



**THE NEED FOR A REFORM OF THE FUTURE EU COHESION POLICY:
PUTTING OUR MONEY WHERE OUR MOUTH IS**

Position paper of the European Environmental NGO Coalition for Sustainable EU Funds

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Why is it important to reform cohesion policy?

Aiming to address regional disparities and deliver prosperity in European regions, the budget of cohesion policy and its structural instruments - EU funds - has grown to € 347 billion for the 2007-2013 programming period, one third of the total EU budget, turning cohesion policy into one of the most important policies within the European Union. EU funds have a strong leverage effect on national-level co-financing as well as on loans from other international financial institutions; **therefore the way EU funds are used largely determines a country's path towards development.**

Cohesion policy still focuses mainly on economic and infrastructure investments to address regional disparities and deliver economic growth. But the formula of lasting economic growth to increase the common European prosperity and well-being is now being increasingly questioned. The European NGO Coalition for Sustainable EU Funds sees the upcoming negotiations on the post-2013 cohesion policy that we expect to reach the political level during 2010, as a unique **opportunity to gear EU policy and budget towards a more long term sustainability path.** To reach this goal, it will not be enough to improve the current performance but to shape a new thinking **towards cohesion which reflects our ecological limits to growth.**

This position paper focuses on the most urgent steps needed in order to reshape the "primary EU instrument to foster innovation"¹ towards a new development approach. This new approach must extend beyond economic growth as the key, or even sole, determinant of success. We believe that the fundamental changes needed to put Europe on a low carbon sustainability path go much deeper and must include much more than the urgent change of EU's cohesion policy.

This debate will underpin the replacement Lisbon Strategy, - the so-called EU 2020 strategy, - and will be reflected in the EU financial framework discussions (2014-2020) already underway. Industrial policy, research policy, agricultural policy and so on are all affected by these moves towards an eco-efficient economy foreseen in the Environment Council conclusions in October 2009. All these policy instruments, including cohesion policy, must be consistent with the EU's avowed policy positions made on the international stage, most recently at COP15 in Copenhagen in December 2009, to hold global warming below 2°C levels over pre-industrial levels and a 20-30% reduction in CO₂ emissions by 2020 and meet the future biodiversity targets on post 2010 which must be ambitious and should consider the results of the economics of ecosystems and biodiversity studies (TEEB²).

For a reformed cohesion policy we recommend to undertake the following steps:

- 1: Invest in the well-being of European citizens through sustainable development that respects the ecological limits to growth**
- 2: Invest in climate change mitigation and adaption measures**
- 3: Invest in conservation of biodiversity and natural resources**
- 4: Monitor and evaluate environmental impacts**
- 5: Strengthen environmental safeguards at design and implementation stages**
- 6: Improve transparency and enforce partnership principle**
- 7: Improve administrative capacity**

Recommendation 1: Invest in the well-being of European citizens through sustainable development that respects the ecological limits to growth

The over-emphasis of the cohesion policy towards GDP growth strongly endorsed by the EU's Lisbon Strategy and "Lisbon earmarking" locks Member States into a high carbon infrastructure and unsustainable economic development, such as energy intensive industries, road transport networks that harm both climate and biodiversity, as well as a general decrease of ecosystem resilience. Instead of promoting economic growth at any cost, the EU should focus on improving the well-being of its citizens

¹ Pawel Samecki, 03.12.2009: Presentation of the Orientation Paper on the future of Cohesion policy.

² <http://www.teebweb.org>

and achieve sustainable development across the EU. Therefore, GDP should not be the only eligibility criterion for receiving financial assistance from cohesion policy.

Cohesion policy should be able to cover the whole territory of the 27 Member States, fostering the endogenous development potential of European regions rather than only looking at GDP convergence. **Financial resources are best focused on areas which will create win-win situations** for the economy, the environment and local communities.

Recommendation 2: Invest in climate change mitigation and adaption measures

The Stern report in 2006 showed that climate change will seriously affect economic progress and that early action makes economic sense³. In addition, 61% of European citizens consider that climate change should be one of the key priorities for the future cohesion policy⁴. If Europe is serious about “winning the battle against climate change” and limiting it to 2 degrees Celsius, there is an urgent need to reorient European cohesion policy in the post 2013 financial perspective to curb greenhouse gas emissions and help communities and ecosystems adapt to climate change.

Structural and cohesion funds can play a key role in helping Member States meet their targets under the Renewable Energy Directive and to implement their respective national action plans. Significant earmarking for climate change mitigation and adaptation will be necessary for this. Additionally, all **EU funds interventions need to be “climate and ecosystem proof”**.

