WWF

POSITION PAPER

2018 JANUARY

Flag of the European Union. Creator: Niccolò Caranti. This image is licensed under Creative Commons License.

The EU Multiannual Financial Framework (MFF)

WWF Position on the next EU Budget and its application

Table of content

EXECUTIVE SUMMARY 3

What is the MFF? 3

Shortcoming of the current MFF 4

WWF's asks for the next MFF 5

1. WHAT IS WRONG WITH THE BUDGET? 9

2. WHAT NEEDS TO CHANGE ACROSS THE NEXT EU BUDGET? 13

Towards a sustainable EU budget 13

Towards a participatory, transparent and accountable EU budget 16

Towards an EU budget that is fair and beneficial for all 17

Towards an EU budget aligned with EU policy objectives 17

3. WHAT NEEDS TO CHANGE IN SPECIFIC POLICY AREAS? 19

Common Agricultural Policy (CAP) 19

LIFE (Financial Instrument for the Environment) 21

EU External Action 22

Climate and Energy 24

European Cohesion Fund (CF), European Social Fund (ESF),
European Regional Development Fund (ERDF) 25

Common Fisheries Policy and Marine Environment 26

Connecting Europe Facility (CEF) 27

EXECUTIVE SUMMARY

What is the MFF?

The EU's Multiannual Financial Framework (MFF), also referred to as the "EU budget", defines the spending priorities for the EU for a minimum of five, but often seven, years. By defining which areas the EU should invest in, the MFF reflects the Union's priorities and serves as a budgetary planning as well as an important policy making tool.

The MFF also provides the framework for financial programming and budgetary discipline by ensuring that EU spending is predictable and stays within the agreed limits. The current MFF covers the period of 2014-2020 with a budget close to a trillion Euros, which corresponds to roughly 1% of EU GDP.

Source: reflection paper on the future of EU finances[1]

It is important to note that the Common Agricultural Policy (CAP) alone accounts for 38%[2] of the EU budget (under Heading 2: Sustainable Growth: Natural resources), while funding for LIFE instruments (the only financial instrument under the EU budget wholly dedicated to the environment, nature conservation and climate change) makes up 0.35%[3] of the MFF.

1 https://ec.europa.eu/commission/sites/beta-political/files/reflection-paper-eu-finances_en.pdf

2 https://ec.europa.eu/agriculture/sites/agriculture/files/direct-support/direct-payments/docs/direct-payments-schemes_en.pdf

3 http://ec.europa.eu/environment/life/

Shortcoming of the current MFF

The current MFF budget does not sufficiently address global and European environmental challenges, and is at odds with EU and international objectives and policies on environmental protection, halting nature loss and combatting and adapting to climate change.

General challenges linked to the EU budget

- **Sustainability and sustainable development are not incorporated** across all internal and external policies in a comprehensive and strategic approach; the MFF does not address this problem, but rather exacerbates it;
- The **funding available to address environmental challenges** related to the protection of natural resources is not sufficient and funds available for EU Member States can be used to support measures that are detrimental to environmental objectives;
- The EU's commitment **to phase out environmentally harmful subsidies (EHS),** by 2020 is not supported by the MFF;
- There is a **lack of transparency, monitoring and reporting** in both the MFF and its implementing programmes.

Shortcomings in current EU policies financed by the EU budget

- The **Common Agriculture Policy (CAP)** has strengthened resource-intensive farming, while other farming systems that provide a broad range of public goods have been marginalised. Protection and restoration of biodiversity and environment are not sufficiently supported and despite previous reforms, the current CAP is not fit for today's and future societal and environmental needs and challenges;
- **LIFE** is the only financial instrument under the EU budget wholly dedicated to the environment, nature conservation and climate change. However, it has very limited resources (0.3% of the current EU Budget) and is thus insufficient to meet the EU's commitment in these areas;
- **Regional Policy:** Through the European Cohesion Fund (CF), the European Social Fund (ESF) and the European Regional Development Fund (ERDF), projects are funded which are not sustainable and can potentially even be harmful to the environment;
- The existing **external action** financing instruments of the European Union fail to systematically and effectively include climate and wider environmental aspects.
- In the **European Marine and Fisheries Fund (EMFF)** little funding has been spent so far on reducing the impacts of fishing in the marine environment. EU Member States have spent only 2.3% of the 6.4 billion euros that have been allocated for the period 2014-2020.

