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Reflections on the future Cohesion Policy

"I intend to strengthen the overall coherence of the EU intervention by establishing closer coordination with other EU policies and clearer alignment of Cohesion Policy with the main strategic agenda of the Union."
Johannes Hahn, Commissioner for Cohesion Policy

EU Structural and Cohesion Funds should foster sustainable development and the transformation to a low-energy-consuming society, living within its ecological limits. In so doing they should support the deployment of energy efficiency measures and renewable energy sources, should prevent any harmful social and environmental impact of their investments and actively protect biodiversity and improve ecosystem resilience.

The upcoming negotiations on the post-2013 Cohesion Policy and the EU budget review are a unique opportunity to gear the EU's policy and budget towards long-term sustainability. To reach this goal, it will not be enough to improve the current performance but rather it is crucial to shape new thinking towards cohesion, which reflects the planet's ecological limits to growth. The current approach of Cohesion Policy – still focusing mainly on economic and infrastructure investments to address regional disparities by delivering economic growth – needs to be expanded with new priorities, primarily addressing the great environmental challenges of our time:

- Climate Change;
- Biodiversity loss and ecosystems collapse;
- Resource overconsumption.

Facilitating the transition towards a resource efficient and low-energy society based on renewable energy sources, ensuring climate mitigation and adaptation measures and protecting its ecosystems are Europe's major challenges which should be tackled at Community level via its existing instruments and which require concerted efforts.

CEE Bankwatch Network's mission is to prevent environmentally and socially harmful impacts of international development finance, and to promote alternative solutions and public participation.

Recognizing that the conservation of nature and livelihoods goes beyond the nation–state, the EU Member States have put sustainable development and environmental protection among the core values and priorities of the European Union, stipulated in the primary¹ and secondary legislation of the EU², as well as in its basic strategic framework, the Europe 2020 strategy³ and the Sustainable Development Strategy.⁴

However, a strategic integration of environmental concerns throughout all other EU policies is generally missing: it would be desirable to align Cohesion Policy more towards the EU’s Sustainable Development Strategies. EU funding still supports projects with negative environmental impact, increasing GHG emissions, harming eco–systems and otherwise contradicting the EU’s overall environmental objectives. For example incinerators are often promoted at the expense of more

economical and environmental friendly alternatives, such as waste prevention, recycling and composting.

An integrated approach is still not implemented sufficiently, such as mainstreaming environmental safeguard mechanisms horizontally through the whole programming and implementation cycle. Strategic Environmental Assessments of the complete planning process are often just as deficient as single Environmental Impact Assessments of individual projects.

Another crucial problem is that Member States are not required to guarantee that EU funding is contributing to the implementation of EU environmental policies and targets, e.g. that the overall support of the transport sector would contribute to a reduction in GHG emissions. In reality a considerable amount of Cohesion Policy funding (24%) is used to support transport infrastructure projects that contribute to increasing GHG emissions in the concerned regions.

Furthermore, opportunities to support environmental key objectives through EU funding are being systematically missed, e.g. financing Natura 2000 sites or investing into climate mitigation projects are negligible among Member States’ Operational Programmes. As regards 2007–2013 spending allocations, climate mitigation measures have received a meagre EUR 9 billion allocation for the EU27 as a whole (less than 1% of the entire funding).

In addition, the Cohesion Policy is built on a growth paradigm, focusing on the quantitative expansion of economies under the EU’s Lisbon Strategy. This focus on economic growth leaves the environmental pillar continuously underprivileged. One root cause is using GDP as an indicator for distribution and lack of progress in defining criteria which would suit better today’s challenges.

1 TFEU 11, “Environmental protection requirements must be integrated into the definition and implementation of the Union policies and activities, in particular with a view to promoting sustainable development”

2 In the 2007–2013 period Sustainable Development has become a “horizontal principle” in EU Cohesion Policy. The General Regulation on the funds stipulates maintaining a strong partnership principle, affirms the protection and improvement of the environment throughout the implementation period, to prevent conflicts between infrastructure and environment (e.g. by conducting SEA and EIA) and the suspension of payments to projects in breach of environmental law and maintaining the Community Performance Reserve to reward progress. The ERDF regulation foresees the strengthening of the ERDF’s contribution to the environment, in particular Natura 2000 and the Water Framework Directive, and enables investment in housing for energy efficiency. The CF regulation in particular calls for the enabling of investment in regional transport infrastructure from the Cohesion Fund and to enable investment for sustainable energy and urban transport.

