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Bundesministerium
für Umwelt, Naturschutz
und Reaktorsicherheit

**Umwelt
Bundes
Amt**
Für Mensch und Umwelt

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for a living planet®



EU-FUNDS
INSTRUMENTS FOR FINANCING
SUSTAINABLE DEVELOPMENT

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WWF is one of the world's largest and most experienced independent conservation organizations, with almost 5 million supporters and a global network active in more than 100 countries.

WWF's mission is to stop the degradation of the planet's natural environment and to build a future in which humans live in harmony with nature, by:

- conserving the world's biological diversity
- ensuring that the use of renewable natural resources is sustainable
- promoting the reduction of pollution and wasteful consumption.

More information about the presented positive examples:

Blumberger Mühle tourism centre:

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The history and aims of the EU's structural funds

One of the fundamental aims of the European Community since its establishment has been to secure harmonious social and economic development across its member states. In order to provide financial support to less developed regions, the Community established the **structural funds** as part of its regular budget. The structural funds are designed to help regions and industries whose independent development is hindered, in order to achieve a balanced economic development and standard of living across the EU member states. The structural funds are an instrument of EU regional policy which is currently orientated towards three priority areas.

- The focus in “objective 1 areas” is on the development and structural improvement of regions with a development backlog whose gross domestic product (GDP) totals less than 75% of the Community's average.
- In “objective 2 areas”, support for regional policy is to foster economic and social change in areas with structural problems (regions with declining industrial development, areas dependent on agriculture and fishing).
- Activities in “objective 3 areas” focus on developing education and employment policy in all the EU member states.

There are currently four structural funds designed to achieve these aims.

- The **European Social Fund (ESF)** – established in 1960, this fund finances measures to combat unemployment.
- The **European Agricultural Guidance and Guarantee Fund (EAGGF)** – established in 1964, this fund supports structural reform in agriculture and development in rural areas. This fund includes the **Guidance section**, as an instrument of regional policy, and the **Guarantee section** which finances the EU's common agricultural policy and which is not part of the structural funds.
- The **European Regional Development Fund (ERDF)** – established in 1975, this fund focuses primarily on eliminating economic imbalances between regions in the Community.





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- The **Financial Instrument for Fisheries Guidance** (EFF) – established in 1993, this fund supports measures to reform the fishing sector in the member states.

Additional support for the Community's regional policy has come since 1993 from the **Cohesion Fund**. This fund supports investment in trans-European transport networks and environmental protection. Money from this fund is available to member states whose per-capita GDP is below 90% of the Community's average. These countries currently include all new Member States (Estonia, Latvia, Lithuania, Malta, Poland, Slovakia, Slovenia, Czech Republic, Hungary, Cyprus) as well as Spain, Portugal and Greece.

Annual regional policy budgets in the European Community in millions €.

	1970	1980	1990	2000
ESF	37,0	700,5	3212,0	7675,0
EAGGF Guarantee section	58,4	314,6	1825,3	3510,4
ERDF	—	793,4	4554,1	14 226,4
EFF	—	—	—	498,0
Cohesion fund	—	—	—	2800,0
Total	95,4	1808,5	9591,4	31 957,0
Number of member states	6	9	12	15

Source: European Commission, http://europa.eu.int/comm/regional_policy

Reform and future of the structural funds in the enlarged EU

Between 2004 and 2006, the new EU member states are to receive €24.5bn from the structural and cohesion funds. Around half of this sum will be invested in Poland.

The EU's regional policy is subject to persistent change. Due to the unprecedented enlargement of the EU in May 2004, priorities and instruments of EU policy currently require reform. In July 2004, the European Commission presented its proposals for regulations which define in detail the principles of future regional policy for the new budget period (2007 to 2013)¹. The Commission hopes that the new regional policy will achieve greater success in implementing the EU's most important goals as laid down in the Lisbon Strategy². The interests of environmental protection set as priorities for Community policy at the European Council meeting at Gothenburg in 2001³ are also to be considered here.

In order to simplify this system, three objectives for regional policy were proposed. These objectives are to be implemented with three corresponding funds: the European Regional Development Fund, the European Social Fund and the Cohesion Fund. The European Fisheries



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Fund and the Fund for Rural Development ("European Agricultural Fund for Rural Development") will be implemented in future as independent funds and are in principle independent of the three new proposed structural funds.

¹ Period of validity for the programme planning documents which form the basis for the use of EU funds.

² At the European Union's spring summit in Lisbon in March 2000, the heads of government and state adopted the so-called "Lisbon Strategy". The aim is to make the EU the most competitive and dynamic knowledge-based economic area in the world by the year 2010.

³ At its 2001 summit meeting in Gothenburg, the Council of the European Union adopted the strategy for sustainable development in the EU.

