



Phare Small Projects Programme



Italian Ministry for the Environment and Territory



THE REGIONAL ENVIRONMENTAL CENTER
for Central and Eastern Europe

**ENVIRONMENTAL ASPECTS OF THE STRUCTURAL FUNDS AND
COHESION FUND
IN NEW EU MEMBER STATES AND CANDIDATE COUNTRIES**

**13-14 May 2004, REC Conference Center
Szentendre, Hungary**

**Final Conference Paper
August 2004**



ENVIRONMENTAL ASPECTS OF THE STRUCTURAL FUNDS AND COHESION FUND IN NEW EU MEMBER STATES AND CANDIDATE COUNTRIES

Produced by the Regional Environmental Center for Central and Eastern Europe

Primary Author: Jennifer McGuinn

Contributors: Jiri Dusik, Paulina Janiak, Emese Karacsonyi, Agata Miazga

Project Team Members: Christy Duijvelaar, Jiri Dusik, Paulina Janiak, Milena Marega, Jennifer McGuinn, Simona Kosikova Sulcova, Cerasela Stancu

Project Funding: European Commission, Phare Small Projects Programme; the Italian Ministry for the Environment and Territory

This document has been produced with the financial assistance of the European Union. The contents of this document are the sole responsibility of the Regional Environmental Center for Central and Eastern Europe and can under no circumstances be regarded as reflecting the position of the European Union.

Table of Contents

Introduction

Structural Funds and Cohesion Fund Allocations, 2004-2006

Contents of the Programming Documents

Institutional Framework for Structural Funds and the Cohesion Fund

Environmental Ex-Ante Evaluations in the Programming Process

Challenges and Issues for Discussion

Conference Conclusions

Annex 1 Conference Proceedings

Annex 2 Conference Agenda

Annex 3 List of Conference Participants

Abbreviations

CF Cohesion Fund

CSF Community Support Framework

EC European Commission

EIA Environmental Impact Assessment

ERDF European Regional Development Fund

ESF European Social Fund

IB Intermediate Body

MA Managing Authority

NDP National Development Plan

OP Operational Programme

SF Structural Funds

SPD Single Programming Document

SEA Strategic Environmental Assessment

INTRODUCTION

Implementation of EU regional policy to promote economic and social cohesion throughout the Union provides serious opportunities and challenges for environmental protection and sustainable development in Europe. The funding instruments – Structural Funds (SF) and the Cohesion Fund (CF) – will provide over € 21 billion in development aid for the ten new EU member states during 2004-2006; more funds are expected to be allocated for the upcoming 2007-2013 period. Implementation of the plans, programmes, and projects to be supported by these funds will have a strong impact on the environment and the path of development in these countries, and the ultimate result will be determined by a complex set of factors.

The first draft of this conference paper served as the ground for review and discussion of the environmental aspects of these funding instruments by environmental authorities, economic development authorities and key environmental non-governmental organizations (NGOs) during a two-day conference organized by the Regional Environmental Center for Central and Eastern Europe (REC). This final conference paper includes the key conclusions from the conference. The paper, prepared by REC staff, provides a comparative overview of funding allocations, programming documents, and institutional arrangements for the SF and the CF for the ten new member states. For the candidate countries Bulgaria and Romania, progress so far with planning and programming is represented. The information has been gathered primarily from publicly available planning and programming documents, as well as published statistics. Most of the information presented in the paper will not be new for those who have been involved in the planning and programming processes so far, but the comparative structure shows how the process is going in all of the countries.

This paper, its annexes, conference presentations, and participant contacts are available on the REC website, www.rec.org on the Environmental Policy and Local Initiatives Programme page.

STRUCTURAL FUNDS AND COHESION FUND ALLOCATIONS, 2004-2006

Table 1, Overview of the Structural Funds and Cohesion Fund financing allocated to new member states, 2004 - 2006.

	Basic Data		Structural Funds				Cohesion Fund	Total
	Area	Population	Objective 1	Objective 2	Objective 3	Community Initiatives		
	km ² 2004	in million 2004	in million € 1999 prices					
Cyprus	9 251	0.7	0	25	20	5	48	101
Czech Rep.	78 866	10.2	1 286	63	52	89	836	2 328
Estonia	45 227	1.3	329	0	0	13	276	618
Hungary	92 340	10.2	1 765	0	0	88	994	2 847
Latvia	64 589	2.3	554	0	0	21	461	1 036
Lithuania	65 301	3.4	792	0	0	30	544	1 366
Malta	316	0.4	56	0	0	3	20	79
Poland	312 685	38.2	7 321	0	0	315	3 733	11 369
Slovenia	20 000	2.0	210	0	0	27	169	405
Slovak Rep.	49 035	5.4	921	33	40	57	510	1 560
Total	73 7610	74.1	13 234	121	112	648	7 591	21 706

Basic data: Eurostat, 2004.

Funding data: DG Regio workshop presentation, 2004.

For information and for purposes of comparison, this table gives the area, population, and funding allotments for the 2004-2006 programming period for the ten new member states. The candidate countries Bulgaria and Romania do not have allocations in the current funding period; they are still receiving pre-accession assistance.

Over 21 billion EUR is allocated for the new member states in the current funding period; slightly more than one-third of that is allocated for the CF, and the remainder is spread across the four main SF and the two Community Initiatives active in new member states (Interreg and Equal). The bulk of the SF assistance will go to Objective 1 regions. All of the countries except Cyprus, the Czech Republic, and Slovakia are 100% covered by Objective 1 regions. Approximately 50% of the funds will go to Poland, whose population represents 52% of the new member states' total.

Table 2, Overview of the Structural Funds and Cohesion Fund financing per head and estimated allocations for environmental projects, 2004 - 2006.

	Basic Data		Funding Data			
	Area km ²	Population Million	Total Funding Million € 1999 prices	€/ Head Total	Estimated % Environmental Projects	€/ Head Environment
Cyprus	9 251	0.7	101	144	25	36
Czech Rep.	78 866	10.2	2 328	228	25	57
Estonia	45 227	1.3	618	475	23.8	113
Hungary	92 340	10.2	2 847	279	24.6	69
Latvia	64 589	2.3	1 036	450	22.8	103
Lithuania	65 301	3.4	1 366	402	20.5	82
Malta	316	0.4	79	198	40.9	81
Poland	312 685	38.2	11 369	298	19.3	57
Slovenia	20 000	2	405	203	19.7	40
Slovak Rep.	49 035	5.4	1 560	289	21.8	63
Average				297	24.34	70.1
Total	737 610	74.1	21 709			

Basic data: Eurostat, 2004.

