

# ISSUE SHEET 7




Photo: Brand Union

## PILOTING PAYMENT FOR ECOSYSTEM SERVICES (PES) AT VEVCHANI SPRINGS

North Macedonia has a legacy of establishing protected areas (PAs) since 1948 but faces a critical challenge in financing such conservation efforts. In total 82 protected areas have been categorised nationally and aligned with IUCN standards, but state budget allocations for their maintenance are minimal. This necessitates innovative solutions for sustainable funding. As such solutions tend to be complex to develop and implement, the State has turned to external donors for ideas and support in implementing pilot schemes. One such scheme, Payment for Ecosystem Services (PES) was piloted under the Nature Conservation Programme (NCP). Although the original intention was to implement the scheme within the project area of the Bregalnica river basin in the East of the country, finally the site selected as most suitable was Vevchani Springs, not far from Lake Ohrid. This Issue Sheet provides an overview of the comprehensive process adopted to establish a scheme of payment for ecosystem services, and the impact on conservation.

*"By piloting such a scheme, we aimed to assess its feasibility for the first time in our country. It was a challenging scenario, considering the local context, available data, time constraints, and financial resources. But working with diverse stakeholders (from national to local level) proved inspiring. The enthusiasm and strong will showed by the locals consistently motivated us to persist, even in the most challenging situations. This process provided valuable insights, allowing us to determine the effectiveness of this approach. Therefore, we are eager to see if this activity will serve as encouragement for others, particularly those involved in protected areas, to initiate this kind of mechanism for enhancing their management" – Katerina Atanasovska, NCP's Programme officer.*

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## KEY LESSONS LEARNED

- The successful introduction of innovations such as PES schemes in a country still transitioning from a former socialist system cannot be rushed. The main challenge is overcoming mistrust. This requires consistent actions and the setting of milestones to build trust over time.
- Political dynamics play an important role in shaping activities and have a significant influence on the implementation of any PES scheme. Building political support is thus crucial.
- Communication, coordination, and the involvement of local businesses from the outset are also crucial. Continuous awareness-raising, especially building the capacities of municipality employees, private business representatives, and the local population, adds to positive results.
- Developing a conceptual framework for a PES scheme is just a small part of the work. The real challenges emerge when seeking to put the framework into action - negotiating with diverse actors and making the necessary adaptations for the scheme to work.

*“Payment for ecosystem services stands out as a viable means of generating funds for protected areas, as outlined in the current Law on Nature Protection. Furthermore, the development of PES schemes is identified as a priority action in both the National Strategy for Nature Protection with the Action Plan 2017-2027 and the National Biodiversity Strategy 2018-2023, underscoring its strategic importance. The implementation of the PES scheme not only serves as a practical demonstration of its viability but also opens opportunities for our ministry and other stakeholders to leverage such schemes in the future.”* Vlatko Trpeski, Head of Department for Nature in the Ministry of Environment and Physical Planning.