Convergence will be the first of the three new objectives of regional policy. This means promoting economic growth and creating new jobs in regions and member states with the greatest development backlog.

The European Commission proposes expenditure of €336.1bn for the structural funds between 2007 and 2013. This sum represents around one third of the EU's entire budget for this period. The Polish Ministry of

Proposal for financing the EU's regional policy from 2007 to 2013

REFORM PERIOD 2007–2013	TOTAL	POLAND
Funds from the EU's regional policy budget	€336,1bn	> €50bn
Convergence (ERDF, ESF and Cohesion Funds)	€264,0bn	
Regional competitiveness and employment (ERDF and ESF)	€57,9bn	
European territorial co-operation (ERDF)	€13,2bn	

Source: European Commission, http://europa.eu.int/comm/regional_policy

Furthermore, **regional competitiveness and employment** will be promoted in regions that do not fulfil the criteria of the convergence objective. The third objective is **European territorial co-operation**, which is to support the harmonious and sustainable development of Europe in conjunction with support for border regions and trans-border co-operation.

Economics and Labour estimates that Poland will receive more than €50bn from these funds. Taking government subsidies and the recipients' own funds into consideration, projects with a volume of €100bn to €110bn are likely to be implemented during this period. The efficient application of these funds thus represents both an enormous opportunity and challenge.



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Funds and the environment – opportunities and risks

The “Strategy for sustainable development in the EU” adopted at the Gothenburg summit demands that economic development in the member states should go hand in hand with social development and environmental protection. This means that money from the structural and cohesion funds should be used also with a view to the interests of environmental protection.

EU subsidies are creating a host of ways in which sustainable development concepts can be implemented. They currently provide a key source of finance for the necessary environmental protection infrastructure, such as sewage treatment plants or sewers. These funds provide countries such as Poland with an opportunity to improve the quality of water in their rivers or to reform their waste management systems. According to the European Commission, approximately 10% of the regional policy budget for the period from 2000 to 2006 will be used for various environmental investments. Examples from many countries have shown that EU funds can also be used in the region within the scope of other, sometimes unconventional, projects in order to promote regional development whilst at the same time considering the protection of nature. Furthermore, it is hoped that with economic development and addressing of fundamental structural

shortcomings in regions it will be possible to make people more aware of environmental issues and nature in their regions.

One should, however, not forget that the application of the structural and cohesion funds often involves certain risks. Ignoring the principles of sustainable development with a one-sided focus on economic development has led to negative consequences for the environment in many projects financed by the EU. Thoughtless granting of subsidies, for example, for large-scale transport infrastructure projects, often fails to yield the expected economic gain and at the same time threatens areas worth protecting. On the other hand, sensible planning and development in the field of public municipal transport can certainly generate positive effects for the environment.



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Principles of partnership in the application of funds

The structural and cohesion funds should be applied on the basis of the principle of partnership between the European Commission and the respective member state and its regional and local authorities. Article 8 of Council Regulation No. 1260/1999 of 21 June 1999 provides that the principle of partnership shall also apply to regional, local and other competent public authorities and other relevant competent bodies, including economic and social partners interested in the application of EU funds. Article 10 of the proposed general regulation contains a similar provision for the pending programme planning phase.

All the parties involved should co-operate extensively during each phase, i.e. during the planning, introduction and monitoring of EU regional policy. This means that member states making use of the structural and cohesion funds must create the necessary consultancy services and conditions for real dialogue (for instance, by providing the relevant documentation and with sufficient time).

In many EU countries, numerous environmental organizations are now already involved in the planning and introduction of EU programmes. Representatives of these organizations are working in national and regional steering and monitoring committees and, for example in Poland, are participating in consultation talks regarding preparations for the national development plan which will set the framework for the application of EU funds from 2007 to 2013. Unfortunately, this work is frequently hindered or prevented by public authorities who are still unused to dialogue with environmental partners. However, decision-makers are increasingly recognising efforts by environmental organizations in the interest of a more efficient, transparent and sustainable application of EU funds.



In early 2004, Polish environmental organizations established a Coalition for EU Funds. This coalition consists of WWF-Poland, the Institute for Environmental Economics, the Institute for Sustainable Development and the "Polish Green Network" association. The tasks of this coalition include:

- Monitoring sustainable implementation and the involvement of partners in the use of EU funds

- Active involvement in the preparation of the coming programme planning phase (2007 to 2013) as well as advocating efficient participation by non-governmental organizations (NGOs) in decision-making processes concerning the use of EU funds
- Improving expertise on the part of NGOs regarding the use of EU funds

Details of the Coalition's activities and the latest news can be found on the Internet at www.koalicjafs.org.pl.