Investments in effective and sustainable climate change mitigation will not only contribute to emission reduction but also **reap numerous ancillary benefits for social cohesion and economic development**, such as reducing energy bills for households and providing new employment and business opportunities. Moreover, they can spur innovation in low carbon technologies and provide competitive advantages.

Cohesion policy must also recognize that climate change cannot be addressed without tackling biodiversity loss and vice versa. Therefore it must be ensured that EU funds help to create **synergies, instead of trade-offs, between measures for climate change mitigation and adaptation and the conservation and sustainable use of biodiversity and ecosystems**. Half of human greenhouse gas emissions are currently absorbed by ecosystems such as forests, wetlands and peat bogs. Therefore their conservation is key for any successful climate change mitigation strategy. At the same time healthy and diverse ecosystems, such as wetlands and forests provide cost-effective protection against extreme weather events, floods, soil erosion or water shortage during droughts (adaptation).

Recommendation 3: Invest in conservation of biodiversity and natural resources

Ecosystems and their biodiversity are the world's natural capital. They provide countless free goods and services⁵, which are the basis of our economy and society. The study on “The Economics of Ecosystems and Biodiversity” (www.teebweb.org) compiles overwhelming evidence that the costs of inaction on biodiversity would dwarf those of the current economic crisis by far. Unfortunately, the EU will fail to achieve its goal of halting biodiversity loss by 2010, despite having progressive nature legislation. As stated by the European Commission, the reasons for this failure lie mainly in a lack of integration of biodiversity concerns into other sectoral policies and funds, notably the EU cohesion and agriculture policy.

As highlighted in recent reports by WWF and IEEP⁶ and BirdLife International⁷, cohesion funding has not necessarily been targeted specifically towards the needs of biodiversity conservation (e.g. Natura 2000). At this moment, neither sufficient budget nor efficient financing mechanisms are in place to ensure that

³ Stern, N. 2006. Stern Review of economics of climate change. HM Treasury, London.

⁴ Flash Eurobarometer Series#234, February 2008 (http://ec.europa.eu/public_opinion/flash/fl_234_en.pdf)

⁵ The natural environment provides countless free goods and services to humans: food, wood, clean water, energy, protection from natural hazards, climate regulation, pharmaceutical ingredients and recreation. The well-being of every human population in the world is fundamentally and directly dependent on those “ecosystem services”.

⁶ IEEP/WWF report Biodiversity and the EU budget - Making the case for conserving biodiversity in the context of the EU budget Review, November 2009 (http://assets.panda.org/downloads/wwf_biodiversity_and_eu_budget.pdf)

⁷ BirdLife International: Financing Natura 2000: assessment of funding needs and availability of funding from EU funds, November 2009 (http://www.birdlife.org/eu/pdfs/N2000_Final_composite_report_09.pdf)

existing opportunities deliver the necessary level of protection of biodiversity and related ecosystems services. There is a need to ensure that the amount of funding provided by the EU budget is sufficient to deliver real benefits for biodiversity while further efforts are needed to reinforce the objective of biodiversity conservation both within and outside of protected areas into national funding priorities.

Recommendation 4: Monitor and evaluate environmental impacts

An EEA study⁸ concluded that many evaluations of projects supported by structural and cohesion funds were undertaken focusing on the level of spending or the distribution of investments between sectors at a country level but not on the actual effectiveness of measures and their impacts. Ex-post evaluations are not used as a source of information when preparing for the next cycle, which starts before evaluations are completed.

Ex post assessments should include an audit of the entire cohesion funding spending to **compare actual impacts (including those on biodiversity and climate change mitigation/adaptation) to those predicted in the ex-ante assessments**. This could then form a 'baseline' for the EC Impact Assessment to inform development of the future cohesion policy.

The *ex-ante* evaluations of the Operational Programmes need to integrate Strategic Environmental Assessment (SEA) and appropriate assessment under the Habitats Directive. All EU spending programs should be subject to evaluation, looking at their compliance with the Treaty objectives, their coherence with EU policies and strategies, their efficiency and effectiveness as well as their impact on the environment. More work is needed to **identify good indicators** for measuring the support of structural and cohesion funds towards environmental objectives and targets.

Recommendation 5: Strengthen environmental safeguards at design and implementation stages

Since the beginning of cohesion policy, we have experienced a rise in investments into large-scale infrastructure projects such as the Trans-European Transport Network (TEN-T) often giving advantage to road and aviation projects (amounting to up to €44 billion for the current seven year period⁹), which are even sometimes in conflict with Natura 2000 sites protected under EU law.¹⁰ Rehabilitation and upgrade of rail infrastructure, development of clean urban transport and soft measures to reduce the emission of greenhouse gases are still underfinanced.

