



**Unfolding the green 'elements' of the
Commission's Common Strategic Framework 2014-2020**

IEEP Policy brief 1/2012

Authors:
Keti Medarova-Bergstrom
Axel Volkery

Background

How should spending under the main EU funds be aligned with the Union's principal objectives in the next budget period after 2013? How do the objectives of the Europe 2020 Strategy, environmental as well as economic, get translated into investments on the ground? These are the kind of questions that were to be addressed in a new kind of planning document for five key funds – a Common Strategic Framework (CSF).

This initiative goes back to the Commission proposals on the 2014-2020 EU Multi-annual Financial Framework from 29 June 2011, when the Commission presented the idea of a CSF for the European Regional Development Fund (ERDF), the Cohesion Fund (CF), the European Agricultural Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF).¹ The ambition was to translate the objectives and targets of the Europe 2020 Strategy into investment priorities and thereby improve the strategic orientation, coordination and complementarity of expenditure under all these funds. Since then there has been lots of discussion about the concrete format and scope of the CSF. The draft Common Provisions Regulation stipulated that the CSF shall be adopted as a Delegated Act by the Commission.² Initially, it was envisioned to be published by the end of December 2011 and to be the subject of a public consultation prior to its formal adoption.

Once the legislative packages on the separate funds under shared management were published however, the status and nature of the CSF quickly became a main point of friction between the Commission, Council and the European Parliament. The Council argued that the CSF is intended to contain elements of strategic importance and therefore should undergo an ordinary legislative procedure, taking the form of an Annex to the Common Provisions Regulation.³ The Parliament maintained a similar line of argument.

The publication of the CSF was greatly delayed and the public consultation was cancelled. On 14 March 2012, the Commission has presented a Staff Working Document (SWD) instead of a Commission Communication.⁴ Moreover, the title reads 'Elements for the Common Strategic Framework', leaving it unclear to what extent this SWD can be regarded as a formal proposal to the Council and the Parliament. Despite this, the importance of the document should not be overlooked.

Commission's Common Strategic Framework 2014-2020

The SWD is presented in two parts. Part One introduces key principles to underpin the programming and implementation of the funds, including coherence and consistency with EU economic governance as well as coordination among the CSF funds and the CSF funds and other policies and instruments. Part Two contains Annexes which elaborate possible priority actions under each thematic objective, as set out in article 9 of the draft Common Provisions Regulation. Regrettably, the level of detail of the information presented does not

¹ European Commission (2011) A Budget for Europe 2020 – Part I, Communication from the Commission, COM(2011)500, 29.06.2011, Brussels

² EC (2012) Proposal for a Regulation laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund covered by the Common Strategic Framework and laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EPC) No 1083/2006, COM(2011)615, 6.10.2011, Brussels

³ Council of the European Union (2011) Press release – 3138th Council meeting: General Affairs, 18720/11, 16.12.2011, Brussels

⁴ European Commission (2012) Elements for a Common Strategic Framework 2014-2020, Part I and Part II, Commission staff working document, SWD(2012)61, 14.3.2012, Brussels

always extend much beyond what is already foreseen in the Fund-Specific Regulations. More importantly, however, Part Two includes guidance on general implementation principles and ways of improving the sustainability, complementarity and coordination of expenditure with a view to enhance synergies and avoid duplications.

The SWD contains some important provisions for better integration of environmental concerns into future funds programming. It particularly elaborates the Commission's ideas on two key aspects:

- Priority actions and implementation principles under the thematic objectives dedicated to low carbon development, climate adaptation and risk prevention, protection of the environment and resource efficiency, and sustainable transport; and
- Operationalising the horizontal principle of sustainable development and climate change (article 8).

Priority actions and their implementation

1) Thematic objective '*Shift towards the low-carbon economy*'

Clear priority is given to actions for boosting energy efficiency and renewable energy in public buildings, SMEs, agriculture and food processing, fisheries and aquaculture activities. Importantly, funding will be available for developing strategies and action plans for low carbon development which can help improve the governance and planning processes for tackling climate change on all levels of governance. CSF funds should contribute not only to the 2020 climate and energy targets but also to the long-term decarbonisation agenda of the EU running to 2050. The majority of investment needs are supposed to be delivered by the private sector with public expenditure only having a complementary role or providing the means for unlocking private investment opportunities.