WWF's asks for the next MFF

The next EU budget for the post-2020 period will be a litmus test of the EU's willingness to deliver on its international and European environmental commitments, such as the 2030 Sustainable Development Agenda, the Paris Climate Agreement, the strategic plan of the UN Convention on Biological Diversity (CBD) and the EU biodiversity strategy.

Sustainability

In order to comply with its international commitments, sustainability, environment, nature conservation and climate need to be at the core of the next EU budget and mainstreamed into all relevant programmes and instruments. All three pillars of sustainability (environmental, economic and social) need to be granted equal importance.

This will require the following specific measures:

- Bring all programmes and funding instruments of the EU **budget in line with international commitments** on climate, biodiversity and sustainable development;
- Inclusion of a **mandatory spending target of 50% for climate, environment and nature**;
- **Phase-out of subsidies** or support of actions that are harmful to the environment, climate, biodiversity of natural resources;
- **Inclusion of ex-ante conditionalities** for all programmatic and funding instruments to ensure that funds provided are properly spent and balance environmental, social and economic aspects;
- Clear rules on spending, including **clearly defined and binding earmarking** for climate, nature conservation and environment measures across all EU budget instruments, both for centrally managed funds and the co-managed funds.

Alignment with EU policy objectives

The next EU budget must address the current lack of policy coherence. Policies financed by the EU budget, including for trade, agriculture, energy or environment, should be mutually reinforcing with the overall objective of achieving sustainable development. Current inconsistencies and potential contradictions between different programmes and funding instruments must be eliminated. In addition, MFF spending should not undermine developing countries' efforts to achieve sustainable development.

Participation, transparency and accountability

Citizens and civil society organizations should be able to actively participate in the development, programming, implementation and monitoring of the next EU budget, at EU, Member State, regional and local levels. This also means that the transparency on the negotiations, as well as spending, development and implementation of funds and programmatic instruments need to be increased, and

that monitoring, evaluation and reporting of performance and value added need to be improved. A public consultation organized by the European Commission on the proposed elements of the next MFF and its distribution but also for the mid-term review would allow for a truly integrative process for the next budget.

