České Švýcarsko NP	NP total
Czech Republic – NP administration	31,663	57,721	5,585	7,865	102,834
Czech Republic – Other	356	576	314	22	1,268
Municipalities	445	7,240	251	8	7,944
Other owners	4,661	2,815	126	34	7,636
Total	37,125	68,352	6,276	7,929	119,682

Source: *Plan of measures to secure the funds for the objectives and mission of national parks of the Czech Republic.*

List of abbreviations

CR	Czech Republic
České Švýcarsko NPA	České Švýcarsko National Park Administration
EEC	European Economic Area
EU	European Union
Krkonoše NPA	Krkonoše National Park Administration
MF	Ministry of Finance
MoA	Ministry of Agriculture
MoE	Ministry of the Environment
NP / NPs	national park (national parks)
NPAs	Administrations of the four national parks audited
OSS	Organisational Unit of the State
Podyjí NPA	Podyjí National Park Administration
SAO	Supreme Audit Office
SO	Subsidised Organisation
SPNLP	State Programme for Nature and Landscape Protection of the Czech Republic
Strategy	Strategy for the Protection of Biodiversity of the Czech Republic 2016–2025
Šumava NPA	Šumava National Park Administration
TFA	tangible fixed assets
VAT	Value added tax

List of Annexes

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Annex 1

Specification of individual NPs



KRNAP was created on 17 May 1963 and despite its small size and low altitude, its territory abounds with extraordinary variety of landscape, flora and fauna, which far exceeds the natural diversity of the surrounding European highlands. The typical landscape character of the Krkonoše mountains is made up of a mosaic of natural, close-to-nature and cultural landscape types, which are unique in many cases. For example, tundra ecosystems occupy about 4% of the KRNAP area. It is a unique environment of European importance, very sensitive to anthropogenic influences. The most visited places in the KRNAP are Sněžka, including the access roads, and the Elbe spring.



The rugged relief of the Šumava NP, which was declared on 20 March 1991, creates a mosaic of various habitats that are suitable for many species. Typologically the most important are flowery beech forests, acidophilous beech forests and mountain spruce forests. A number of natural azonal units have occurred in the Šumava NP (i.e. based on regional or local specialties that are not bound to a particular climate zone), especially peat bogs, valley bottomland, waterlogged spruce forests, relict pine forests and woodless stone seas, lake ecosystems, rare relics of natural, mostly wetland and frost woodless land, non-forest spring systems and ecosystems of stagnant and flowing waters. The most visited places in the Šumava NP are Modrava, the Vltava spring, Bučina, the glacial lakes and Poledník.



The Podyjí NP was declared on 10 May 1991 and represents an exceptionally well-preserved example of a landscape in a river valley in the hilly region of Central Europe. The Dyje canyon creates a unique river phenomenon with numerous meanders, deeply cut valleys of side tributaries, various rock shapes, stone seas and rock walls. The area is distinguished by the high diversity of plant and animal communities given by the alternating exposition of slopes in the Dyje valley. The most visited places of the Podyjí NP are Hardegg vantage point, Šobes vineyards, Nový Hrádek and Králův stolec.



