

Recommendations for the future Cohesion Policy post-2013

Outlining elements of forward-looking regional development funding

For more information

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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.

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Friends of the Earth Europe campaigns for sustainable and just societies and for the protection of the environment, unites more than 30 national organisations with thousands of local groups and is part of the world's largest grassroots environmental network, Friends of the Earth International.

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CEE Bankwatch Network and Friends of the Earth Europe have more than 10 years' experience with monitoring EU funds spending in central and eastern Europe and are carrying out the project „Billions for sustainable development?“ In this project, Bankwatch and FoEE member groups systematically follow EU funds investments, often acting as members of national Steering and Monitoring Committees and are part of NGO coalitions monitoring EU funds in the new Member States and pre-accession countries.

More information about alarming shortcomings in how these billions are not being adequately earmarked for clean energy projects in the new Member States is available at:

<http://www.bankwatch.org/project.shtml?apc=147577--n--1&x=2219042>

Our map of fifty-five environmentally-damaging projects in line for an accelerated 23 billion euros of EU funding is online at:

<http://www.bankwatch.org/billions/>

EU Regional Policy and Structural and Cohesion Funds (SCF) should foster sustainable development and catalyse the transformation to a resource-efficient society, one whose energy consumption is low and is based on renewable sources. In so doing it should support the deployment of energy-saving measures and renewable energy sources and should contribute to the decarbonisation of the transport sector. At the same time it should prevent any harmful social and environmental impacts in its investments and actively protect biodiversity and improve ecosystem resilience.

SCF should be seen as a tool that addresses the need to mitigate and to adapt to climate change, improve inefficient energy systems, reduce high energy and resource consumption, support a transition in resource intensive manufacturing sectors to more efficient production processes and developing relevant skills among the workforce. It should minimise environmental pollution and transport congestion, redevelop degraded urban area, and protect and restore ecosystems and the services they provide through the development of green infrastructure. In this way Cohesion funding would contribute to achieving the EU's long-term sustainable development objectives beyond 2020.

Cohesion Policy can better integrate the efforts of municipalities, regions and Member States to move towards a path of sustainable development in line with the Europe 2020 Strategy and beyond

Mitigating and adapting to climate change, halting biodiversity loss, protecting ecosystems and the sustainable use of natural resources are Europe's major environmental challenges. These require concerted efforts and should be tackled at the Community level via existing instruments. The Europe 2020 strategy with its 20/20/20 climate targets (although insufficient) and the newly-introduced concept of territorial cohesion prepares the grounds to redirect Cohesion Policy spending towards new and obligatory priorities. As an important step, the last of the seven Flagship Initiatives under the Europe 2020 Strategy 'A resource efficient Europe', published in January 2011, set the reform of the Cohesion Policy within the context of a transition to a low carbon and resource-efficient economy. This high-level political commitment should now catalyse the transition to an eco-efficient and low energy-consuming path prioritising energy efficiency and savings, renewable energy sources and supporting innovation, while avoiding support for nuclear energy and CCS technology.

The integration of Europe 2020 objectives within the Cohesion Policy is welcomed and much-needed. And Cohesion Policy should go further than the Europe 2020 objectives, building on directions outlined in the Resource Efficiency Flagship Initiative and Energy Efficiency Plans, supporting Member States to exceed existing targets, and strengthening efforts to comply with EU environmental acquis.

The alignment of Cohesion Policy priorities within national, regional and local strategies and development plans and vice versa is crucial to successful implementation. An integrated approach should cover all stages of the Cohesion Policy cycle –

project planning, development, monitoring and evaluation. This guarantees policy coherence throughout sectors and policies and requires the involvement of all levels of governance (EU, Member States, regional and sub-regional authorities, municipalities) and stakeholders into planning and decision-making processes.

In addition to mainstreaming environmental concerns and objectives into all EU policies and interventions, this approach should also include regional- and locally-specific needs and requires the participation of all stakeholders, by providing full transparency and applying the partnership principles comprehensively. The Commission has a key role to play in enabling Member States to achieve such multi-level integration.

With the introduction of territorial cohesion and its focus on the specific assets and challenges particular to different regions, the future Cohesion Policy aims to foster specific territorial assets down a sustainable path, including biodiversity protection, the potential for green jobs, and local renewable energy production.

For a new architecture serving sustainable regional development

A new architecture serving sustainable regional development should govern agreements with Member States, regional and local authorities regarding their financial commitments, strategic objectives, investment priorities, specific and measurable targets and environmental protection conditionalities. Preventing subsidies that undermine these agreements need to be anchored within a new institutional framework.

The Common Strategic Framework (CSF) should establish environmental protection as a thematic priority for the next programming period and introduce ambitious earmarks for environmental protection and climate change mitigation and adaptation. The CSF should provide coherent national

strategies, policies and plans with European environmental priorities so as to ensure that Member States' programming is strategically linked to the EU's overall sustainability objectives. Additionally it should set the stage for a comprehensive system of environmental safeguard mechanisms (climate- and biodiversity-proofing) and conditionalities that can be implemented throughout the programming cycle to stop the provision of subsidies that harm climate and biodiversity e.g. the support for air transport. The CSF itself should undergo a Strategic Environmental Assessment.