## AREA OF INTEREST



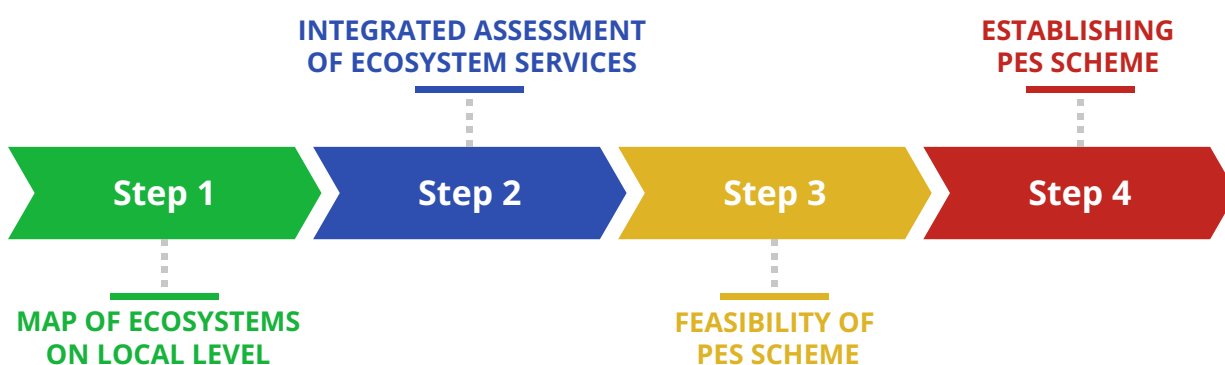
Photo: NCP database

Vevchani Springs is a designated “Natural Monument” under Macedonian law; this designation includes elements of both natural and cultural importance and equates to IUCN protected area category III. It was strategically chosen as a PES pilot area by the main partners of NCP for a variety of reasons. Administratively under Vevchani municipality, the area lies at an altitude of 940 m, and covers 1,370 ha. Initially protected in 1997, it was re-proclaimed as a “Natural Monument” in 2012, safeguarding hydrological, hydrogeological, biological, and cultural values. It includes settlement of Gorna Belica and a very small part of Vevchani village as well as the forested area of the upper catchment, which serves to maintain the hydrological balance of the springs. Vevchani is well known for its cultural heritage which includes historical architecture and religious sites, but especially a traditional carnival which is held annually over 13-14 January.

The Municipality of Vevçani oversees the management of the protected area Vevçani Springs. However, the municipality is challenged by insufficient human and technical resources, with a pronounced lack of financial means to manage the protected area effectively and responsibly. backgrounds, practitioners, and policy- and decision-makers from local to national level.

## CONCEPTUAL FRAMEWORK FOR DEVELOPING A PES SCHEME

The starting point was to develop a conceptual framework for the PES scheme. This was achieved through the collaboration of a diverse team, including scientists from both national and international backgrounds, practitioners, and policy- and decision-makers from local to national level.



### 1. MAPPING ECOSYSTEMS IN PA VEVCHANI SPRINGS

A comprehensive mapping of the ecosystems within the protected area was conducted to serve as a base for assessing the services provided. This revealed a total of 11 ecosystem subtypes, constituting 50% of the nationally mapped ecosystem types. The primary ecosystem subtype within the PA boundaries is broadleaved forest, contrasting with agroecosystems and a glacial lake outside the PA.