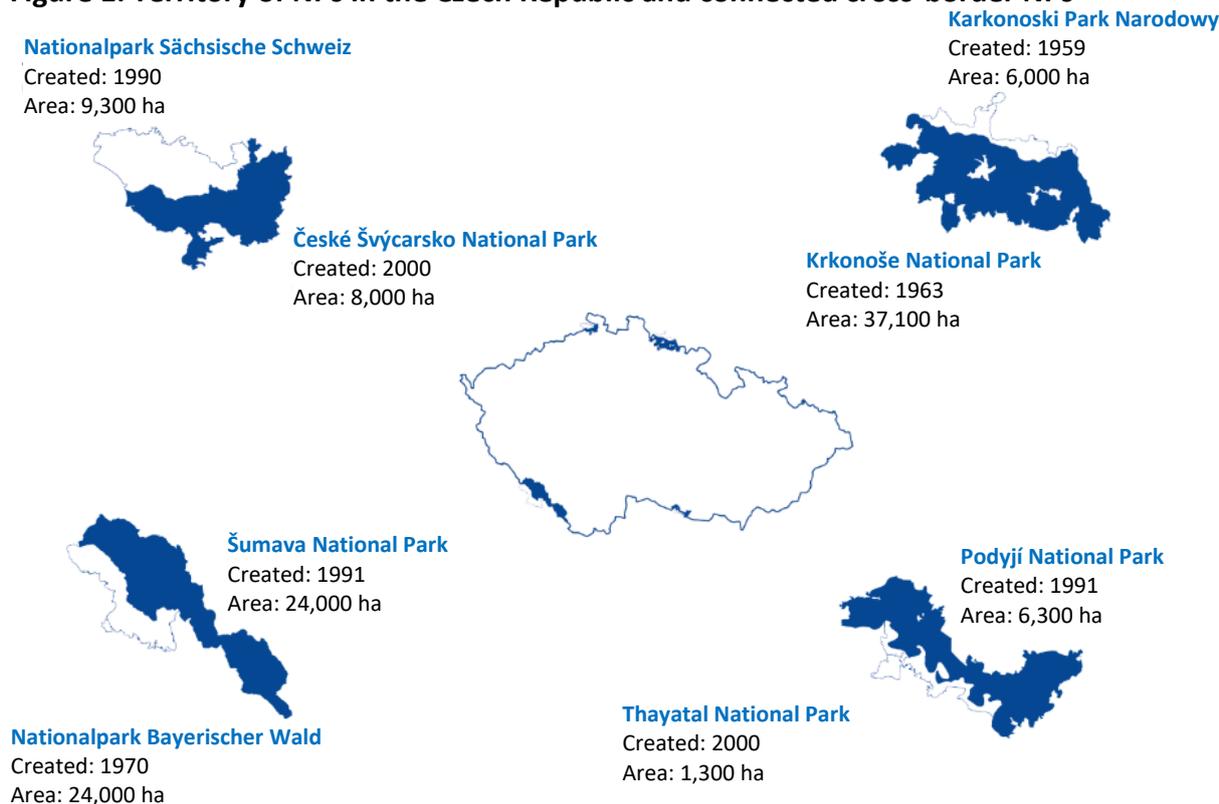
Since its establishment on 1 January 2000, the protection of the České Švýcarsko NP has focused on protecting a representative example of the sandstone phenomenon of the Bohemian Cretaceous Basin, i.e. the characteristic relief of block sandstones and the specific ecological conditions determining biodiversity. Geomorphologically it is an exceptionally well-preserved type of landscape without much destructive human influences. The most visited places of the České Švýcarsko NP are Pravčická brána, Hřensko, Mezná and Jetřichovice.

Annex 2

Cross-border NP

Czech National Parks are adjacent to cross-border NPs, with which the administrations of Czech NPs cooperate professionally and participate in the implementation of joint projects. The České Švýcarsko NP adjacents to the Nationalpark Sächsische Schweiz on the German side, KRNAP borders with the Karkonoski Park Narodowy on the Polish side, the Podyjí NP adjacents to Nationalpark Thayatal on the Austrian side and the Šumava National Park borders with the Nationalpark Bayerischer Wald on the German side.

Figure 1: Territory of NPs in the Czech Republic and connected cross-border NPs



Source: Websites of individual NP Administrations, SAO data

Note: In the Krkonoše and Podyjí NPs the area excludes the protection zone.

NPs occupy 1.5% of the territory of the Czech Republic. The following table compares the NPs' systems in neighbouring countries.

Table 8: NPs' systems in the Czech Republic and neighbouring countries

	Number of NPs	Establishment of the last NP	Total area of all NPs in ha thousands	Share of the area of all NPs in the total area of the country
Czech Republic	4	2000	119	1.5%
Poland	23	2001	328	1.0%
Slovakia	9	2002	318	6.5%
Austria	6 ³⁶	2002	239	2.9 %
Germany	16	2015	1,047	2.9 %

Source: Websites of individual NPAs, SAO data

³⁶ It does not include the Nationalpark Nockberge, which has been a UNESCO Biosphere Reserve since 2012.

Annex 3

Financial relations established by the founder

Table 9: Financial relations established by the founder pursuant to Section 54 of Act no 218/2000 as at 31 December (CZK)