The Development and Investment Partnership Contract (DIPC) should be designed as a comprehensive and enforceable tool stipulating clear responsibilities and obligations for each party, and as the place in which Member States elaborate their plans and programmes for sustainable development. It should also provide for policy coherence with EU, national, regional and urban policies and therefore must include clear, specific and measurable targets for Cohesion Policy interventions. The DIPC needs to condition the implementation of environmental safeguard mechanisms throughout the whole programming cycle and provide mechanisms to assess and award the level of target achievements.

The DIPC should guarantee that national funding frameworks provide sufficient funding for the EU's overall environmental objectives, especially climate and biodiversity targets, and outline how the targets elaborated in the contract will be achieved, given all possible financing sources.

The system of monitoring and evaluation of strategies, plans, programmes and projects needs to be governed by the contract and directly linked to monitoring and evaluation processes of the contracted targets.

The national and regional strategies and objectives on which the contract is based should be the result of a broad consultation process involving all governance levels and stakeholders, including beneficiaries and civil society. The conclusion of the contract between

the EU and Member States should require stakeholders approval.

The contract should be subject to ex-ante evaluation, including SEA, and national issues of environmentally harmful subsidies should be explicitly addressed.

For stronger thematic concentration on obligatory environmental priorities

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. These new types of indicators – ones that are tailored to the environmental and social challenges facing the EU – need to be developed, agreed and implemented as declared in the Resource Efficiency Flagship. On the programming level, specific output targets and parameters have to be defined to reflect the progress towards new indicators.

In regards to the quality of Cohesion funding within all sectors and programmes, ecosystem protection, climate change and resource efficiency should become horizontal, cross-cutting and obligatory priorities with clear reference to other EU policies as outlined in the Resource Efficiency Flagship.

During the 2007–2013 period, the planned allocations for energy efficiency and renewable energy sources constituted a mere 4.2 billion euros for the CEE region as a whole (2,4 percent of all SCF in CEE). Prioritisation of key environmental objectives in the post-2013 Cohesion Policy and earmarking funds are fundamental to guarantee sufficient funding and ensure that the support for innovation leads to reductions in GHG emissions and resource intensity.

To this end, the future Cohesion Policy should include a stronger thematic concentration on obligatory environmental priorities, focusing on win-win opportunities for the CEE regions, where the protection of the environment and the saving of resources provide for social and economic benefits.

Cohesion Policy funding for energy efficiency and renewables should initiate the energy revolution. In order to drive the transition from fossil fuels to a de-carbonised and eco-efficient economy, support for energy saving measures and utilization of renewable energy should be intensified by Cohesion Policy. In the most inefficient economies in the new Member States and underdeveloped regions, high energy consumption is locked with existing installations. Therefore Cohesion funds need to be directed at retrofitting, renovating and refurbishing current installations, especially in the housing sector and district heating systems. In addition the establishment of appropriate smart-energy infrastructure needs to be engineered in order to allow the uptake of renewable energy sources and support the regionalisation of energy consumption and generation circuits.

The transition to a sustainable, high-efficiency and low-emission society and economy will require new skills and professional capacities. As such a substantial part of the European Social Fund should be devoted to a new workforce dedicated to energy efficiency and renewable energy, including professionals like energy auditors, workmen able to deep retrofit buildings and also education and training for these new job profiles.

EU funds can contribute to the development of sustainable transport in the CEE region by creating and strengthening a trend that will curb carbon dioxide emissions intensity and decrease the absolute GHG emission levels. To shift EU funds in support of the transition to a carbon-neutral development that is not harmful to sustainable livelihoods, Cohesion Policy investments for unsustainable transport should be phased out entirely and only measures that contribute to the de-carbonisation of the transport sector should be promoted. In order to transform urban transport systems, the Cohesion policy should focus on supporting integrated traffic management solutions that privilege sustainable modes of transport and reduce individual car traffic, especially within

densely-built and populated areas.

A Cohesion Policy that promotes sustainable resource use will create more jobs and more economic efficiency. The priority for CEE countries in the upcoming years should be to prevent an increase in waste volume, while rapidly increasing the levels of separate collection and recycling. The provision of public funds for waste management should prioritise solutions according to the waste hierarchy, with prevention of waste production, reuse of waste, separate collection, recycling and composting. Cohesion Policy must not continue its preference for incineration investments and instead should promote widespread non-incineration waste prevention and management methods:

- Prevention of waste by supporting cleaner production methods, rational purchasing and packaging reduction.
- Re-use of material and products through promoting re-usable packaging, second hand trade and repair centres.
- Recycling and composting – for example propagating the system of door-to-door separated waste collection can ensure higher levels of recycling and composting.
- Anaerobic digestion by composting under low-oxygen conditions, which produces methane that can then be burnt for energy.
- Mechanical-Biological Treatment – a range of technologies that can be used as a last resort to recover materials for recycling and low-grade composting.