Better funding opportunities for all

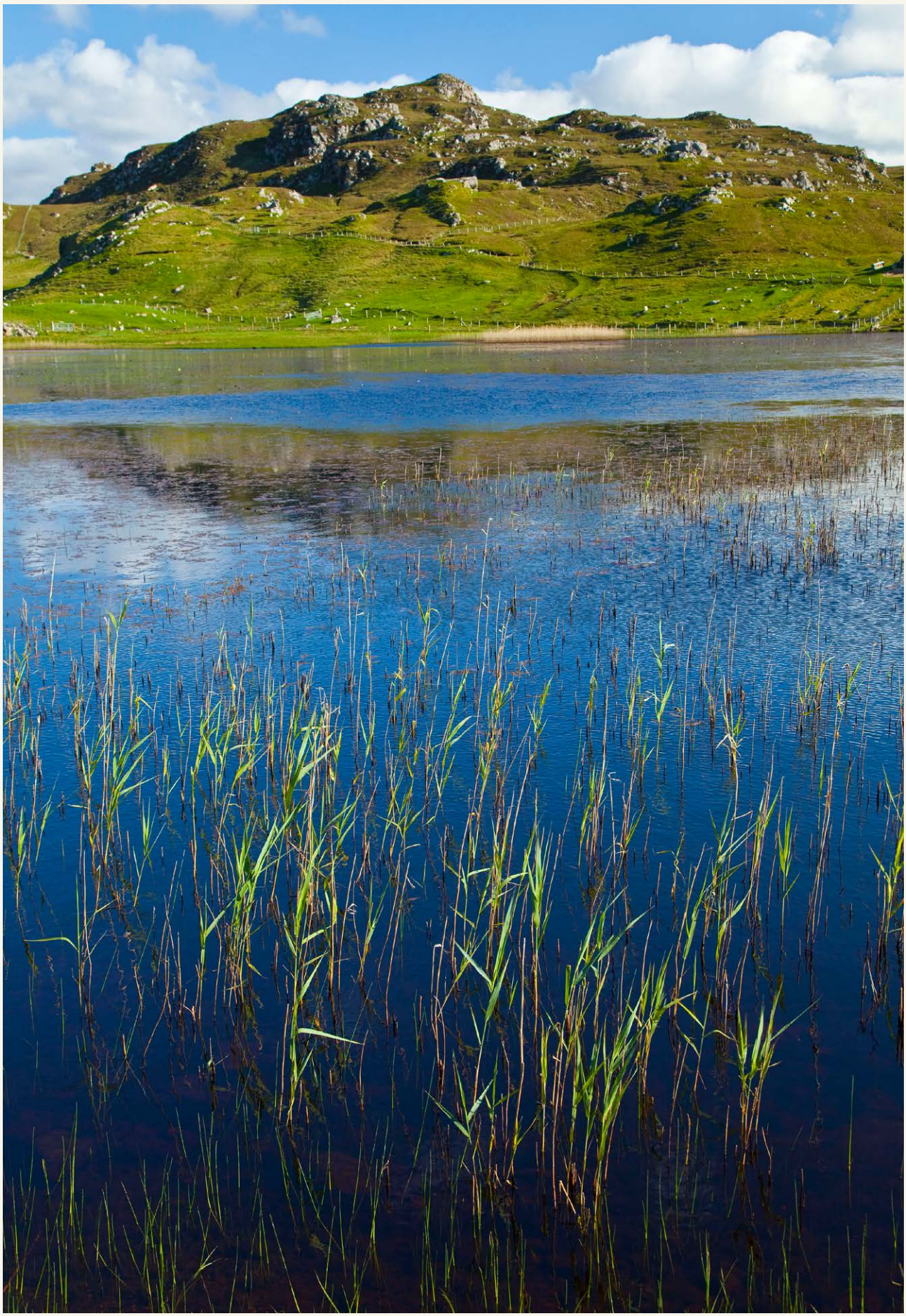
Easier access to grants through less administrative burden and clearer and simpler procedures across all funding instruments, together with more information, capacity building and technical assistance especially for small applicants should be incorporated in the future EU budget.

In particular, WWF asks for **fundamental changes in the following policy areas and funding instruments:**

- **Common Agriculture Policy (CAP):** The CAP must be aligned with the EU's environmental, biodiversity and climate goals and policies, rather than undermine them. To achieve this, it must be reformed towards a fair, effective and efficient farming policy which has as its core objective to facilitate the transition towards sustainable food and farming systems in Europe. The 'polluter pays' principle must be reinforced, and the substantial amount of public money allocated to the CAP must be used to provide genuine 'public goods'. This would benefit sustainable farmers and land managers contributing to biodiversity and nature protection, to the sustainable management of ecosystem services and to a healthy environment.
- **Financial Instrument to the Environment (LIFE):** Funding for LIFE should receive at least 1% of the total budget, and at least 50% of the LIFE budget should be dedicated to the implementation of the Birds and Habitats directives, including Natura 2000.
- **Climate & renewable energy:** The EU's budget should support efforts to limit the rise in average global temperatures to 1.5°C as per Article 2 of the Paris Agreement, and facilitate a people-centred and just transition to a low carbon economy. The revenue generated from auctioning ETS allowances could also be included in the EU budget, providing a dedicated funding stream for climate action
- **External Action:** The principles of the 2030 Agenda for Sustainable Development, which are now at the heart of EU development policy, must also guide the use of Official Development Assistance (ODA) in the next MFF. This includes mainstreaming of climate and environment in EU external financing instruments, and support for the protection of biodiversity in developing countries.
- **Common Fisheries Policy (CFP):** The next MFF must again allocate at least the same amount of funding (€6.4 bn) to the European Maritime and Fisheries Fund (EMFF) and guarantee that all of it is adequately used by Member States. Financial aid should be conditional on sustainable management of the marine environment. EMFF should also include dedicated funds for biodiversity and marine protected areas under Natura 2000.