	2016	2017	2018	2016	2017	2018	2016	2017	2018	2018
	Podyjí NPA			Krkonoše NPA			Šumava NPA			České Švýcarsko NPA
(a) Operating contribution from the State budget	28,241,316.50	29,278,011.00	30,479,905.30	111,077,024.06	118,741,088.10	126,884,372.35	142,675,293.50	142,513,640.00	147,900,127.40	51,158,652.18
Out of which:										
Operating contribution	24,018,008.50	25,014,589.00	26,646,483.30	106,690,033.00	112,072,650.00	121,005,113.82	108,785,826.50	116,998,842.00	128,927,944.40	46,463,852.00
contribution to forest management in NPs	423,308.00	463,422.00	33,422.00	1,251,884.00	1,139,868.00	1,607,218.00	549,295.00	388,579.00	66,728.00	0.00
<i>Landscape Management Programme</i>	3,800,000.00	3,800,000.00	3,800,000.00	2,550,000.00	2,550,000.00	2,600,000.00	3,795,539.00	3,794,105.00	3,531,002.00	4,534,309.18
compensation for the complication caused to agricultural or forest management	0.00	0.00	0.00	0.00	0.00	0.00	29,544,633.00	21,332,114.00	15,284,993.00	160,491.00
foreign development cooperation	0.00	0.00	0.00	585,107.06	865,846.10	696,324.53	0.00	0.00	89,460.00	0.00
reproduction of gene pool of forest trees	0.00	0.00	0.00	0.00	2,068,724.00	975,716.00	0.00	0.00	0.00	0.00
environmental education, education and awareness-raising	0.00	0.00	0.00	0.00	44,000.00	0.00	0.00	0.00	0.00	0.00
(b) individual and systemic subsidies (EDS/SMVS)	2,499,042.00	2,189,927.00	1,438,026.58	33,455,604.79	63,045,267.30	40,589,757.27	10,357,337.29	10,981,527.22	16,997,246.65	8,251,995.74
Out of which:										
development and renewal of material and technical base	2,377,042.00	1,219,927.00	875,001.00	6,462,000.00	10,114,526.63	36,128,170.59	7,600,000.00	8,946,802.00	12,500,379.82	5,956,126.09
support for restoration of natural landscape functions	122,000.00	970,000.00	563,025.58	3,373,962.63	3,374,607.64	3,488,573.01	2,757,337.29	2,034,725.22	4,496,866.83	2,295,869.65
liquidation of damage following natural disasters	0.00	0.00	0.00	23,619,642.16	49,556,133.03	973,013.67	0.00	0.00	0.00	0.00
(c) repayable financial assistance	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(d) depreciation charge	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(e) EU subsidies	0.00	0.00	390,000.00	5,994,940.56	13,231,106.98	51,572,263.36	2,458,639.29	666,337.40	14,155,012.70	0.00
(f) subsidies under international treaties	0.00	0.00	0.00	19,044,811.23	4,263,514.71	1,237,571.00	0.00	0.00	0.00	0.00
TOTAL	30,740,358.50	31,467,938.00	32,307,931.88	169,572,380.64	199,280,977.09	220,283,963.98	155,491,270.08	154,161,504.62	179,052,386.75	59,410,647.92