### 2. INTEGRATED ASSESSMENT AND MAPPING OF ECOSYSTEM SERVICES

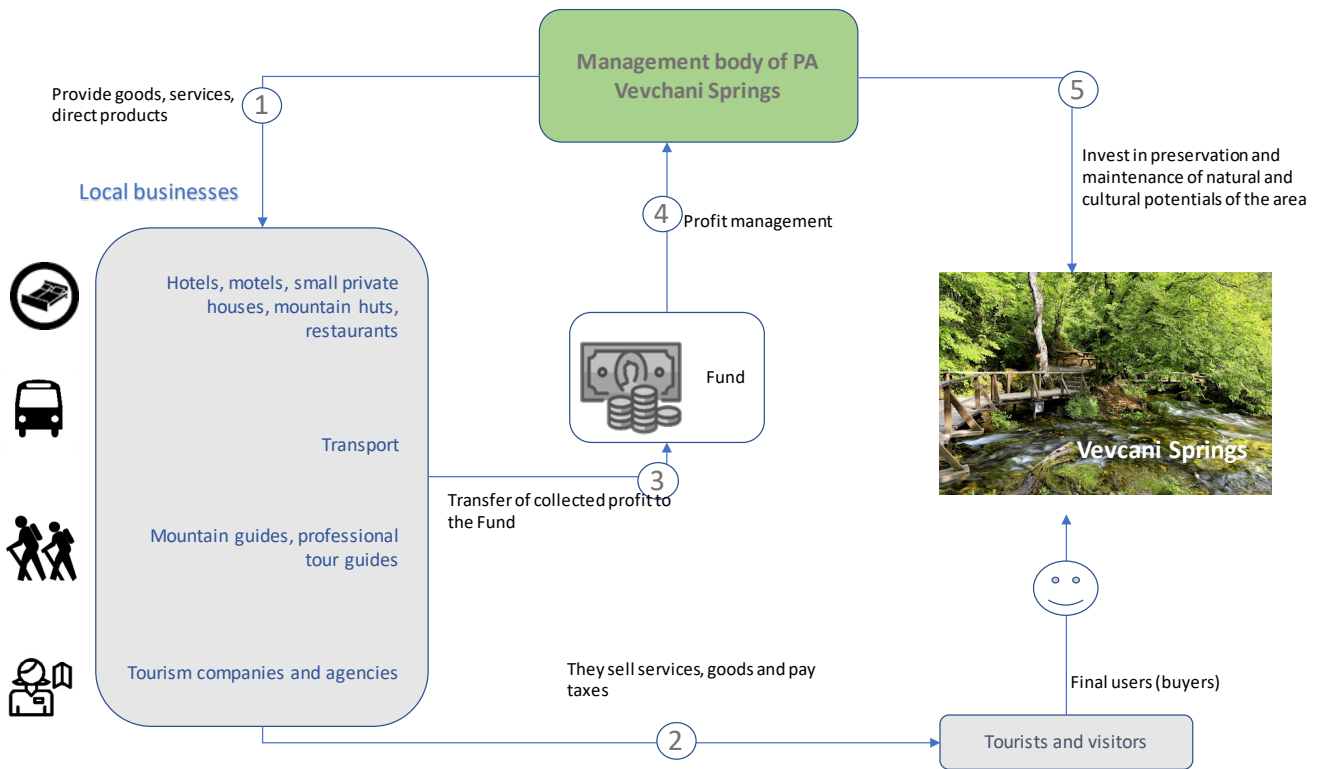
This phase entailed several key steps: selection of priority ecosystem services; an assessment of their biophysical, social, and economic importance; and a public survey to determine the degree of awareness of the concept of ecosystem services amongst local people.

The selection of priority ecosystem services was conducted during a workshop organised jointly by the Council of stakeholders of the protected area and the Ministry of Environment and Physical Planning (MoEPP). This resulted in the identification of six priority ecosystem services for further analysis. Their biophysical and economic importance was then assessed using appropriate secondary data whilst their social importance was assessed through participatory mapping. The public awareness survey was conducted through face-to-face interviews with 180 respondents.

The results from these assessments laid a robust foundation for determining the three ecosystem services with greatest potential for a PES scheme: wild plants used for nutrition; surface water for drinking and irrigation; and ecotourism.

### 3. FEASIBILITY STUDY FOR ESTABLISHING PES SCHEME FOR PA VEVCHANI SPRINGS

The four ecosystem services identified as having greatest potential for a PES scheme were then subject to further investigation with regard to the feasibility of implementation. This involved market research, interviews, discussions with key stakeholders, monitoring of the PES scheme rollout approach, and multi-criteria feasibility analysis. As a result, ecotourism emerged as the service for which it would be most feasible to levy payment under a PES scheme. It was therefore collectively decided to establish an organisational structure dedicated to promoting and developing sustainable tourism.



#### WHY NOT PAYMENT FOR WATER SERVICES?

Many PES schemes require downstream communities to pay upstream communities for regular water supplies, recognising the effort required to manage the upper water catchment in a sustainable manner. This option was rejected in the case of Vevchani Springs as it was deemed too politically sensitive. There is historic rivalry between the upstream community of Vevchani and the downstream community of Struga. This rivalry was specifically linked to water use when, in 1987, Vevchani successfully contested the decision of the then Yugoslavian government to redirect some of its spring waters to Struga. This political reality is a good illustration of how local context must always be carefully analysed before devising a PES scheme.