Funding data: EC, Questions and Answers on Enlargement and Environment, Memo 04/86, 2004.

This table shows the relative amounts of total funding allocated to each of the countries on a per capita basis and, based upon European Commission estimations, the percentage each country has allocated for environmental projects. Based upon these figures, it can be said that nearly 25 percent of the funds, over € 5 billion, is available for environmental projects during 2004 – 2006. (Of course this is subject to the definition of an “environmental” project, as discussed below.) The highest share of environmental funding per capita will go to Estonia and Latvia, although Malta has allocated the largest percentage of available funding for environmental projects. Cyprus, Czech Republic, and Hungary are second in the percentage ranking, each with about one quarter of total funding allocated for environmental projects.

CONTENTS OF THE PROGRAMMING DOCUMENTS

Table 3, Overview of Programming Documents for the Structural Funds for New Member States and Candidate Countries.

Country, Document ^a	Operation Programmes or Single Programming Document Priorities	Specific Priorities or Measures for Environment and/or Sustainable Development
Cyprus Obj 2 SPD	<ol style="list-style-type: none"> 1. Sustainable Rural Development 2. Regeneration of Urban Areas 	<ol style="list-style-type: none"> 1 - Thriving local communities 2 - Integrated urban regeneration
Czech Republic Obj 1 CSF + OPs Obj 2 & 3 SPD Prague	<ol style="list-style-type: none"> 1. Industry & Enterprise 2. Infrastructure 3. Human Resources Development 4. Rural Development and Multi-Functional Agriculture 5. Joint Regional OP 	<ol style="list-style-type: none"> 2 - Reduction of negative environmental impacts of transport 2 - Environmental infrastructure improvement 5 - Public transport, urban regeneration SPD2 - Revitalisation and development of city environment
Estonia SPD	<ol style="list-style-type: none"> 1. Human Resource Development 2. Competitiveness of Enterprises 3. Rural Development & Agriculture 4. Infrastructure and Local Development 5. Technical Assistance 	<ol style="list-style-type: none"> 3 - Local initiatives for rural development 4 - Local environmental infrastructure
Hungary CSF + OPs	<ol style="list-style-type: none"> 1. Economic Competitiveness 2. Agriculture & Rural Development 3. Human Resources 4. Environmental Protection & Infrastructure 5. Regional Development 	<ol style="list-style-type: none"> 2- Development of rural areas 4 - Environmental protection 5 – Regeneration of urban areas
Latvia SPD	<ol style="list-style-type: none"> 1. Promotion of Territorial Cohesion 2. Promotion of Enterprises and Innovation 3. Development of Human Resources and Promotion of Employment 4. Development of Rural Areas and Fisheries 5. Technical Assistance 	<ol style="list-style-type: none"> 1 - Environmental infrastructure and tourism 1 - Accessibility and transport system 4 - Development of local action (LEADER-type)
Lithuania SPD	<ol style="list-style-type: none"> 1. Social and Economic Development of the Economy 2. Human Resource Development 3. Development of the Production Sector 4. Rural and Fisheries Development 5. Technical Assistance 	<ol style="list-style-type: none"> 1 - Energy efficiency; Environmental quality
Malta SPD	<ol style="list-style-type: none"> 1. Strategic Investments and Strengthening Competitiveness 2. Developing People 3. Rural Development and Fisheries 4. Regional Distinctiveness (Goza Special Needs) 5. Technical Assistance 	<ol style="list-style-type: none"> 1 - Improving the environment situation
Poland CSF + OPs	<ol style="list-style-type: none"> 1. Competitiveness of Enterprises 2. Human Resources Development 3. Transport 4. Food Sector & Rural Development 5. Fisheries & Fish Production 6. Integrated Regional OP 7. Technical Assistance 	<ol style="list-style-type: none"> 1 - Balanced development of different transport modes 4 - Sustainable development of rural areas 5 - Protection and development of aquatic resources 6 - Environmental infrastructure 6 - Public urban transport 6 - Local development
Slovak Republic CSF + OPs Obj 2&3 SPD Bratislava	<ol style="list-style-type: none"> 1. Industry & Services 2. Human Resources 3. Agriculture & Rural Development 4. Basic Infrastructure 	<ol style="list-style-type: none"> 3 - Renovation and development of villages and conservation of rural heritage 4 – Environmental infrastructure SPD 2 – Infrastructure and local initiatives

Country, Document ^a	Operation Programmes or Single Programming Document Priorities	Specific Priorities or Measures for Environment and/or Sustainable Development
Slovenia SPD	<ol style="list-style-type: none"> 1. Productive Sector & Economic Competitiveness 2. Knowledge, Human Resource Development & Employment 3. Economic Infrastructure 4. Technical Assistance 	
Bulgaria NDP	<ol style="list-style-type: none"> 1. Economic Competitiveness 2. Human Resources Development 3. Basic Infrastructure & Environmental Protection 4. Agriculture & Rural Development 5. Sustainable Regional Development 	<ol style="list-style-type: none"> 1 - Sustainable growth of economy 3 – Sustainable transport 3 - Environmental master plan 4 - Sustainable agricultural production, 4 - Sustainable rural development consistent with the best environmentally friendly practices 5 - Sustainable development of regions 5 - Establishment of appropriate environment for economic growth
Romania NDP	<ol style="list-style-type: none"> 1. Economic Competitiveness 2. Transport/Energy Infrastructure & Environmental Protection 3. Human Resources Development 4. Agriculture & Rural Development 5. Sustainable Regional Development 	<ol style="list-style-type: none"> 2 – Environment and public utilities 5 – Environmental protection at regional level

^a Programming documents considered: Community Support Framework (CSF) and Operational Programmes (OPs): CZ, HU, SK, PL; Single Programming Document (SPD) CY, EE, LV, LT, MA, SLO; National Development Plan (NDP) BG, RO

An examination of the programming documents from the new member states and national development plans from the candidate countries shows that the programming arrangements are similar across the countries. Nearly all of the countries have the following basic programmes or priorities:

- Economic competitiveness or support for industry/productive sector; in some cases this includes environmental infrastructure
- Human resource development – training and promotion of employment
- Agriculture and rural development – mostly support to agricultural processes and competitiveness; some measures to promote sustainable rural development and local initiatives
- Infrastructure
- Regional development – the larger countries tend to focus more on this, with the intention to accelerate the development of regions lagging behind according to EU cohesion concept
- Technical assistance

We have also identified specific priorities or measures which appear to support environment or sustainable development. This representation is of course only indicative, as time did not permit a thorough investigation or interpretation of the contents of all the programming documents, nor does it present the amounts of funding attached to the measures or the relative priority accorded the measures in each country. Environmental projects will be financed primarily under OPs or SPD priorities for infrastructure, rural development, and regional development. The Hungarian OP for environment and infrastructure has a more broad focus, with specific options for financing “non-infrastructure” environmental projects, including nature and biodiversity conservation efforts (see Box 2 below for more details). In Lithuania environmental projects are funded under an economic

development programme, interestingly titled “Social and Economic Development of the Economy”, the only such programme to formally take into account social issues.

Agriculture and rural development programmes often include measures to support sustainable rural development, notably in Slovakia, which has a priority for “Renovation and development of villages and conservation of rural heritage.” It appears, however, that most of the countries will target these funds on improvement of agricultural processes, access to markets, and overall competitiveness of the agriculture sector. There will be less emphasis on agro-environmental measures; the situation was similar with the implementation of the pre-accession instrument SAPARD.

Four of the countries – Czech Republic, Hungary, Poland and Latvia – have created separate programmes/priorities for regional development or regional cohesion. One aim of such programmes is usually to decentralise the process in terms of both planning/programming and managing the process (see more below on institutions). These programmes have some specific measures promoting environment and sustainable development, including local development, urban regeneration, and environmental infrastructure.

While almost all of the countries have some specific priorities or measures for the environment, there are options for environmental sustainability in projects or components of projects in many of those programmes which do not target environmental objectives. Examples of such options are presented in Box 1 below. Much will of course depend upon the capacity and willingness of final beneficiaries to prepare projects or components of projects with environment and sustainability objectives.

BOX 1 EXAMPLES OF ENVIRONMENTAL PROJECTS WITHIN PROGRAMMES OR PRIORITIES THAT DO NOT HAVE SPECIFIC ENVIRONMENTAL MEASURES:

- **Human resources development:** environmental skills and management training, environmental awareness training, environmental education, training for public administration on environment as a horizontal priority
- **Economic competitiveness** – development of environmental management systems and support for BAT for companies, environmental consulting, sustainable tourism; regeneration of neglected industrial areas
- **Agriculture and rural development/fisheries development** – application of environmental measures and elimination of past pollution in upgrade of agricultural processes; diversification of rural economy; removing of past pollution in harbours; restoring natural fish stocks, etc.
- **Infrastructure** – sustainable transport, clean/renewable energy; energy efficiency; innovative bioremediation in land reclamation; low-energy solutions for water/wastewater treatment; waste composting, recycling, re-use schemes, etc.

The CF will provide over € 7 billion for the new member states in the current period, to finance large infrastructure projects in the transport and environment sectors. The funding will be divided evenly across the sectors, and there is a minimum project cost of € 10 million. Unlike the SF, which finance development plans, the CF finances projects, submitted by member states and approved by the European Commission. All of the new member states have listed water, wastewater, solid waste management as priority sectors in their environmental strategies for CF financing; some of the countries will also use the funds for air quality projects. For most countries, the CF pipelines are developed from the ISPA strategies and pipelines developed during the pre-accession period.

INSTITUTIONAL FRAMEWORK FOR THE STRUCTURAL FUNDS AND THE COHESION FUND

Table 4, Institutional framework for the management of the Structural Funds and the Cohesion Fund in New Member States and Candidate Countries.

Country	Operational Programmes or Single Programming Document	Managing Authority	Intermediate Bodies (Implementing Bodies)
Cyprus	1. Sustainable Rural Development	Permanent Secretary of Planning Body, under Finance Minister	Ministry of Interior
	2. Regeneration of Urban Areas		
Czech Republic	Community Support Framework	Ministry for Regional Development	N/A
	1. Industry & Enterprise	Ministry of Industry & Trade	CzechInvest (MoIT agency)
	2. Infrastructure	Ministry of Environment	State Environmental Fund Ministry of Transport
	3. Human Resources Development	Ministry of Labour & Social Affairs	National Training Fund (implementation agency)
	4. Rural Development and Multi-Functional Agriculture	Ministry of Agriculture	Agricultural Paying Agency
	5. Joint Regional OP	Ministry for Regional Development	Centre for Regional Development Regional Councils (7)
	SPD Objective 2	Ministry for Regional Development	Centre for Regional Development
Cohesion Fund	Ministry of Regional Development	Ministry of Environment Ministry of Transport	
Estonia	1. Human Resource Development	Ministry of Finance	Ministries of: Economic Affairs & Communications; Internal Affairs; Environment ; Social Affairs; Education and Research; Agriculture
	2. Competitiveness of Enterprises		
	3. Rural Development & Agriculture		
	4. Infrastructure and Local Development		
	5. Technical Assistance		
	Cohesion Fund	Ministry of Finance	Ministry of Economic Affairs & Communications, Ministry of Environment, Environmental Investment Centre
Hungary	CSF	National Office for Regional Development; Ministry w/o portfolio for EU Integration	Hungarian State Treasury – Financial Directorate (for all OPs)
	1. Economic Competitiveness	Ministry of Economy & Transport	Various state agencies
	2. Agriculture & Rural Development	Ministry of Agriculture & Rural Development	Ministry of Agriculture and Rural Development
	3. Human Resources	Ministry of Employment & Labour	National Employment Office + other agencies
	4. Environmental Protection & Infrastructure	Ministry of Economy & Transport	Ministry of Environment and Water Energy Centre State Treasury
	5. Regional Development	National Office for Regional Development; Ministry w/o portfolio for EU Integration	National RD Agency + Regional Development Agencies (7)
	Cohesion Fund	Office of the National Development Plan and EU Support	Ministry of Economy and Transport Ministry of Environment and Water