3 Europe 2020 strategy: Flagship Initiative: “Resource efficient Europe”:
“To mobilise EU financial instruments (e.g. rural development, structural funds, R&D framework programme, TENS, EIB) as part of a consistent funding strategy, that pulls together EU and national public and private funding;
To establish a vision of structural and technological changes required to move to a low carbon, resource efficient and climate resilient economy by 2050 which will allow the EU to achieve its emissions reduction and biodiversity targets; this includes disaster prevention and response, harnessing the contribution of cohesion, agricultural, rural development, and maritime policies to address climate change, in particular through adaptation measures based on more efficient use of resources, which will also contribute to improving global food security.”

4 EU Sustainable Development Strategy (2006, reviewed 2009): EU policy, “Contributing to a rapid shift to a low–carbon and low–input economy, based on energy and resource–efficient technologies and sustainable transport and shifts towards sustainable consumption behaviour”

The EU's only internal location-based development policy must unlock the potential for resource efficiency and the uptake of renewable energy sources

Being the second largest funding instrument in the EU under the 2007 – 2013 “Sustainable Growth” heading, Cohesion Policy defines regions’ further development direction significantly. The financial support from the Structural and Cohesion funds provides a majority of public financing especially in the new member states, where it has a strong leverage effect on national level co-financing as well as on additional loans from international financial institutions (IFIs). It also plays a role in attracting private investments by unlocking business opportunities, lending credibility to projects and fostering innovation. So, the way these funds are spent in these countries largely determines their development path, potentially facilitating the transition towards an eco-efficient and low-carbon economy.

In addition, Cohesion Policy potentially provides support to CEE regions in order to meet common EU environmental objectives such as climate and biodiversity protection.

Recommendations for the future Cohesion Policy

Priorities and objectives need to be redefined “beyond GDP” and should focus on enabling sustainable development that takes into account the ecological limits of the planet and the well-being of its citizens. Consequently the allocation criteria of the Cohesion Fund need to be expanded to environmental, economic and social needs across the EU territories and regions.

- Prioritise the transition towards an eco-efficient and low-carbon development path by prioritizing measures for energy efficiency and renewable energy sources. Support for innovation should clearly lead to

reductions in GHG emissions and resource intensity. Measures to improve the absorption capacity for environmental projects must be included in each funding programme.

- Embrace European wide energy infrastructure with the clear aim of facilitating the take up of energy from renewable sources and promoting energy efficiency by investing in grids.
- Climate change financing must be embedded in a wider ecosystem based approach that is mutually supportive to biodiversity.
- Invest in ecological infrastructures and not only in hard physical infrastructure (e.g. ecosystem-based water treatment instead of only building plants), in order to protect biodiversity. The Cohesion Fund should specifically contribute to the financing of Natura 2000.
- Stop the provision of climate and biodiversity harmful subsidies e.g. supporting air transport.
- Spending categories have to be revised, more clearly defined and given clear guidelines to avoid contradicting approaches (e.g. natural flood protection vs. destruction of floodplains for water infrastructures) and should be connected to measurable targets which are clearly linked to the objective of each spending category.
- New spending categories should address new EU environmental priorities.
- Green Public Procurement should be obligatory for projects’ realization. By making Green Public Procurement standard for Structural Funds projects, green products and services are being systematically used to promote and so to send a transformational message to economic operators, setting incentives for establishing a considerable green market segment.

- European transport funds should only be used to stimulate carbon efficient transport projects and ensure that public money should only support projects which would not otherwise occur via investment from national or private sources.

Furthermore, the European Commission's role in guaranteeing the coherence of national frameworks with European environmental priorities should be strengthened so as to ensure that Member States programming are strategically linked to the overall EU sustainability objectives:

- Member States need to guarantee that national funding frameworks provide sufficient funding for EU overall environmental objectives, especially climate and biodiversity targets, upfront to EU funding approvals.
- A comprehensive system of environmental safeguard mechanisms needs to be applied through the whole programming cycle (climate and biodiversity proofing).
- Evaluation and monitoring of the actual performance of Cohesion Policy in relation to environmental objectives should be further developed.
- Full transparency within the approval process of major projects needs to be guaranteed and the partnership principle should be strengthened already from the beginning of the programming cycle.
- EU funds regulations have to enable conditionality that ensures the sustainability of EU funding.

"I believe we should pool our means to back our policy priorities. The issue is not about spending more or less, but spending more intelligently, by looking at European and national budgets together.

*The present system is stretched to its limits – propped up by a Byzantine set of corrections. Our citizens deserve a fairer and more efficient and transparent system.*¹⁵

The opportunity for Europe to match its words with deeds is now.

5 José Manuel Durao Barosso, State of the Union 2010, September 7th 2010.