2) Thematic objective '*Promoting climate change adaptation and risk prevention*'

Under the ERDF and the CF, funding is envisioned to focus on activities such as the development of adaptation strategies and action plans or measures to avoid damage and increase the resilience of the built environment. Addressing pressures on water resources, improving floods and coastal defences, developing tools for early warning, risk mapping and disaster management systems also feature on the list. This list also includes actions for the sustainable management of water resources in agriculture, the improvement of soil management and maintaining high potential for adaptation through promoting genetic diversity, local crops and livestock breeds (under EAFRD). Regarding the implementation of these priority actions, the Commission's document stresses that cross-border cooperation should be enhanced particularly in relation to flood prevention, forest fires and coastal protection. Ecosystem based adaptation should be encouraged more than technology based solutions and potential synergies with climate mitigation, environmental protection and resource efficiency should be exploited.

3) Thematic objective '*Protecting the environment and promoting resource efficiency*'

Priority actions remain to a large extent similar to those in previous programming periods. Nonetheless their focus has been slightly modified. Two funds, the ERDF and the CF, should prioritise investment in efficient water supply, waste-water treatment and water reuse in close support to the implementation of River Basin Management Plans and in accordance

with the 'water hierarchy'. EU funded waste investments should move away from landfill construction and focus on actions for re-use, recycling and recovery. These should be complementary to private financing. Integrated solutions in urban areas should focus on drainage systems, soil 'de-sealing' and the rehabilitation of contaminated sites.

The EAFRD should promote High Nature Value (HNV) farming systems and improve the efficiency of water use in agriculture. It should also stimulate investment in more efficient irrigation systems and improve the quality of water and soil. Under this thematic objective, more specific details are also provided for the role of the EMFF. These include the transition towards environmentally sustainable fisheries, eco-innovations in fishing gear, promoting aquaculture to a high environmental standard, improving fisheries control and compliance with CFP rules, improving decision-making tools and consumer awareness.

Public funds are expected to be the main source of financing for biodiversity. The EAFRD is mentioned as the main source of financing for the EU Biodiversity Strategy 'by providing environmental public goods through agriculture and forestry'.⁵ Financing from the CSF funds for Natura 2000 is supposed to be implemented in line with measures set out in the Priority Action Frameworks developed by Member States in accordance to article 8 of the habitats Directive.

Importantly, the document also specifies that green public procurement shall be enhanced as much as possible in project selection procedures and during the organisation of calls for tenders.

4) Thematic objective '*Promoting sustainable transport and removing bottlenecks in key infrastructures*'

Priority actions under this objective play an important role for stimulating investments in more sustainable modes of transport. The SWD makes specific recommendations in that regard. Key priority actions include not only the development of more environmentally friendly modes of transport (e.g. railway development including capacity building for planning, implementation and management of rail projects) but also introducing road pricing, user charging systems and traffic management. Integrated sustainable urban mobility concepts in cities, city-regions and metropolitan areas are included as well. The European added value of transport investment under the CSF funds should be assessed against their contribution to sustainability and the reduction of greenhouse gas emissions, among other things. Even if some road building is still allowed, it is specified that investors need to assess their greenhouse gas (GHG) emissions, integrate transport pricing and user charges to allow the full application of the polluter pays principle. They should also consider the vulnerability of investments to risks associated with climate change. These are important requirements. If properly enforced and implemented, they could help minimising funding for potentially carbon intensive transport investments.

Integrating sustainable development and climate change into the funds

According to the Commission, sustainable development shall be understood essentially as compliance with the environmental *acquis* whereby funding shall 'contribute sustainably to environmental enhancement'.⁶ Firstly, this is a rather narrow interpretation of sustainable

⁵ European Commission (2012) Elements for a Common Strategic Framework 2014-2020, Part II, Commission staff working document, SWD(2012)61, 14.3.2012, Brussels

⁶ European Commission (2012) Elements for a Common Strategic Framework 2014-2020, Part I, Commission staff working document, SWD(2012)61, 14.3.2012, Brussels

development. While emphasizing the environmental pillar can be seen as positive, EU spending must comply with EU environmental law by default. Sustainable development would require a longer-term perspective than implied by much of the EU environmental *acquis* and would also need to include areas which are not fully covered under the environmental *acquis*, but under other policy frameworks (particularly those relating to land management). Secondly, legal compliance is already explicitly stipulated in article 6 of the draft Common Provisions Regulation. Consequently, it is unreasonable that article 8 (sustainable development) will be implemented through article 6 (compliance with EU law).

More details are provided in relation to the polluter pays principle, the application of user charges and the internalisation of externalities as ways to mitigate the potentially harmful environmental impacts of EU spending, which is encouraging. Yet, this does not give sufficient guidance on how to fully operationalise the sustainable development principle in future Partnership Contracts, Operational Programmes and project development, which are key mechanisms in planning expenditure under the funds.