A study conducted by a coalition of environmental NGOs highlighted that overall, biodiversity concerns are poorly integrated into transport programs and the project design, and that national environmental authorities have not, by themselves, been able to ensure proper integration.¹¹

Waste, water and waste water projects for the implementation of the so called "heavy" Directives are considered "environmental" projects, but one can often question the sustainability of their function. For instance, if a waste project promotes a regional incinerator which burns mixed waste without separation, recycling and treatment beforehand, this project will be unjustifiable from a resource efficiency point of view.

The EC has a co-decision power over these large projects and therefore must accept a much stronger responsibility in ensuring their sustainability. As the Barca report puts it "*the Commission task force [is] capable of playing a role in providing guidance and assistance, negotiating "conditionalities" with Member States, promoting the circulation of information, mobilising local actors and carrying out impact evaluations of interventions.*"¹² The **European Commission should strengthen its mechanisms for reviewing operational programmes and major projects** supported by the structural and cohesion funds to ensure

⁸ EEA. 2009. Territorial cohesion: analysis of environmental aspects of the EU cohesion policy I selected countries.

<http://www.eea.europa.eu/publications/territorial-cohesion-2009>

⁹ http://ec.europa.eu/transport/infrastructure/basis_networks/cohesion_policy_en.htm

¹⁰ 379 SPAs (at the time 8% of the SPA network) were likely to be negatively affected by just the 21 TEN-T Priority Projects analysed.

¹¹ H. Byron and L. Arnold, RSPB with BirdLife International, CEE Bankwatch, EEB T&E, and WWF, TEN-T and Natura 2000: the way forward, November 2007

¹² Barca, F. 2009. An agenda for a reformed cohesion policy, (http://ec.europa.eu/regional_policy/policy/future/barca_en.htm)

that they do not undermine EU environmental goals and targets. In case they are already approved, the Commission should ensure, that funds are available to make them climate- and ecosystem “proofed” and to prevent and mitigate negative impacts on the environment.

EU funds should foster efficiency through approaches like eco-conditionality and eco-compatibility. SEA, EIA, AA (= “appropriate assessment” under Habitats Directive Art.6) and cost-benefit analysis are crucial planning instruments which should facilitate the **integration of sustainability objectives into regional development**.

Environmental project selection criteria should ensure that other measures which enhance environmental performance or achieve environmental objectives should score more points during project selection. Green public procurement should also be explicitly integrated in the EU funded tenders for projects. Environmental indicators should be incorporated in the overall monitoring systems of EU funded programmes and projects. Best practices such the French NECATER carbon evaluation tool¹³ should be popularized and applied in other countries where possible.

Recommendation 6: Improve transparency and enforce partnership principle

We consider the requirements for publicity and information on the financing of regional programmes and major projects inadequate given the amount and significance of public financing involved in cohesion policy programmes and projects. Furthermore, given the changes in EU funds regulations for even further simplification of rules on disbursement as a response to the economic crisis, higher transparency standards are a must.

To improve transparency and accountability in delivering territorial cohesion, we recommend that **all relevant information is posted at a central website**: all preparatory documentation, the programmes, project selection criteria and processes, the composition of committees, proposals, selected projects, beneficiaries, auditing, monitoring and evaluation criteria and reports. Processes leading to decisions, and the implementation and enforcement of them, should be clear and accessible to anyone.

Nature has no voice so others must speak up for it. Any government and public authorities need to adopt an inclusive approach when developing and implementing policies to **encourage the participation of environmental stakeholders**. However, NGO representatives for example in the new Member States are often not provided with sufficient information in advance or have capacity problems which prevent them from actively contributing to the work of monitoring committees. Therefore, all stakeholders should have equal access to capacity building and information.

Increased civic engagement and participation of environment stakeholders will help to improve the quality, relevance and effectiveness of government policies and ensure that socio-environmental concerns are addressed alongside economic issues. An **inclusive approach is likely to create more confidence** in the policies and decisions and in the institutions, which develop and deliver them¹⁴.

Recommendation 7: Improve administrative capacity

EU funds should be made available for soft measures aiming at **improving the administrative capacity of regional and local public bodies to develop and implement environmental projects**. Such measures can include training, education, awareness raising and skill development for environmental sustainability, climate change and ecosystem services. Establishing networks of excellence and “change agents” in local and regional public bodies should be also supported. The role of the European Social Fund can be revisited in this direction.

¹³ The NECATER carbon impact evaluation tool has been developed for French EU funds programmes. It serves as a decision-making support tool but also ensures the continuous carbon performance of EU funds programmes.

¹⁴ European Commission white paper on European Governance (2001). (http://ec.europa.eu/governance/index_en.htm)

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