Examples of positive and negative use of EU funds in Germany - towards change

In order to apply EU funds more efficiently in future even in the new EU member states, it is worthwhile to learn from the experience of other countries where EU-financed projects have been underway for many years. Next to positive examples of projects that have resulted in economic development whilst observing the interests of environmental protection, there are unfortunately also negative examples where projects have not only harmed the environment but also failed to bring economic gain.

Positive example: Blumberger Mühle tourism centre

The Blumberger Mühle tourism centre in Brandenburg is a model project in terms of sustainability. This project was largely financed by the European Regional Development Fund (EU subsidies totalled €3.23m with a total project cost of €13.5m). The aim of the project was not only to promote environmental protection and eco-friendly tourism, but also to create jobs in the Schorfheide-Chorin biosphere reserve. An information centre was built offering environmental training, exhibitions and events related to environmental protection and regional culture. The centre was designed to cause minimum environmental interference. Part of the power supply for the centre comes from renewable

sources, whilst the building itself blends into the surrounding landscape. In order to attract tourism to the region, a nature trail was created which leads through all the main areas that make up the nature reserve's ecosystem. An 18-hectare nature discovery park was also built. This project created four direct jobs and protected a host of other workplaces, especially in the catering sector - quite an achievement in a region where unemployment totals 20%.

The Blumberger Mühle project was carried out by Naturschutzbund Deutschland (NABU). Despite competition for subsidies with projects focusing on traditional economic development, the project managed to attract EU structural funds support through the ERDF.

Positive example: Märkisches Landbrot eco-bakery

Märkisches Landbrot is a medium-sized bakery in Berlin which uses ingredients from controlled organic farming only. Since going into business in 1981, extensive efforts have been made to make the bakery's operation even more eco-friendly. In 1993, the bakery moved premises and at its new location joined forces with two other small businesses, i.e. an organic confectioners and food store.

A co-generation plant that had been installed at the business premises has meanwhile been shut down for technical reasons. Additional power has been generated since 1993 by two solar systems (a thermal solar system and a photo-voltaic system). What was once the largest photo-voltaic system in Berlin and Brandenburg is currently being upgraded by 7 kW to 28 kW. Furthermore, the company uses a rainwater collection system and water-saving equipment. Flour production and processing is carried out in a largely dust-free environment at all workplaces in the bakery. Hot exhaust air from the bakery hall passes through a textile filter and is then used to heat a warehouse. Energy-saving lighting was also installed. Compared to the time when the company first went into business, energy consumption has been reduced by 50%, water consumption by 20% and carbon dioxide emissions by 70%. The project took 18 months and cost €2.4m, with 68% of this amount financed by the Berlin Environment Relief Programme, which is backed by the European Regional Development Fund and the City of Berlin.

Positive example: Teufelsmoor renaturation

The aim of the project was to rehabilitate and restore the Teufelsmoor area in order to protect and develop a planned nature reserve of around 6.4 hectares. Teufelsmoor is one of Berlin's rare highmoors located at the northern slope of Müggelberg. The end of a sled-run above Teufelsmoor was reinforced using construction rubble in the 1950s. The construction rubble displaced the moor and at the same time caused an adverse shift in pH. The entire construction rubble was removed from the moor during the project. A moor lake with shallow banks was restored in order to promote the resettlement of amphibians.

A visitor platform was also built over the shallow shoreline and various environmental education measures undertaken. The project cost a total of €371,000, of which €319,000 was financed by the European Regional Development Fund and €52,000 from public sources. The project ran from December 2001 to December 2003. Berlin's forestry administration was the recipient of the funds and also carried out the project.

The project has significantly boosted the area as a visitor attraction. The conditions for the future existence of the highmoor are now good and it will offer an excellent venue in the future for environmental education. The project has also played a central role in protecting biodiversity in what has become a rare biotope. Shortly after completion of the project, typical species had already settled in this moor again.

Negative aspects of the use of EU funds

Unfortunately, in many cases the principle of sustainability has not been respected in the application of structural funds. Many projects have not only harmed the environment, but also failed to achieve the expected economic effects. For instance, harbours have been built which almost nobody uses, or roads and transport networks have been constructed that cut through nature reserves and habitats. Investment in environmental protection measures, such as new sewage treatment plants, have been planned and constructed without considering the actual situation or demand, thereby causing unnecessary damage to valuable nature areas.

Therefore, the importance of a thorough examination of planned measures and goals must be emphasized even for projects that are ostensibly focussed on environmental protection. This is the only way to prevent EU funds from being used to finance unnecessary investments or

projects which nobody needs. This is where environmental organizations have an important role to play. They must diligently examine projects of this type as well as their proposed locations.