Country	Operational Programmes or Single Programming Document	Managing Authority	Intermediate Bodies (Implementing Bodies)
Latvia	1. Promotion of Territorial Cohesion	Ministry of Finance	Ministries of: Regional Development and Local Governments; Economy; Welfare; Education and Science; Agriculture; Transport; Environment ; Health; Culture
	2. Promotion of Enterprises and Innovation		
	3. Development of Human Resources and Promotion of Employment		
	4. Development of Rural Areas and Fisheries		
	5. Technical Assistance		
	Cohesion Fund	Ministry of Finance	Ministry of Environment Ministry of Transport
Lithuania	1. Social and Economic Development of the Economy	Ministry of Finance	Ministries of: Economy ; Social Security and Labour; Education and Science; Agriculture; Environment ; Transport and Communications; Health Care; Information Society; Development Committee
	2. Human Resource Development		
	3. Development of the Production Sector		
	4. Rural and Fisheries Development		
	5. Technical Assistance		
	Cohesion Fund	Ministry of Finance	Ministry of Environment Ministry of Transport
Malta	1. Strategic Investments and Strengthening Competitiveness	The Planning and Priorities Co-ordination Directorate (Office of the Prime Minister)	The Ministry for Social Policy Ministry for Rural Affairs and the Environment
	2. Developing People		
	3. Rural Development and Fisheries		
	4. Regional Distinctiveness (Goza Special Needs)		
	5. Technical Assistance		
	Cohesion Fund	The Planning and Priorities Co-ordination Directorate (Office of the Prime Minister)	Ministry for Transport & Communications Ministry for Resources & Infrastructure
Poland	CSF	Ministry of Economy, Labour and Social Policy	
	1. Competitiveness of Enterprises	Ministry of Economy, Labour and Social Policy	Ministry of Environment Ministry of Scientific Research & Information Technology
	2. Human Resources Development	The Ministry of Economy, Labour and Social Policy	Ministry of Economy, Labour and Social Policy Ministry of National Education & Sport
	3. Transport	Ministry of Infrastructure	None designated ^a
	4. Food Sector & Rural Development	Ministry of Agriculture and Rural Development	None designated ^a
	5. Fisheries & Fish Production	Ministry of Agriculture and Rural Development	None designated ^a
	6. Integrated Regional OP	Ministry of Economy, Labour and Social Policy	Regional Authorities (16)
	7. Technical Assistance	Ministry of Economy, Labour and Social Policy	None designated ^a

Country	Operational Programmes or Single Programming Document	Managing Authority	Intermediate Bodies (Implementing Bodies)
Poland	Cohesion Fund	Ministry of Economy, Labour and Social Policy Ministry of Environment Ministry of Infrastructure	N/A
Slovak Republic	CSF	Ministry of Construction and Regional Development	N/A
	1. Basic Infrastructure	Ministry of Construction and Regional Development	Ministry of Transport, Posts and Telecommunications Ministry of Environment
	2. Human Resources	Ministry of Labour, Social Affairs, and Family	Ministry of Education
	3. Industry & Services	Ministry of Economy	National Agency for Development of Small and Medium Enterprises + other agencies
	4. Agriculture & Rural Development	Ministry of Agriculture	Agricultural Paying Agency
	SPD Objective 2	Ministry of Construction and Regional Development	N/A
	Cohesion Fund	Ministry of Construction and Regional Development	Ministry of the Environment Ministry of Transport, Posts and Telecommunication
Slovenia	1. Productive Sector & Economic Competitiveness	Government Office for Structural Policy & Regional Development	Ministries of: Economy; Labour, Family & Social Affairs; Agriculture, Forestry & Food
	2. Knowledge, Human Resource Development & Employment		
	3. Economic Infrastructure		
	4. Technical Assistance		
	Cohesion Fund	Ministry of Economy	Ministry of the Environment and Spatial Planning Ministry of Transport

^a In Poland overall MA (Ministry of Economy, Labour, & Social Policy) retains Intermediate Body role for certain OPs

Table 4 presents the primary institutions responsible for management and implementation of the programmes, those designated as Managing Authorities (MAs) and Intermediate Bodies (IBs). MAs have overall responsibility for the management of the programme, including issuing guidance materials, information and communication, reporting, and formal approval of the projects. IBs, which may be public or private institutions, carry out tasks delegated to them by the MAs, usually including running the process of project selection, data collection for monitoring, guiding and assisting final beneficiaries with preparation of applications, and some supervisory tasks.

In the smaller SPD countries there is only one MA for the overall programme, and IBs are usually delegated across the other relevant sectoral ministries. The larger countries have designated individual MAs for each OP, again mostly the relevant sectoral ministries. IBs in the larger countries tend to be relevant agencies attached to MAs; in some cases the MA itself takes on the IB roles and responsibilities. In some cases the countries have named four or five different institutions as IBs for individual programmes, these will divide and share responsibilities.

The overarching goal of EU regional policy is to support cohesion within the EU, and the funding instruments are therefore targeted at regions within member states. In line with this principle, SF programmes in the 15 “old” member states are usually decentralised; management and

implementation tasks are carried out by regional-level authorities. This will not be the case in the new member states, at least for the current programming period, primarily because of the short programming period, limited experience with decentralisation and regional institutions in most of the countries, and the small size of many countries. The three largest new members, Poland, Hungary, and the Czech Republic, have prepared OPs to address development of the regions, with many IB tasks delegated to regional-level institutions.

Environmental authorities have an IB role in almost all of the countries. It is clear that environmental authorities are well-represented in the structures which have components specifically targeted for environment. It is often not clear, however, what will be the role of environmental authorities (or other environmental partners) in the management and implementation of “non-environment targeted” programmes, especially those which will have a significant impact on the environment, such as transport and economic competitiveness.

The role of environmental authorities in the programmes varies across the countries. In a formal sense, the Czech Republic has given the strongest role to its Ministry of Environment, which is the only environmental authority with MA responsibility for a programme. However, it is expected that in Hungary and Slovakia, which have a similar environmental programme structure as the Czech Republic, most of the tasks related to environmental priorities will be delegated to environmental authorities. Nevertheless, it is the MA which retains final decision-making rights in all cases, including selection of projects. (See Box 2 below for more details on the infrastructure/environment OPs.)