- **Regional policy:** Environmental and climate objectives should be mainstreamed into the financing instruments such as the European Cohesion Fund (CF), the European Social Fund (ESF) and the European Regional Development Fund (ERDF). This means that partnership agreements and operational programmes must focus on the implementation of SDGs, the Paris Agreement and the Strategic Plan of the Convention on biological diversity (CBD) as well as the EU biodiversity strategy, and that infrastructure projects supported by EU funding must not undermine its climate and biodiversity goals.
- **Connecting Europe Facility (CEF):** The existing CEF should be extended to include and provide financial support to a Trans-European Network for Green Infrastructure (TEN-G) which should ensure connectivity and restoration of habitats and ecosystem services in priority areas of EU added value.

> *"The concerns and expectations of European citizens should be a major factor in shaping the new EU budget."*
>
> European Commission: "Reflection paper on the future of EU finances"



© Wild Wonders of Europe / Juan Carlos Munoz / WWF

1. WHAT IS WRONG WITH THE BUDGET?

Currently, aspects related to environment, climate and nature conservation are do not have equal importance or value as economic considerations. This is clearly demonstrated in the failure to "green" the Common Agriculture Policy (CAP)[4], or the proposal to reallocate money from the Connecting Europe Facility dedicated towards "sustainable development and protection of the environment" towards a European Defence Industrial development programme[5].

However, the environment is critical not only in providing the natural resources that form the basis for any economic development, but also green jobs, growth and, with it, wellbeing: between 2000 and 2011 the environment industry sector has grown by 50% in the EU, producing goods and services that reduce environmental degradation and maintain natural resources. The long-term resilience of ecosystems is also essential for direct and indirect jobs[6].

The lack of commitment towards social and environmental issues needs to be rectified in the next EU budget. Disappointingly, the White Paper on the Future of Europe, which was presented by the European Commission in March 2017[7], does not reflect the need for a more sustainable Europe which is driving positive change within and beyond its borders. In his state of the Union Address 2017[8], President Juncker also failed to make a reference to the SDGs or environmental degradation.

WWF has identified challenges linked to the MFF that have negative consequences for the implementation of a number of EU policies that are financed by the EU budget:

GENERAL CHALLENGES LINKED TO THE EU BUDGET

Sustainability and sustainable development as defined in the context of the sustainable development goals (SDGs) are mentioned in the european commission's reflection paper on the future of eu finances but are considered to be already largely incorporated into the eu budget or mainstreamed into the eu 2020 strategy – even though this is clearly not the case: the last european development consensus made clear that the eu and member states "will implement the EU the 2030 agenda across all internal and external policies in a comprehensive and strategic approach", not that they already do.

The current eu budget does **not sufficiently address environmental challenges**. the overall amount of funding available to address environmental challenges related to the protection of natural resources is not sufficient[9] and funds available for EU Member States can be used to support measures that are actually detrimental to environmental objectives as examples related to consideration of water issues under the rural development funds show[10].

4 http://www.wwf.eu/?209279/Parliament-Votes-Through-EU-Budget

5 https://ec.europa.eu/docsroom/documents/23606

6 https://www.eea.europa.eu/soer-2015/synthesis/report/0c-executivesummary

7 https://ec.europa.eu/commission/sites/beta-political/files/white_paper_on_the_future_of_europe_en.pdf

8 http://europa.eu/rapid/press-release_SPEECH-17-3165_en.htm

9 See WWF Bulgaria: EU Structural and Cohesion Funds Case Studies – Bulgaria
The Case of the Missing Green Infrastructure for Flood Prevention

10 European level report: Key descriptive statistics on the consideration of water issues in the Rural Development Programmes 2014-2020

The EU's commitment to phase out environmentally harmful subsidies (EHS)[11] by 2020 is not really advancing. EHS still occur across different sectors in EU Member States[12], be it through tax exemptions, rebates or other mechanisms.