## 4. ESTABLISHING PES SCHEME UNDER THE SLOGAN “VEVCHANI GREEN”

A public call was issued to select an entity that would create a viable business model for ecotourism. The focus was on uniting all local service providers and the municipality as a management body of the protected area promoting sustainable tourism. The chosen organisation, Mustseedonia, specialises in implementing the concept of Green Destination tourism, utilising it as a tool for developing the PES scheme.

### THE CONCEPT OF GREEN DESTINATION TOURISM AT VEVCHANI SPRINGS

Prior to the intervention, Vevchani was already a recognised tourist venue, but the type of tourism that had developed was based on one-day visits, gastronomy, and the annual two-day carnival event. Not a single dollar generated was allocated to the management and conservation of the protected area despite it being integral to the attraction of the touristic offer. The Green Destination concept facilitates the coordination of all touristic activities at Vevchani Springs, ensuring that visitors feel welcome, appreciate the value of nature, and support the concept of touristic revenue being used for nature conservation. In this way, the nature that they have enjoyed is preserved for future visits.

*“The Green Destination concept, centred on genuine, responsible and respectful tourism that is economically sustainable, environmentally and climate smart, and nature and scenery friendly, is being implemented for the first time in the country. In the case of the PA Vevchani Springs, this concept fosters close collaboration among and between local businesses, the community, and the municipality managing the protected area. The initiative operates in two directions: the municipality is in the process of obtaining Green Destination certification as the country’s first candidate in this regard. At the same time, four selected businesses (from over 20 identified) have obtained certification through the Good Travel Seal Programme.”* Aleksandar Donev, representative of Mustseedonia and Balkan Green.



In 2022, the Municipality of Vevchani was selected among the 100 TOP Green Destination stories globally in the category of Nature and Scenery. The municipality is actively working to fulfil the certification criteria, positioning itself to become the first Green Destination in North Macedonia. Additionally, a Sustainable Tourism Coordinator has been appointed within the municipality, with the specific responsibility of promoting and developing the

Green Destination concept and the PES scheme. This coordinator plays a crucial role in advancing sustainable tourism initiatives within the region.

Four businesses, comprising two restaurants, one accommodation facility, and one tour operator, have successfully completed the certification process through the Good Travel Seal Programme. To achieve certification, they were required to meet stringent criteria related to sustainability, environmental protection, community engagement, and cultural preservation. All four businesses were recognized with a 2-star Certificates and Green Card Score for their commitment to these principles. In future, they need to work on improving their Green Card Score.

**Restaurant Via Ignatia**

**Apartments Shutinoski**



Photo: FB Page Via Ignatia



Photo: Aleksandra Velkovska



Photo: Brand Union



Photo: Gjole Bogoevski

**Restaurant Kutmicheva**

**JJ Adventures**



Photo: Aleksandra Velkovska

*“This process has helped us as businesses to initially identify gaps in the quality of services we provide and devise strategies for improvement, all while considering the protection of nature and the environment. Through collaboration, we have begun to share insights and learn from one another. While we have acquired and implemented numerous new practices, there is still much more to accomplish. Becoming recognized and appealing to tourists further encourages us to persist in our efforts. Our ultimate goal is to contribute to the development of Vevecani, a place we deeply cherish, and to leave a lasting legacy for our children.”* Milovan Shutinovski, owner of certified business.



United under the brand Vevchani Green, the municipality and the four certified businesses collaborate transparently to define sustainable tourism priorities and goals. This collaboration has led to the creation of 13 green products catering to various sustainable experiences, available on

the platform [www.vevchani.green/en/](http://www.vevchani.green/en/), which is managed by the municipal Sustainable Tourism Coordinator. A designated tour operator is responsible for promoting and selling these green products, ensuring effective market outreach.