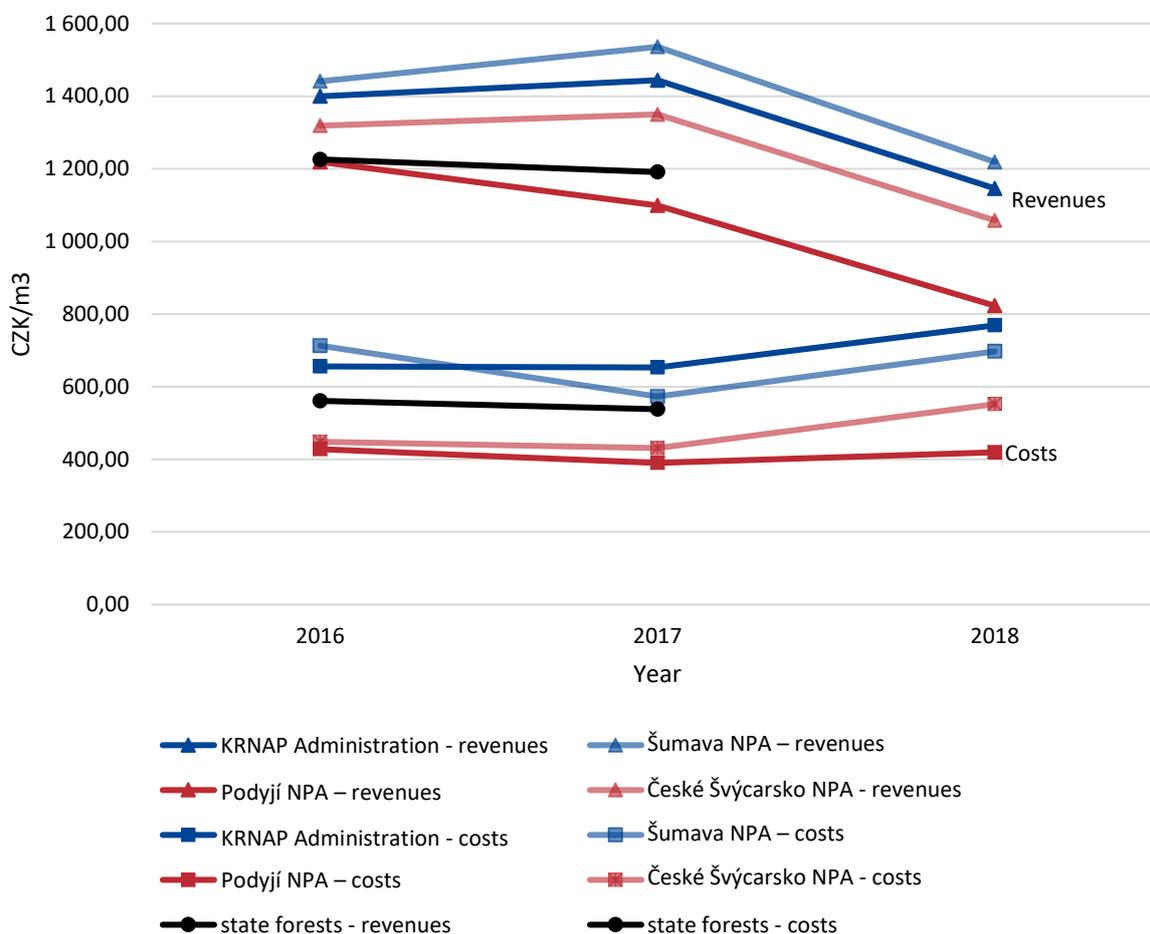
Source: MoE data

Note: Until 31 December 2017, the České Švýcarsko NPA was a so called Organisational Unit of the State with a different method of financing.

Annex 4

Analysis of costs of logging activities and revenues from the sale of wood of individual NPAs

Chart 3: Comparison of logging costs and revenues from wood sales in 2016–2018 (CZK/m³)



Source: Data of individual NPAs, *Report on the state of forests and forestry of the Czech Republic for 2016 and 2017*.

Note: The costs of logging and revenues from the sale of wood in State forests are not available for 2018, as the *Report on the State of Forests and Forestry of the Czech Republic in 2018* was not published at the time of the audit.

KRNAP

The only significant logging product for the KRNAP Administration is spruce, which accounts for 96% of the total logged wood. The prevailing method of logging in the KRNAP and its protection zone is logging with skidding to the transport site. Higher production costs are caused by the use of more environmentally friendly technologies for the transport of logs, especially cableway technology and horses. The combination of these technologies results in minimal damage in the logging areas, but the cost of skidding is much higher. Between 2016 and 2018, the average cost of logging activities increased by 17%.

The annual average price for wood sales is negatively affected by a small share of deliveries in Q1, when market prices are highest, but the logging capacity of the KRNAP Administration is very low, mainly due to snow cover and nature and landscape protection. By contrast, the KRNAP Administration is able to deliver the most wood in Q3 and Q4, when the supply of wood exceeds demand on the market.

According to the data submitted by the KRNAP Administration, 99% of the wood was sold to domestic customers, out of which 53% were regional customers. The most popular qualities were: III. class A/B, III. class C and III. class D, which accounted for about 70% of spruce logging. In 2018, the sales price of spruce fell by 20% compared to 2017.

The largest volume of wood was sold by the KRNAP Administration on the basis of framework purchase contracts concluded with the main customers of individual products in the whole Czech Republic.

Šumava NPA

The Šumava NPA only sold various spruce products, namely of the following qualities; II. class, III. class A, III. class B, III. class C, III. class C - aggregate, III. class DV, III. class D, IV. class (ground wood), V. class (fibre). The volumes of these products accounted for about 95% of spruce logging.

In 2018, the Šumava NPA recorded an average increase of approximately 22% in the average costs of logging activities compared to 2017.

According to the data submitted by the Šumava NPA, the wood was sold to domestic customers (67% to 84%). Furthermore, the Šumava NPA exported wood to Austria and Germany (14% to 33%). In addition to the sale of wood through contractual relations, the Šumava NPA also carried out electronic wood auctions. To a limited extent, the Šumava NPA offers retail sale of wood, sale of fuel, self-production (as well as utility production) directly to final consumers. In 2016–2018, the Šumava NPA saw a 95% increase in the amount of wood sold and an 18% decrease in the price.

Podyjí NPA

In the period under review, the Podyjí NPA mainly sold spruce (approx. 68%) and pine (approx. 26%). All revenues from spruce logging are realized in the Czech Republic, the products have the following quality classes: III. class B/C, III. class D and class V (fibre).

The sale of wood is organised by the Podyjí NPA itself at the transport point. For this reason, only the costs of logging and skidding are included in the costs of the Podyjí NPA. Average costs of logging activities did not increase during the period under review; on the contrary, they decreased by 2% between 2016 and 2018.

According to data submitted by the Podyjí NPA, 100% of the wood was sold to domestic customers, out of which 72% were regional customers.

In the period under review, the Podyjí NPA had concluded a purchase contract with the customers. In 2018, the sales price of spruce fell by 28% compared to 2017.

České Švýcarsko NPA

In the period under review, the České Švýcarsko NPA mainly sold spruce (approx. 88%), larch (approx. 8%) and pine (approx. 4%). All revenues from spruce logging were realized in the Czech Republic, the products had the following quality classes: III. class A/B, III. class D and class V (fibre). The volumes of these three products accounted for about 95% of spruce logging.

Between 2016 and 2018, the average cost of logging activities increased by 23%. In 2018, the sales price of spruce fell by 24% compared to 2017.