It needs to be positively noted that clear language on the need to 'climate-proof' investments is included by stating that future expenditure should be made resilient to the impact of climate change and natural disasters. The document also stresses the anticipated contribution of the five funds to the proposed overall 20 per cent spending for climate change as a proportion of the 2014-2020 EU MFF.⁷ However, it is not specified what the contribution of the CSF funds will be in achieving this. The overall 20 per cent aspirational target commits to approximately €200bn for the 2014-2020 MFF period. The overall share of the CSF funds in the MFF amount to roughly 34 per cent. Hence, it can be assumed that a potential contribution to the 20 per cent commitment would need to be quite substantial. However, estimates based on the proposed earmarking for climate related activities indicates that the contribution of Cohesion Policy, Rural Development and the EMFF is not in line, but rather amounts to the magnitude of 30 billion for the seven year period.⁸

Furthermore, no detail is provided on the methodology for tracking climate change and biodiversity expenditure. While the draft Common Provisions Regulation explicitly stipulates that climate change should be integrated in the different policy stages, including programming and implementation, how this can be taken forward at national and regional levels is not clarified. An overview menu of thematic and procedural tools would be helpful in this regard.

Conclusion and policy outlook

The proposed 'elements' for a CSF indeed include a number of specific recommendations on priority actions and guidance that could help improve the coordination, coherence and implementation of investments under the five funds. Provisions on better targeting of investments and encouraging a more sustainable mix of the overall investment portfolio would help to achieve real progress on the ground. At the same time, a number of issues still remain unclear.

- The **document seems to carry very restricted political significance**. A Staff Working Document putting forward 'elements' for the CSF is sending quite a different signal

⁷ European Commission (2011) A Budget for Europe 2020 – Part I, Communication from the Commission, COM(2011)500, 29.06.2011, Brussels

⁸ Medarova-Bergstrom, K. and Volkery, A. (2012) *Practical options for greening the 2014-2020 EU MFF: the case of climate change mainstreaming*. Final report for the Dutch Ministry of Infrastructure and the Environment, IEEP, Brussels. [forthcoming]

than a fully-fledged Commission Communication. If there is no feeling of strong ownership in the Commission, negotiations between the Council and the Parliament could further weaken the proposals, leading to a missed opportunity to improve the overall thematic concentration, effectiveness and quality of future EU spending.

- **Article 8 requires better operationalisation of the sustainability principle** and related guidance, particularly with regard to the specific implications for the future Partnership Contracts, Operational Programmes and investment projects. In the past, the lack of understanding how to deal with cross-cutting integration principles reduced the sustainable development principle to a mere 'tick-the-box' exercise, without any effect on the actual investment priorities or project design.⁹ Lessons from the past should be learnt.
- Aligning the CSF funds to the Europe 2020 Strategy also requires setting up a **framework for monitoring and reporting** on the achievement of objectives and targets. Despite vocal political declarations for moving towards a more performance- and result-oriented future EU budget¹⁰, the CSF does not clarify ways forward to establish and implement an adequate tracking system for climate change and environmental expenditure. It also does not provide further guidance with regard to indicator systems to measure progress in terms of the achievement of objectives, milestones and targets.

These omissions need to be addressed. The on-going negotiation process on the regulatory frameworks of the five CSF funds presents an opportunity for this. The Council and the European Parliament should ensure that the positive elements are retained while weaknesses are effectively tackled so as to establish a robust legally binding framework of the future CSF funds in the form of an Annex to the Common Provisions Regulation.

Disclaimer: The arguments expressed in this policy brief remain solely those of IEEP, and do not reflect the opinion of any other party. Any errors that remain in the paper are solely those of the author. Funding from the European Climate Foundation is acknowledged. For further correspondence on the 2014-2020 EU MFF please contact: Keti Medarova-Bergström at kmedarova@ieep.eu or Axel Volkery at avolkery@ieep.eu.

The **Institute for European Environmental Policy** is an independent not-for-profit institute. IEEP undertakes work for external sponsors in a range of policy areas. We also have our own research programmes and produce the *Manual of European Environmental Policy* (see below). For further information about IEEP, see our website at <http://www.ieep.eu> or contact any staff member.

Keep pace with environmental policy developments in Europe. The Manual of European Environmental Policy <http://www.europeanenvironmentalpolicy.eu/>

⁹ Hjerp, P., Medarova-Bergstrom, K, Skinner, I., Mazza, L. and ten Brink, P. (2012) *Cohesion Policy and Sustainable Development-Policy Instruments*. Supporting paper 5. Report for DG Regional policy, European Commission, Brussels.

¹⁰ European Commission (2011) Investing today for growth tomorrow. Press release. 29.06.2011, Brussels