BOX 2: COMPARISON OF INFRASTRUCTURE OPERATIONAL PROGRAMMES IN 3 COUNTRIES		
CZECH REPUBLIC: OP INFRASTRUCTURE	HUNGARY: OP ENVIRONMENTAL PROTECTION AND INFRASTRUCTURE	SLOVAK REPUBLIC: OP BASIC INFRASTRUCTURE
Priority 1 Transport infrastructure <i>Railways junctions</i> <i>Class I roads</i> <i>Civil airports</i> <i>Ports and waterways</i> Priority 2 Environmental protection in transport <i>Combined transport</i> <i>Alternative fuels</i> <i>Research projects in environment/ transport</i> Priority 3 Environmental infrastructure <i>Recovery of landscape environment</i> <i>Water management infrastructure</i> <i>Air protection infrastructure</i> <i>Waste management and old ecological burdens</i> Priority 4 Technical Assistance	Priority 1 Environmental protection <i>Water quality improvement</i> <i>Animal waste management</i> <i>Healthcare, construction, demolition waste</i> <i>Groundwater and aquifer protection</i> <i>Nature conservation and sustainable flood management</i> <i>Air and noise monitoring</i> <i>Environmentally friendly energy management</i> Priority 2 Transport infrastructure <i>Main road network</i> <i>Environmental friendly transport infrastructure</i> Priority 3 Technical Assistance	Priority 1 Transport infrastructure <i>Railway infrastructure</i> <i>Road infrastructure</i> <i>Air transport infrastructure</i> Priority 2 Environment infrastructure <i>Project and rational use of waters</i> <i>Air protection infrastructure</i> <i>Waste management infrastructure</i> <i>Protection, improvement, regeneration of natural environment</i> Priority 3 Local infrastructure <i>“Intelligent regions”</i> <i>Regional policy and management</i> <i>Civil infrastructure</i> <i>Information society in public sector</i> <i>Institutional infrastructure for regional policy</i> <i>Renovation and development of villages</i> Priority 4 Technical Assistance
Managing Authority: Ministry of Environment Intermediate Body: State Environmental Fund; Ministry of Transport	Managing Authority: Ministry of Economy & Transport Intermediate Bodies: Ministry of Environment & Water ; Energy Center, State Treasury	Managing Authority: Ministry of Construction & Regional Development Intermediate Bodies: Ministry of Environment; Ministry of Transport, Posts & Telecommunications
Total ERDF Budget: € 246 360 355 Priority 1: € 84 070 218 Priority 2: € 14 835 455 Priority 3: € 142 092 754 Priority 4: € 5 361 928	Total ERDF Budget: € 440 293 786 Priority 1: € 171 021 077 Priority 2: € 251 819 601 Priority 3: € 17 453 108	Total ERDF Budget: € 422 363 451 Priority 1: € 206 218 995 Priority 2: € 96 394 549 Priority 3: € 95 160 084 Priority 4: € 24 589 823

ENVIRONMENTAL EX-ANTE EVALUATIONS IN THE PROGRAMMING PROCESS

Ex-ante evaluations, required for SF plans and programmes, represent a key tool for integration of environmental aspects and further involvement of environmental authorities into the process. All countries seeking to use SF are bound by the Article 41 of the Regulation 1260/1999/EC that requires undertaking of *ex-ante* evaluation as an integral part of the programming process. Ex-ante evaluations help to examine economic, social, and environmental issues and promote the sustainable development objectives of the SF. The focus of the environmental analyses to be performed within ex-ante evaluations is stipulated in the Article 41.2.b as follows:

- evaluation of the environmental situation of the region concerned;
- arrangements for integration of the environmental dimension into the assistance (e.g. environmental management plans);
- the extent to which these arrangements and plans fit in with existing short- and long-term national, regional and local objectives and;
- an estimate of the expected impact on the environmental situation.

The importance of proper environmental analyses within ex-ante evaluations has been further highlighted in several guidance documents prepared by the European Commission¹. Despite this guidance, informal consultations with officials at national environmental authorities in charge of environmental assessments and with environmental NGOs in the new member states raise concerns about the practical application and overall quality of environmental analyses within ex-ante evaluations. The most common concerns indicate that the ex-ante evaluations gave the most attention to economic and social issues, at the expense of environmental issues.

Several countries – Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Poland and Slovenia – subjected selected programming documents to a basic form of Strategic Environmental Assessment (SEA). Since the SEA Directive² no. 2001/42/EC was not yet in force and national legal bases for SEA were still evolving, most of these SEA were carried out on ad hoc basis and attempted to adhere to basic “good practice” rules as defined in the earlier EC guidance or by relevant support organizations (such as the REC).

In most cases, these pilot SEAs were highly appreciated by planning and environmental authorities. Evaluation interviews indicate these SEAs typically helped planning authorities to strengthen the planning process and improved consultations with stakeholders. Box 3 contains some of the most interesting remarks raised in reviews of pilot SEAs supported by the REC.

As regards the next programming process, all new member states face the challenge of sound application of the SEA Directive in that programming process. The SEA directive stipulates stronger requirements for due account of detailed environmental analyses and consultations with concerned public. In order to meet these challenges, it will be wise for the new member states and candidate countries to start preparing in 2004 for the application of SEA Directive in the 2007 – 2013 programming period.

¹ E.g. Vademecum, Plans and Programming Documents for Structural Funds 2000-2006 (DG XI, 1999), Handbook on Environmental Assessment of Regional Development Funds and EU Structural Funds (DG XI, 1998), The Ex-Ante Evaluation of the Structural Funds interventions” (WORKING PAPER 2 by DG XVI)

² Directive no.2001/42/EC on the assessment of the effects of certain plans and programmes on the environment

BOX 3: COMMENTS ON PILOT SEAS IN THE PROGRAMMING PROCESS³

“The SEA for the first National Development Plan of Poland provided us with useful recommendations for improved consideration of environmental issues. The SEA has a wider applicability and can also be used in elaboration of other documents. We will be able to use the lessons learned and methodology developed in the future.”

Mr. Piotr Zuber, Ministry of Economy, Labour and Social Policy, Poland

“SEA helped us to improve the quality of the Hungarian Regional Operational Program. Proponents of this program often did not take into account natural resources, which form the basis of any economic activity. The SEA team identified the main relevant environmental issues and helped us to consider this information throughout the entire planning process. SEA also facilitated our cooperation with the Ministry of Environment, other sectoral ministries and regional authorities during environmental optimising of the programme.”