Insufficient transparency, lack of proper monitoring and reporting in MFF and implementing programmes in the current eu budget demonstrate a lack of accountability in implementing the eu budget through its funding instruments. monitoring, evaluation and reporting of performance and value added need to be improved, as stated by the eu court of auditors[13].

SHORTCOMINGS IN CURRENT EU POLICIES FINANCED BY THE EU BUDGET

The current **Common Agricultural Policy (CAP) contributes to maintaining and reinforcing unsustainable farming practices, increasing pressure on nature and depleting the natural resources** that agriculture itself relies upon. At the same time, it is considered to be a largely unfair system, with approximately 80% of the money used for direct payments going to 20% of the beneficiaries of the CAP[14]. The CAP has strengthened resource-intensive farming, while other farming systems that provide more public goods have been marginalised. Protection and restoration of biodiversity and environment are not sufficiently supported by the CAP. Despite previous reforms, the current CAP is not fit for todays and future societal and environmental challenges[15].

LIFE is the only financial instrument under the EU budget wholly dedicated to the environment, nature conservation and climate change. It has very limited resources, representing only 0.3% of the current EU budget and thus presenting a major funding gap for environment in the EU which will not be sufficient to meet commitments on made by the EU.

Through the European Cohesion Fund (CF), the European Social Fund (ESF) and the European Regional Development Fund (ERDF), projects are funded which are not sustainable and can potentially even be harmful for the environment. These funds underperform on action related to sustainable circular economy, climate change action, environmental and biodiversity protection, and sustainable transport. Despite professed support for green infrastructure investment, such investment has failed to significantly materialize 3 years after the programming period started. Also, in a number of cases, the level of management costs and fees are very high compared to the actual financial support to final recipients as for example under the European Regional Development Fund (ERDF) and the European Social Fund (ESF)[16]. This does not only pose a challenge in funding available but also for applicants which are faced with substantial administrative burdens and management challenges when applying for or implementing projects.

11 http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52011DC0571

12 https://ieep.eu/uploads/articles/attachments/ffa3d7fe-2d78-4f15-a392-19dfc728a7de/Background_paper_on_EFS_in_the_7th_EAP.pdf?v=63664509804

13 http://www.eca.europa.eu/en/Pages/NewsItem.aspx?nid=7759

14 https://ec.europa.eu/commission/sites/beta-political/files/reflection-paper-eu-finances_en.pdf

15 http://awsassets.panda.org/downloads/wwf_position_paper_on_cap_post_2020___final.pdf

16 http://publications.europa.eu/webpub/eca/special-reports/financial-instruments-19-2016/#chapter4

The existing external action financing instruments of the European Union fail to systematically and effectively include climate and wider environmental aspects. As a signatory to the Agenda 2030 for sustainable development and the Paris Agreement, the EU needs to address these challenges to achieve sustainable development globally[17].

In the European Marine and Fisheries Fund (EMFF) little funding has been spent so far on reducing the impacts of fishing in the marine environment. EU Member States have spent only 2.3% of the 6.4 billion euros that have been allocated for the period 2014-2020.

These examples show that change is urgently needed. In times of global environmental challenges and increasing financial insecurity, a balanced approach towards the EU budget that equally values economic, environmental and social issues is not an option but a must. Also, European tax payers provide the funds for the EU Budget. Citizens expect their money to be spent efficiently and effectively.

> *"One of the aims of the EU is to ensure that economic growth goes hand in hand with social justice, respect for human rights, high labour and environmental standards, and health and safety protection."*
>
> European Commission Directorate-General TRADE: Trade for All

17 Taken from Non Paper from German and French government, also WWF submission mid- term review of the EU external financing instruments

© Global Warming Images / WWF

2. WHAT NEEDS TO CHANGE ACROSS THE NEXT EU BUDGET?

International and European social and environmental commitments made by the EU need to be at the core of the MFF: sustainability, environment, nature conservation and climate need to be mainstreamed into the budget. The next EU budget needs to deliver funding and achieve results in an efficient manner, demonstrating transparently what projects and actions are funded and how results are achieved. Also, as the EU Court of Auditors' briefing on the EC's proposal for the mid-term review of the EU budget points out, the current EU budget needs to be reformed to be able to direct funds quickly and flexibly to where they can add most value for the EU and its citizens[18]. WWF supports this view but would like to iterate that this flexibility cannot come at the cost of environmental, climate and social spending and leading to misalignment with EU environmental and social targets.