Cohesion Policy funding should be directed towards measures to stop biodiversity loss and should not finance measures to enhance biodiversity decline. It should invest in existing and new ecological, green infrastructure e.g. ecosystem-based water treatment and not only in “gray” infrastructure. In order to protect biodiversity Cohesion spending should specifically contribute to finance and protect Natura 2000 and the implementation of the upcoming EU biodiversity strategy, while at the same time avoiding the provision of harmful subsidies and harmful projects with negative impacts on ecosystems.

The focus of the Instrument for Pre-Accession Assistance (IPA) should be expanded to provide sufficient means – both financially and in terms of assistance – not only to prepare accession countries for the implementation of EU environmental acquis, but to meet and exceed EU climate targets and establish the NATURA 2000 network. IPA should increase the presently marginal allocations, co-financing and up-take of funds for the environment and promote environmentally-friendly and eco-innovative approaches to replace outdated technology (e.g. waste incinerated in cement kilns), so that systematic approaches can deliver real environmental protection (e.g. sound waste management practices). IPA should provide broad, comprehensive support for environmental protection rather than focusing solely on several issues considered to be urgent in order to comply with the pre-accession road map, such as waste water treatment and waste management.

In order to meet EU climate targets there is a need to support energy efficiency and renewable energy projects and initiatives in the countries of the Western Balkans. IPA funds should provide for nature protection beyond technical support in drafting legislation and already begin to support the NATURA 2000 process.

Implement conditionality and environmental safeguards, incentives and results-based management into the new architecture

Compliance with EU environmental acquis should be the basic conditionality for any Cohesion Policy funding, particularly proper Strategic Environmental Assessments and Environmental Impact Assessments.

Further conditionalities should be binding through the Development and Investment Partnership Contract and enabled by Cohesion Policy funds regulations, such as:

- applicable climate and biodiversity proofing mechanisms for the whole programming cycle,
- energy and resource efficiency and cost-effectiveness standards;
- the forerunner principle, where best practice becomes the applicable standard to all projects;
- the obligation to allow for and promote Green Public procurement on the national, regional and local levels.

Another conditionality for Cohesion Policy funding should be the meaningful assessment, monitoring and evaluation of these investments. The economic, social and environmental effects of any policy choice or decision must be fully assessed and understood and their consequences considered in decision-making. As such all relevant strategic plans and documentation – the Common Strategic Framework on the EU level, the National Reform Programmes, the Development and Investment Partnership Contracts and all Operational Programmes – need to undergo ex-ante evaluations or SEA at once timely, reliable and comprehensive.

Although the environmental policy framework is mostly in place, its weak implementation, coupled with weak institutions and a lack of political will at the local level, has hampered sufficient uptake of EU spending on environmental priorities. And in some areas this framework is still missing, including crucial binding targets for energy savings. In order to overcome this and help make Cohesion Policy more sustainable, a joint effort is needed that ensures EU spending matches policy ambitions. Sufficient support and technical assistance for local and regional authorities will also be needed.

At the project level Environmental Impact Assessments for project proposals have to fulfil the highest quality standards and include in-depth assessments of alternatives like different modes for satisfying the needs identified in the projects, and comprehensive indicators and standards check-lists, with special attention to climate resilience and

resource efficiency.

Efforts in monitoring and evaluation that include climate and biodiversity indicators, should be strengthened in order to better orient Cohesion Policy towards results based on clearly defined outcomes, indicators and targets. To prevent weak implementation, an improved monitoring and evaluation framework is needed to ensure that all payment schemes are subject to thorough and regular assessments to allow for ongoing improvements.

Auditing should shift its current focus from “receipts to results” – biannual and final progress reports should report on the level of target achievements and outcome indicators; performance rewards could then be allowed in relation to target achievements.

The European Commission should have an enhanced role to ensure that monitoring and evaluation mechanisms are in place for the environmental sustainability of SCF spending and compliance across sectors and strategies.

The concept of Major Projects requiring EC approval for the largest infrastructure projects should be kept and as well should guarantee full transparency within the approval process of Major Projects.

Strengthen transparency and public participation

Cohesion Policy managing authorities should provide for the full disclosure of costs and impacts of programmes, subsidies and projects, in order to better inform EU citizens. The information should be timely and easily accessible at all levels.

Member states should post all project and programme information at a central website, including preparatory documentation, programmes, project selection criteria and processes, the composition of committees, proposals, EIAs, 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.

The new regulations guiding Cohesion Policy funds should set minimum standards for partnership, including access to information, stronger definition of the roles of partner and procedures for compensating involvement. These should avoid limiting partnership to the participation in monitoring committees and should include binding measures for meaningful public participation and partnership with all relevant stakeholders, including civil society, at all programming stages and levels (European, national and regional).

Stakeholder inputs should be taken seriously, guaranteeing the proper application of procedures, facilitating the accountability of political processes and decisions, improving the quality, relevance and effectiveness of government policies, and ensuring that socio-environmental concerns are addressed alongside economic issues.

Special attention needs to be paid to the proper development and application of the partnership principle from the beginning of the planning and programming process for IPA funding. Capacity building for public administration, managing authorities and stakeholders is essential to develop a culture of transparent and effective cooperation between all partners.