In addition, the municipality has established a dedicated entity for sustainable tourism, managed by the Sustainable Tourism Coordinator. In an agreement with the tour operator, 10% of the revenue from each product sold is channelled to this entity. The funds are allocated to enhancing Green Destination criteria, such as nature conservation and restoration, activities related to climate change, and general support for the management of the protected area. This, then, is the PES scheme: a means of generating revenue that aims to strengthen sustainable natural resource management and bolster the flow of ecosystem services, with a specific emphasis on sustainable tourism.



*"The synergy between the municipality and businesses ensures that future tourism in Vevchani will be based exclusively on the principles of sustainable development. The promoted tourism practices will not only contribute to the conservation of the area's unique natural values but also generate financial benefits and enhance the well-being of the local community. This collaboration presents a novel opportunity for our municipality to concurrently strengthen the local economy and manage the protected area efficiently."* Aleksandra Velkovska, Municipal Sustainable Tourism Coordinator.

The promotion of Vevchani Green has been actively supported through various channels including videos, social media posts, newspaper articles, TV broadcasts, and tours organised for social influencers. Despite these efforts, further improvement in the international promotion of the initiative is needed. Enhancing the global visibility and awareness of Vevchani Green will contribute to attracting a wider range of tourists and fostering international engagement with the sustainable tourism offer in the region.

*"N. Macedonia is still lagging behind other regions in terms of investment in nature conservation or restoration. We should adopt the ES concept since it promotes an interdisciplinary approach and brings together various professional disciplines. PES schemes are just the start; if successful, they can open many PA managers' eyes and benefit the local economy as well. After experimenting with one PES thus far, we must move forward with implementing as many as we can in other locations so that we can arbitrate, evaluate, and get better. Furthermore, it is certain that N. Macedonia has a good chance of developing small-scale PES programs in various customized forms. However, governmental support is inevitable in each step of planning and realization of these PES schemes."* Natalija Melovska, Macedonian Ecological Society.

## MAIN RESULTS AND CONCLUSIONS

The key results of this PES pilot scheme may be summarised as follows:

- This is the first local-level PES scheme for sustainable tourism development in the country. There is considerable potential for wider application of this model of municipal responsibility for protected area management being supported through its (future certified) status as a Green Destination, working closely with certified local businesses. The mutual commitment to service quality improvement is an essential.
- Local businesses now recognise the benefits of collaboration, rather than their previous relationship of competition, and are considering forming an association for further joint initiatives.
- The position of Sustainable Tourism Coordinator is now established within the municipality and is occupied by a competent staff member who has been trained with project support.
- There is growing interest amongst other local businesses to join Vevchani Green, with some undergoing the certification process.





## PRACTICAL RECOMMENDATIONS

- When developing a PES, make sure to ground it in the local/national context. This will shape the design and implementation significantly; “blueprint” designs are unlikely to work.
- Ensure a holistic approach, working in an interdisciplinary manner to include environmental, social and economic expertise and perspectives.
- Involve the local authorities (municipality or equivalent) and the local community from the start. A survey of public opinion at the beginning can help to shape appropriate messages.
- Ensure that at least one person (ideally more) within the local authority staff has the appropriate training and capacity to coordinate sustainable tourism.
- Whilst establishing a PES typically requires a minimum of three years, in this case it took five years; therefore, it is essential to allow an adequate time horizon.

This Issue Sheet was produced by Katerina Atanasovska, Programme Officer, NCP, Marjana Shushlevska, Team leader, NCP, both from Farmahem, Natalija Melovska, Program Manager within Macedonian Ecological Society and by Jane Carter, Senior Adviser Natural Resource Governance, Helvetas. It entailed consultation with many NCP stakeholders, including but not limited to those quoted. For further information, please contact [farmahem@farmahem.mk](mailto:farmahem@farmahem.mk).

The Nature Conservation Programme, NCP in North Macedonia is a project of the Swiss Agency for Development and Cooperation, SDC. Implemented in phase 1 by Helvetas in partnership with Farmahem and then in phases 2 and 3 by Farmahem with backstopping support from Helvetas, the total project lifespan is effectively 12 years (2012 – 2023).