Towards a sustainable EU Budget

Whether and how climate change, halting nature loss, promoting the protection of the environment and delivering sustainable development will be integrated into the next EU budget will show the willingness of the EU to live up to its international commitments:

The EU budget should take a balanced approach to the importance of environmental, social and economic issues. The EU budget spending needs to be shifted from unsustainable to sustainable projects that embrace challenges related to the environment and society at the same level as the economy. The current imbalance leaves significant implementation gaps in critical areas such as the European Birds and Habitats Directives, green infrastructure, fisheries and maritime policy, the Water Framework Directive and its related policies as well as climate change mitigation and adaptation.

Environmental and climate aspects of the MFF need to be strengthened to support a truly sustainable development. This becomes apparent when taking into account that it is estimated that in agriculture 1.3 million of 9.6 million farming jobs are directly or indirectly linked to Natura 2000[19] or that fishery related jobs depend on the sustainability of marine resource. Better integration of environmental, nature conservation and climate aspects, together with clear frameworks for implementation and monitoring into all relevant programmes of the EU budget is needed for the post 2020 period. Environmental and climate related considerations should be integrated in the preparation and approval of all relevant projects, and not only in major projects[20]. A more sustainable EU budget needs to:

18 http://www.eca.europa.eu/en/Pages/NewsItem.aspx?nid=7759

19 https://ieep.eu/uploads/articles/attachments/c5baa5eb-9f40-4ade-ad96-6dc9b0935868/Natura_2000_and_Jobs_-_Executive_summary.pdf?v=63664510033

20 https://ec.europa.eu/clima/sites/clima/files/docs/major_projects_en.pdf

1. **Make the EU budget work for climate and environment.** All programmes and funding instruments under the EU budget should be in line with international commitments made on environment and climate. This will include:

   - All EU spending in each budgetary area should demonstrate that it delivers positive outcomes for the environment, society and economy;
   - Meaningful environmental and climate impact assessments that measure all spending against the EU's commitment to decarbonise, protect the environment or make the EU more resilient to climate change impacts;
   - Support only improvements that make the production of fishery products from capture to point of sale more sustainable;
   - Support the implementation of environmental legislation such as the Birds and Habitats directives or the Water Framework Directive;
   - Implement the energy efficiency first principle for all investment plans and programmes[21]; only support renewable energy; foster energy efficiency and demand-side management, electricity transmission and storage;
   - Link the level of EU funding that a Member State receives to the level of emissions cuts that the Member State puts forward in its National Energy and Climate Plans (NECP);
   - Support the urban regeneration strategies towards nature-based solutions for mitigation and adaptation to climate change. Also, support changes in transport networks and building modes to decarbonize cities.

2. **Include a mandatory spending target of 50% for climate, environment and nature.** The current MFF includes a 20% target for climate relevant expenditure throughout the budget. An increased and broader target would ensure that sufficient funds are made available to support measures across sectors that protect and are beneficial for nature and environment and the climate, including support for sustainable agriculture, fisheries and climate policies, protection of biodiversity and our terrestrial, marine and freshwater ecosystems within and outside the EU. A clear target would help to implement the EU's commitments on sustainable development, climate and biodiversity as well as key EU environmental, biodiversity and climate legislation. The target would need to be accompanied by proper and sufficient monitoring and evaluation.

3. **Phase out subsidies or support for action and developments that are harmful for our environment, the climate, our biodiversity and our natural resources** as foreseen in the EU roadmap to a resource efficient Europe[22]. The protection and enhancement of our natural resources form the basis for the EU's economic development and is one of the main drivers of sound economic and territorial cohesion, particularly in new member states where EU budget forms more than 50% of public capital investment. The next EU budget should ensure that the EU commitment to phase out harmful subsidies is properly implemented and monitored. This includes the exclusion of any support for damaging fishing and farming practices, fossil fuels as well as fossil fuel related infrastructure and technology, from EU spending.