Ms. Agnes Somfai, Prime Minister’s Office, Hungary

“SEA is not a complicated and theoretical tool. It was a flexible mechanism that gave us feedback from environmental experts. It ran in parallel to the elaboration of the Estonian Single Programming Document and provided operative and practical inputs. It helped us to improve quality of the document and increased awareness among NGOs of the entire planning process.”

Ms. Kerli Lõvi, Ministry of Finance, Estonia

“SEA was very useful experience in elaboration of the Czech National Development Plan. It had benefits that went beyond its original purpose of ensuring full consideration of sustainable development during the planning process. SEA helped us to improve openness of the entire programming process and established a “bridge” between the planning team and the public. This turned out to be very positive feature that we later very much appreciated.”

Mr. Tomas Nejd, Ministry of Regional Development, Czech Republic

CHALLENGES AND ISSUES FOR DISCUSSION

The issues presented here were gathered by REC staff for use as a basis for discussion among conference participants. Some of the issues were discussed in detail at the conference; others, due to time constraints, were not addressed. For clarity, the issues are broken down into three categories, although there is substantial overlap between the three. The “environmental aspects” considered here are multi-dimensional. First there are the prospects for financing “environmental” projects, i.e. those which aim to bring positive impacts on the environment. In addition to this, environment and sustainable development are considered horizontal priorities within EU regional policy, meaning that the impact of all plans, programmes, and projects must be considered. The second category contains issues related to the treatment of environment and sustainable development as horizontal priorities. The final section contains issues relevant to the debate on the upcoming funding period, 2007 - 2013.

1. Financing projects with “mainstream” environmental objectives

Appropriate priority for “environmental” projects in programming documents. Funding is limited and there are prioritisation trade-offs between different programmes, priorities, and measures. Is adequate priority given to environmental objectives in development plans and is that priority backed up with funding allocations? If not, what are the main causes for this? Do environmental authorities and other environmental partners have an effective role in the negotiating processes?

³ Dusik, J., Fisher, T., and Sadler, B., Benefits of SEA, Briefing paper UNDP and REC, May 2003

Defining “environmental” projects. Nearly all projects to be funded by environmental programmes for SF (and all under CF) are infrastructure projects, mostly for water, wastewater, and solid waste systems. Some of the other programmes are broadly defined, especially those which could support sustainable rural development, local initiatives, nature conservation, renewable energies and “soft” environmental projects such as awareness and training. This means that it will be up to the final beneficiaries to prepare projects which can both satisfy the criteria and requirements and have positive impact. It is also evident that there are no clear means specified in most of the programmes for development of Natura 2000 and investments for preserving biodiversity. This is complicated by the fact that the objectives and timing requirements of the environmental legislation and policy (Water Framework Directive, Natura 2000, Kyoto targets, etc.) do not always match those of the SF programmes.

Absorption capacity. It is generally expected that the new member states will have absorption capacity success with those instruments they have experience with, such as ISPA for large-scale infrastructure projects, and SAPARD for agro-industrial investments and some small-scale infrastructure. Greater difficulties are expected with smaller-scale programmes, especially those which require more bottom-up and/or cross-sectoral initiative to prepare the projects. There is a risk that countries will go for larger-scale, high-impact investment projects to increase the absorption capacity, and these projects are most likely to have negative environmental effects.

Project preparation arrangements. Are the managing authorities or intermediate bodies assisting with project preparation for the measures or are final beneficiaries left on their own to secure technical assistance resources and other necessary assistance? Evidence shows that for CF projects, there is plenty of assistance available, but for Structural Fund projects, the final beneficiaries, usually municipalities, must use their own initiative and in some cases funds to prepare projects. There is some risk for municipalities to undertake the complex preparation of their project ideas for SF, as there is no guarantee that they will get the funds – it depends upon the evaluation process. There is a greater risk of non-absorption for SF than for the CF.

2. Treatment of environment and sustainable development as horizontal priorities

Role of environmental authorities and environmental partners. It is not yet completely clear whether environmental authorities will play a significant role in those programmes outside the environment sector which impact the environment. Such a role would include consultation in all stages of the project evaluation cycle, from setting criteria to evaluation, selection, and monitoring of projects. It also remains to be seen how well the countries will carry out the EIA process, as required by the EIA Directive.

Partnership arrangements with NGOs, regional/local authorities, businesses, external stakeholders in the programming process. Many of the external partners mentioned in the SF regulation are environmental actors and stakeholders. Partnership arrangements, if taken seriously and implemented effectively, can therefore be particularly useful for the promotion of environmental priorities and the integration of environmental aspects into the SF and the CF. External partners must have sufficient capacity, know-how, and resources to become involved and provide significant input at all stages of the process. Partners must also receive information about the process in a timely manner, and their input must be allowed to influence the outcomes of the process wherever appropriate.

Networking and cooperation for promotion of environment and sustainable development aspects of the programmes, on national and international levels. Networking of environmental (and where appropriate, other) authorities at multiple levels will enable them to share information, ideas,

guidance, working tools, and experience, strengthen administrative and managerial capacities, as well as support the positions and influence of the authorities themselves within the planning, programming and implementation processes. Some other examples of networking and cooperation efforts from EU 15 include the establishment of an environmental coordinating committee for the CSF or SPD and a formal national environmental network. See Box 4 for more details.

BOX 4: SOME GOOD EXAMPLES FROM EU 15 STATES

- Develop environmental sustainability objectives for the overall programme (SPD or OP). These can be applied to individual measures and proposed projects and also used to assess the environmental sustainability of the programme as a whole. Currently there is no standard tool for this but there are many models created by the regions.
- Share experience and reporting to other regions and countries to gain an appreciation of opportunities and potential pitfalls.
- Market the importance and benefits of integrating environmental sustainability into the programme.
- Provide support and guidance to those wishing to develop environmental projects or to add components promoting environmental sustainability into other projects.
- To implement the above and more: assign a “theme manager” for environment and sustainability to the programme, an individual or team who is responsible to liaise with managing authorities and other bodies and oversee integration of these considerations on a daily basis; can be funded with technical assistance funds.