Involvement of non-governmental organizations in the application of EU funds

For more than 10 years, environmental organizations have been actively involved in the planning and application of structural funds in East Germany. The experience of these organizations with the structural funds initially was rather negative, as their efforts were hardly noticed during the first planning period. Although the provincial governments did try to involve economic and social partners as demanded by Brussels, they gave preference to business organizations, universities or institutions close to government over independent environmental organizations. Time-consuming efforts were required before environmental organizations were able to take part even in committees monitoring the use of structural funds. Although public polls were conducted on programme planning documents, the quality and publication dates for information by public authorities left much to be desired. Another major problem were the limited resources

of the environmental organizations themselves, who rarely had the funds nor manpower or expertise needed to effectively take part in the planning, earmarking and application of EU funds.

Experience by environmental organizations in the current programme planning phase (2000 to 2006) is somewhat better. Most of the provincial governments have invited environmental organizations to join the monitoring committees. The process for discussing programme planning documents has also improved significantly. The environmental organizations have issued a series of comments on procedures for the individual funds which in many cases have been considered (for example, in the case of the agricultural guidance and guarantee fund in Thuringia, where all the amendments proposed by the Grüne Liga association were included).

Thanks to the efforts of such organizations, positive changes are already evident in the application of structural funds from the point of view of environmental protection. However, there is still much to do if these funds are to be really used in the interest of sustainable development. The experience gained by the German organizations shows, however, that it is worthwhile to actively contribute towards planning, earmarking and using EU funds.

The WWF project: „Finance instruments for sustainable development in the enlarged European Union“

The WWF project “Finance instruments for sustainable development in the enlarged EU” is financed by the Polish National Fund for Environmental Protection and Water Management and the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety. The aim of the project is **to support the future, environmentally friendly application of EU funds in Poland based on German experience.** Particular attention will be paid to improving co-operation between government, regional and local authorities and environmental organizations as a way of ensuring that EU funds are applied to a greater extent in order to achieve sustainable development.

The main task of the first project phase is **to form a network of institutions and players with an interest in increasing the application of EU funds in the environmental sector.**

The project is to improve co-operation between ministries for the environment, economics and labour, regional authorities and administrations as well as with environmental organizations. Workshops and seminars are being held for this purpose. Sharing Germany's experience with other countries will have a central role to play because EU-financed projects have been carried out in Germany for many years. The project will include, for example, expert workshops that will be organized in co-operation with German authorities.

Measures for the sustainable application of EU funds require both co-operation between different players as well as the appropriate expert background. **A manual for administrations and NGOs** will hence be published within the scope of the project together with the Polish Ministry for the Environment. This manual is to highlight options for the sustainable use of EU funds at local level. This will enable readers to already obtain funds in the current subsidy period for concrete projects benefiting both business and the environment.

The second important part of the project will be **participation in the discussion and planning of the structural funds in the years 2007 to 2013.**

WWF is contributing to this work both at EU level, where it submits critical comments on proposed regulations, and at national level, where the organization and its partners are involved in the programming for the eventual use of the funds.



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At EU level, WWF demands that the new regulations of the European Commission contain effective control mechanisms to ensure adherence to European environmental protection regulations and that they define as a central aim the implementation of sustainable development in conjunction with the use of EU funds by member states. The European Commission should ensure both the integration of environmental issues into the regional policy of the individual member states as well as the examination of the environmental effects in the programme planning plans and documents, adopting the principles of strategic environmental impact assessment⁴.

One important aspect is to secure sufficient funds to establish the Natura 2000 Network⁵ and implement the Water Framework Directive⁶. If the new regulations for the individual funds fail to clearly refer to these environmental issues, there is a high risk that these projects

which are so important for environmental protection in Europe will not be sufficiently funded by the member states.

During the new programme planning period, environmental organizations should have the same rights as other social and economic partners in the planning, implementation and monitoring of regional policy in the individual member states. This will require that appropriate provisions are included in the regulations on the structural funds in order to ensure institutional support for the organizations participating in the processes.

In November 2004, WWF published its comments on the proposed regulations on regional policy in the EU. The English version of these comments can be found on the WWF European Policy Office website at:

<http://www.panda.org/downloads/europe/wwfsfpositionfinal.pdf>

⁴ Pursuant to Directive 2001/42/EC, a strategic environmental impact assessment must be performed as of 2007 for all programme planning documents related to applications for EU funds.

⁵ European Network of Protected Areas, established on the basis of the Directive on the Conservation of Natural Habitats (92/43/EEC) as well as the Directive on the Conservation of Wild Birds (79/409/EEC).

⁶ One of the aims of the Water Framework Directive (2000/60/EU) is to achieve a good ecologic and chemical condition of waters in the EU by the year 2015.