---

21 For an explanation of the efficiency first principle see "Efficiency First: A New Paradigm for the European Energy System", available At https://europeanclimate.org/wp-content/uploads/2016/06/ECF_Report_v9-screen-spreads.pdf

22 http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52011DC0571

4. **Include ex-ante conditionalities for all programmatic and funding instruments** to ensure that funds provided are properly spent and balance environmental, social and economic aspects. The existing ex-ante conditions should be improved, especially for broader strategies and sectoral strategies such as infrastructure development. Such improvements should include the introduction of mandatory ex-ante climate compatibility checks of programmes and projects. The improvement of ex-ante conditionalities should be accompanied by full monitoring and reporting of their application, such as regular monitoring and reporting on how the EU budget is contributing to the EU's commitments on climate, environment nature conservation and sustainable development. All available tools should be used to suspend interim payments if ex-ante conditionalities are not being respected.

5. **Define clear rules on how money in the different programmes will be spent.** This must also include clearly defined and binding earmarkings that requires Member States to ensure a minimum spending for climate, nature conservation and environment measures across all EU budget instruments both for centrally managed funds and the co-managed funds.

© Tomas Hulik

Towards a participatory, transparent and accountable EU budget

Citizens and civil society organizations should be able to actively participate in the development, programming and monitoring of the next EU budget, at EU and at Member State level, regionally and locally. Citizens and all relevant stakeholders should have a say on how their taxes are spent. This means:

The negotiation process for the MFF has to be transparent and needs to offer proper opportunities for stakeholders and civil society to provide input. Stakeholders, citizens and civil society need to be involved in the budget discussions. A public consultation organized by the European Commission on the proposed elements of the next MFF and its distribution but also for the mid-term review would allow for a truly integrative process for the next budget.

Rules for meaningful participation of stakeholders and civil society in programming, implementation and monitoring of the various instruments of the EU budget are needed. These rules need to be put in place at EU level as well as in the EU Member States. Local expertise and local stakeholders need to be part of implementation. Participation and decisions taken at Member State level should be based on balanced sector representation. Rules for equitable participation in programming, implementing and monitoring should be developed. An example for participation at national level is the establishment of Locally Led Agri-Environment Schemes in Ireland[23].

Transparency on the allocation, disbursement and spending of funds including the selection of projects and programmes as well as more stringent and transparent monitoring and evaluation of money spent. If the future EU budget aims to be a budget for all, the transparency around the spending, development and implementation of funds and programmatic instruments need to be increased at EU, regional, national and local level. Monitoring, evaluation and reporting of performance and value added need to be improved. Credible results based reporting should become a main element of accountability for the next EU budget. Performance needs to be evaluated by a clear set of criteria and indicators which are assessed by an independent entity, such as for example by the European Environment Agency (EEA).

Towards an EU budget that is fair and beneficial for all

To make the EU budget a budget for all, opportunities to receive funding need to be improved but non-compliance with the EU Treaty or requirements of the EU budget need to be sanctioned.

Increase the mix of funding modalities, and grant sizes, that suit the variety of applicants, including civil society organizations. Easier access to grants through less administrative burden and clearer and simpler procedures across all funding instruments, together with more information, capacity building and technical assistance especially for small applicants should be incorporated in the future EU budget.

23 The schemes encourage locally-driven solutions to address the many environmental and biodiversity challenges which manifest themselves at local level. Local groups will propose and design projects designed to be a bespoke solution and will be aided by approved planners and other experts. Each project will be overseen by a steering group https://www.agriculture.gov.ie/farmerschemespayments/europeaninnovationpartnershipincludinglocallyledschemes/locallyledschemes/

Towards an EU budget aligned with EU policy objectives

The current EU budget shows a clear lack of coherence. This needs to be changed for the next budget. Policies financed by the EU budget, including for trade, agriculture, energy or environment should be mutually reinforcing with the overall objective of achieving sustainable development.