Evaluations of programming documents, plans, projects, and results. Evaluations provide an opportunity to review the overall impact of the programmes, and to avoid taking a project-centered approach. The challenge will be to ensure the quality of the evaluations, and that the results are properly incorporated into action. Implementation of the SEA Directive will be simultaneously a challenge and an opportunity for the new members to improve integration of environment and sustainability into their programmes.

(De)Centralisation of the Structural Funds programmes. Currently management and implementation of the funds is centralised at national level with partial decentralisation in the three largest new member states. It remains to be seen whether programmes managed directly at the regional level – as in EU 15 – bring better results for environment, and whether local actors are better poised to integrate environmental concerns into the programmes and execution of projects.

3. Issues for the next programming period

- Allocation of funds in new Financial Perspectives – overall funding for cohesion policy, new rural development fund, call for required percentage of funds dedicated to the environment
- Further requirements for environmental objectives and indicators in the programming documents, with the inclusion of a “vertical” as well as horizontal measure; also to include ways in which to better coordinate the funds with other EU legislation, especially environmental
- Call for standardised tools to assist with integration of environment and sustainability into the funds – best practice guides (especially for demonstrating environmental improvement as a driver of economic growth), practical guidance for programme managers and project proponents, etc.
- Tools within the funds and/or programmes which would encourage a shift to more locally-delivered, less capital-intensive projects
- Proper implementation of the SEA Directive

CONFERENCE CONCLUSIONS

The conference “The Environmental Aspects of the Structural Funds and the Cohesion Fund” was organized by the REC on 13-14 May 2004, with financial support from the European Commission Phare programme and the Italian Ministry for Environment and Territory. A detailed record of the presentations, working group sessions, and discussions from the conference is included in Annex 1 “Conference Proceedings.”

This conclusions section summarises the key issues and conclusions from the conference, and proposed steps for carrying the work forward. The first section looks at common issues of concern, i.e. those problems, challenges, weaknesses and obstacles to effective integration of environment and sustainability into the planning and programming process. The focus is on those issues which were most frequently raised by conference participants, particularly in working group sessions. The second section summarises the potential solutions and lessons raised by presenters and participants, which can address concerns. The final sections present the main conclusions from presentations and discussion on the future cohesion policy and the next steps for continued international cooperation on the environment and sustainable development aspects of the funding programmes.

COMMON ISSUES OF CONCERN

During presentations and discussion, and especially during the working group sessions, conference participants were able to raise and discuss their priority concerns about the impact of the SF and the CF on the environment and development in their countries. Central to nearly all of these concerns is the fact that the planning and programming process for the SF and the CF was a monumental task that was accelerated so that the new member states would be ready to start receiving the funds in 2004. The process also represents the first time that these countries developed systems for the absorption of large amounts of public funding, both from strategic and administrative perspectives.

Lack of institutional capacity: human resources, time and skills. Institutions in the new member states are relatively new and still evolving; institutions or departments within institutions which were created specifically to deal with the SF and the CF are completely new. For a variety of reasons, these institutions tend to be understaffed and existing staff frequently lack necessary training. Even when budgets are available there is a lack of staff to use the funds effectively. Participants also noted the excessive demands and deadlines put on them to create institutions, develop plans and programmes, support final beneficiaries in project preparation for the 2004-2006 period, plus the pressure to “absorb” (i.e. spend) as much of the funding as possible from the current period in order to increase their eligibility for further allocations in the next period.

Participants stated that staff simply do not have the time it takes to systematically review and revise plans and programmes and to promote integration of environment and sustainability during all stages of the process. This is compounded by the short time given for review of documents. Authorities are limited to performing only those absolutely necessary tasks; in the case of environmental authorities, this is typically limited to managing CF pipelines and commenting on those SF measures which have environmental objectives. Environmental authorities stated that for current funding period they have had practically no capacity whatsoever to monitor environment and sustainability as horizontal objectives through all the programmes. They have also not been able to assist or encourage potential final beneficiaries to prepare high-quality environmental projects or components of projects, either directly or through decentralised regional development centres (with the exception of projects for CF pipelines).

Lack of clear and uniform guidance and/or direction from the EC on the planning process.

While the plans and programmes themselves were negotiated with and eventually approved by the EC, the development process itself was left to the discretion of the countries. Despite substantial technical assistance provided by the EC through Phare programmes, twinning, and other initiatives, conference participants frequently mentioned a lack of guidance on methods and procedures which could improve the integration of environment and sustainability concerns into the programmes. These include:

- **The role of the environmental authorities within the process.** No explicit role for environmental authorities is mentioned in the SF regulation or other guidance documents. Participants mentioned that the countries do not have a strong historical tradition of inter-ministerial or inter-institutional coordination and cooperation, such that the process tends to be dominated by the MAs. Participants also expressed concern that without more formal requirements, the minimal role of environmental authorities exercised so far may become standardised over time.
- **Practical applicability of the partnership principle.** Again, there is no concrete requirement in the SF regulation to take into account feedback and recommendations from outside partners.
- **General moral and political support for the importance and priority of environmental protection and sustainable development within the process.** In the race for economic growth and prosperity in the new member states, environment and sustainability are often considered lesser priorities. Support for these issues at a European level lends significant credibility to the battle on the domestic front.

Poor quality of ex-ante evaluations, especially environmental components for 2004 – 2006 programming documents. This concern is chiefly related to the lack of capacity mentioned above. Participants and presenters alike agreed that the ex-ante evaluation is the critical opportunity for integration of environmental concerns into the plans and programmes, but only if carried out properly. Most participants agreed that the ex-ante evaluations generally lacked clear terms of reference or clear methodology, and were begun too late in the programming process. Furthermore, participants expressed concern that there was not enough expertise on environmental issues within the evaluation teams, and that environmental assessments were superficial, while the overall process was focused on economic and/or social issues. Finally, participants expressed concern that both the evaluations themselves and the results of consultations with external partners were not fully taken into account in the final versions of the documents.

Lack of environmental expertise and environmental awareness in new member states, especially in local, regional, and MA institutions. Participants noted that planning authorities are often not capable of taking environmental concerns into account when developing and approving plans and programmes. Low awareness of environmental issues and priorities at the local and regional level impedes preparation of environmental projects, particularly non-infrastructure projects.

