FUNDING SUSTAINABLE DEVELOPMENT IN EUROPEAN REGIONS

CEE Bankwatch Network recommendations for the programming of EU funds in 10 CEE countries

February 2013

energy efficiency

sustainable transport

biodiversity

waste management

economic alternatives

renewable energy

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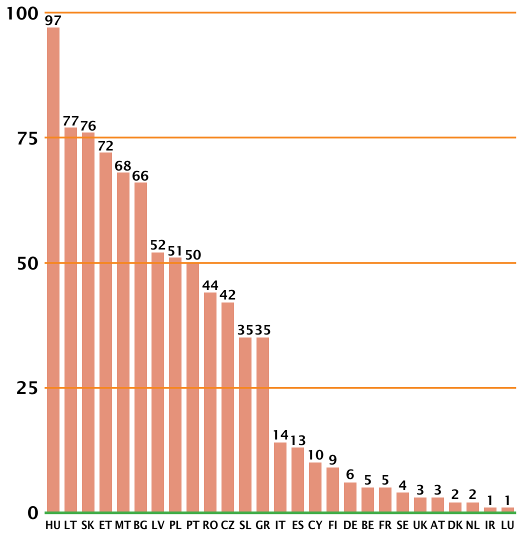
Introduction

The European Union's Cohesion Policy, in other words its regional development policy, aims to reduce the gap between the less and more developed regions of the EU, namely by promoting economic, social and territorial cohesion. Its financing instruments – the so-called 'Structural and Cohesion Funds' (EU funds) – account for one third of the current EU budget[1], making this the second largest spending line. This financial support exerts a major influence on overall public financing, especially in less developed countries such as the new member states in Eastern Europe. Table at this page shows that in Central and Eastern European countries (CEE) the share of EU funds makes up more than half of all public investments.

Given the weight of EU funds within the national spending and due to its leverage effect on loans from other international financial institutions (IFIs) and private investors, the way EU Structural and Cohesion Funds are invested in these countries largely determines their economic development path.

Share of EU funds in total public investments 2009 – 2001, Source: DG Regio, September 2012



However the current EU funds are not delivering on European public benefits such as tackling climate change or promoting green jobs. Currently climate change mitigation measures such as energy and resource efficiency, renewable energy and investments for sustainable transport receive a negligible share of all EU funds.[2] Meanwhile, a significant amount of the EU funds subsidise motorways and other infrastructure investments (e.g. in the waste sector) that are more likely to intensify climate change and lock countries into carbon-intensive paths of development.

The future generation of EU funds for the 2014 – 2020 period should therefore contribute to achieving the EU's 2050 long-term climate goals and directly deliver on the Europe 2020 targets and beyond. Specifically they should finance infrastructure and other measures that foster truly sustainable development and catalyze the transformation to a low energy-consuming, renewable-based and resource efficient society, living within its ecological limits.

The current reform and renewal of the EU funds for the period 2014 – 2020 provides the opportunity to change the currently prevailing regional development pattern, and shift regional investment strategies towards building sustainable economies. While the new legislative framework for the Cohesion Policy is still under negotiation between the European Commission, the European Parliament and Member States, the planning for concrete EU funds investment measures, priorities, new financial instruments and financial allocation at national level is underway: Member States are already setting up their investment plans, the Partnership Agreements (PA) and Operational Programmes (OP) that will define the performance frameworks, investment strategies and spending conditions of future EU funds.

1 EUR 347 billion for the period 2007 to 2013.
2 Only 2.4% of EU funds in CEE countries have been allocated to measures supporting Energy Efficiency and Renewables, http://bankwatch.org/publications/potential-unfulfilled-eu-funding-and-cohesion-policy-can-do-more-sustainable-climate-an.

This publication, prepared by CEE Bankwatch Network, in close cooperation with national NGO coalitions and the support from external experts, aims to contribute to the elaboration of Partnership Agreements and Operational Programmes by proposing concrete measures to be financed, targets to be set, performance indicators to be applied and investment needs to be met. The focus is laid on various sectors including energy efficiency and renewables, sustainable transport, resource efficiency, research and innovation, and nature protection.

For 10 CEE member states and pre-accession countries, namely Albania, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Macedonia, Poland and Slovakia, an analysis of the current EU funds context sets the frame for a problem definition in the respective sector on the national level. Following this, the local potentials for energy savings, installation of renewables energy sources, sustainable transport and waste management investments and eco-system protection are laid out. This then leads to concrete recommendations and proposals which should be taken into account for the future sustainable development of European Regions.

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