It is difficult to apply the partnership principle in practice. This was expressed by many participants, both NGOs and authorities. From the NGO perspective, information and documents were not disseminated on time, there was limited time for comments, and comments were not taken into account by authorities and experts responsible for preparation of documents. At the same time authorities lacked the time and personnel to effectively incorporate external partners. Another critical concern is the lack of available funding to cover the costs of NGO representation in the process.

POTENTIAL SOLUTIONS AND LESSONS

Presentations, discussions, and working group sessions also provided the opportunity for participants to propose and examine potential solutions and lessons, based upon best practices and other positive ideas and recommendations.

Supplementing, training and capacity-building of public administration staff at all levels with SF funding. The most common concern expressed at the conference was lack of capacity, especially human resource capacity, and environmental expertise, especially within public administration institutions. There are funds dedicated to such capacity-building available from the SF (Technical Assistance and European Social Fund), which environmental authorities can take advantage of themselves and encourage other environmental actors to utilise. Environmental authorities from Italy presented experience with the development of a task force of 165 environmental experts, paid from SF Technical Assistance funds, who work full-time to assist environmental authorities throughout the country with the task of integrating environmental aspects into the planning, programming and implementation process for the SF. The Italian task force is managed by the national environmental authority and it supports all levels of environmental authorities with specific tasks such as: drafting plans of cooperation between MAs and environmental authorities; development of evaluation guidelines; updating ex-ante environmental evaluations; evaluation of the implementation of the polluter pays principle; chairing national working groups on water, waste and other environmental topics; preparing information for monitoring committees, developing sector-specific plans for input for SF plans, and others.

Network of environmental authorities and/or actors. To overcome problems with coordination and cooperation between institutions, and to further address the lack of human resource capacity, presenters suggested to develop a network of actors with an interest to integrate environment and sustainability into SF and CF plans, programmes and actions. Again there is an example from Italy, where the environmental authority has created a network which consists of representatives of national and regional environmental authorities and MAs throughout the country plus the EC DG Environment and DG Regional Policy. Such a network, supported by a task force of experts like the one described above, is able to tackle the huge task of environmental integration through translating its expertise into procedures, guidelines and other working tools; supporting planning/managing authorities; maintaining consistency between environmental laws, policies, and priorities within the funding process; defining the scope of involvement of environmental authorities; and securing proper consultative and decision-making rights for environmental authorities and partners; and others.

Use of SEA as a tool for integration of environmental aspects. The SEA directive is in force as of July 2004, so SF plans and programmes will be subject to SEA within the ex-ante evaluation process. Several presenters discussed experience from pilot SEAs conducted for selected plans and programmes in the new member states. Although the SEAs were carried out in an unofficial manner, without necessarily conforming to the full standards of the directive, the experience proved to be beneficial in all cases. It was found that the use of SEA helped tremendously in: setting environmental objectives and indicators for the programming process; facilitating the involvement of a large number of social partners; demonstrating the beneficial effects of external consultation; improving the overall logic and coherence of the plans and programmes. In some cases, SEA improved previously tense relations between governmental departments involved in the programming.

Encourage further decentralisation of programme management, where practical. Management of programmes in EU 15 countries is primarily decentralised. This has the advantage of

bringing more human resources (regional environmental authorities) to the task, but also increases the training burden. Experience has also shown that regional authorities who are closer to the territories where projects are implemented have a better understanding of environmental aspects.

Consider core monitoring indicators which dedicate a specific percentage of funds for environmental projects. In Finland the government set a core monitoring indicator which requires that 20-30% of total SF should be spent on environmentally beneficial projects. To help achieve this goal, the Finnish environmental authority prepared a guidebook which clarifies the concept and outlines mechanisms for developing environmental projects within the funds' requirements.

FUTURE POLICY – OPPORTUNITIES

The conference was a good occasion to address environmental considerations for the upcoming planning and programming cycles. Presenters from the EC provided an overview of the proposed cohesion policy reform as set forth in the Third Report on Economic and Social Cohesion, and an overview of the environmental dimension of the current funding period and the proposals for the next period. This was complemented by an opinion from the Czech Republic on the options for environmental financing within the proposed cohesion policy reforms.

Presenters pointed out that cohesion policy funding stems from the sustainable development priority within the proposed EU Financial Perspectives for 2007 – 2013, and that “environment and risk prevention” is one of three priority themes within the reformed cohesion policy. A strategy document which will guide the reformed, simplified planning and programming process in the member states is due to be finalised in 2005. Presenters noted that there is still time for member states and environmental actors to influence the final policy.

A position paper⁴ prepared by a coalition of European environmental NGOs, targeted at the drafting of the new SF and CF regulations for 2007 – 2013 was distributed to participants by an NGO representative from Hungary. The paper maintains that sustainable development must be central to EU cohesion policy, and recommends specific actions to be taken by the EC and the member states to pave the way towards more sustainable use of the funds and to achieve the objectives of the EU Sustainable Development Strategy (SDS)⁵. Critical to this position is the concept that the objectives of the SDS must shape and inform the reform of the SF and CF regulations; it was suggested during discussion that national sustainable development strategies be used by member states as the bases for the framework development plans which will be required for the next funding period.

NEXT STEPS

At the conclusion of the conference, participants discussed the need and options for continued cooperation on an international level to promote better integration of environment and sustainability into the SF and the CF. Participants agreed that cooperation was useful for exchange of information and good practice, and to develop common negotiating positions. Participants acknowledged that conferences like this one were useful, but that much more detail and depth was needed on specific issues in order to be of any practical use at home. Participants also welcomed the idea that the DG Environment would play a more significant role in the process, including preparations for the next funding period and oversight of project implementation in the current cycle.

⁴ Delivering Sustainable Development, Environmental NGOs' common position on European Regional Policy after 2006,” May 2004; copy of the final paper distributed at the conference

⁵ A sustainable Europe for a better world: a European strategy for sustainable development, COM (2001) 264 Final

DG Environment announced its plans to re-launch the network of experts on integration of environment and sustainable development into cohesion policy. The network will consider developing topic-specific working groups, based on environmental sectors, processes, and other needs. The working groups would provide the opportunity to explore issues in-depth, to provide capacity-building and access to detailed best practices across the countries. DG Environment stressed that the network must be a bottom-up process, i.e. the work programme must be demanded by and driven by the member states themselves, rather than the EC. REC confirmed its intention to participate in the network and to continue to serve as a facilitator of the work.