Initial analysis and ongoing monitoring of coherence between different headings of the MFF and funding instruments. The next EU budget needs to eliminate inconsistencies and potential contradictions between different programmes and funding instruments. As an example, a study by the European Parliament from 2015 recommends for the strategic coherence of Cohesion Policy to "go much further on integration of ESI funds and coordination between the Commission Directorates-General."[24] An ex-ante coherence analysis of programmes and instruments should be carried out but also be part of the ongoing evaluation and monitoring.

MFF spending should not be counterproductive to developing countries and their plans to achieve sustainable development; the EU is required to ensure policy coherence for development in the EU Treaty. The EU is one of the biggest global donors of development aid and it is inefficient and counterproductive if EU policies and projects whether in terms of energy, trade, climate, agriculture, fisheries, are carried out to the detriment of sustainable development elsewhere.

> *"If no further climate change action will be undertaken, the combined effect of the selected impacts on global annual GDP are projected to rise ove time to likely levels of 1.0% to 3.3% by 2060."*
>
> The Organisation for Economic Co-Operation and Development OECD): The economic consequences of climatic change

24 As an example, a study by the European Parliament from 2015 recommends for the strategic coherence of Cohesion Policy to "go much further on integration of ESI funds and coordination between the Commission Directorates-General."

© Wild Wonders of Europe / Mark Hamblin / WWF

3. WHAT NEEDS TO CHANGE IN SPECIFIC POLICY AREAS?

Common Agricultural Policy (CAP)

The Common Agricultural Policy is at a crossroads: taking the right direction now is essential for this policy to regain its legitimacy towards EU citizens and taxpayers. The Public Consultation on Modernising and Simplifying the CAP has shown clearly that continued public support is needed to ensure a fair remuneration for farmers, and what society is demanding in exchange for this support: stepping up efforts to preserve our environment, enhance biodiversity and tackle climate change.

The next CAP must put Europe's food and farming systems on track towards real sustainability, ensuring that planetary boundaries are respected, society's expectations are met and the European environmental and biodiversity objectives are achieved. A reformed CAP is essential for a transition to a sustainable European agricultural model, in which the EU fosters diversified, climate- and market-resilient farm businesses. These businesses can then provide healthy food, protect natural capital, address climate change and safeguard ecosystem services for future generations. This requires the polluter pays principle to be reinforced, and using public money to pay for public goods.

- **Programmed and targeted schemes must become the core of the Common Agricultural Policy.** The next CAP should offer an effective and coherent policy framework, combining different levels of co-funding and subsidiarity in a simple way, making the distinction between the current pillars no longer relevant. The largest share of the CAP budget should be shifted progressively to programmed and well targeted schemes, following the best existing examples of Rural Development policy implementation. This should offer Member States sufficient flexibility to achieve the objectives and priorities agreed at the EU level while responding to their regional specificities.
- **The existing direct payment system needs to be replaced by a "basic farm sustainability scheme"** to reward public goods and assist in the transition to more sustainable farming in Europe. Rather than using historic references or flat rates to distribute payments, in this new scheme, higher commitments to sustainability must be better rewarded to provide the right incentives to farmers willing to do more. This basic farm sustainability scheme would be the natural replacement of current greening payments and other direct payments, which have failed to improve farming practices appropriately to deliver environmental benefits.
- **The CAP should be made coherent with, and strengthen implementation of all EU policies and international agreements.** Due to the interrelation of agriculture with nature and environment, food and health, social welfare and tourism, or trade and development, achieving policy coherence should become a central objective of the next CAP. International commitments as the SDGs, Paris Agreement or CBD, and the need to fully implement and enforce of existing EU legislation on biodiversity, health and the environment, like the Birds and Habitats Directives, or the Nitrates and the Water Framework Directives, require ring-fencing of at least 50% of CAP funds for dedicated financing of actions related to climate, environment and nature conservation.

- **Environmental authorities should be closely involved in key decisions and co-manage the CAP instruments related to their area of work,** including cross-compliance, greening, agri-environment, climate and forestry measures, WFD and Natura 2000 payments, as well as investments related to those schemes. To achieve this efficiently, payments to farmers and land managers to achieve environmental and nature conservation outcomes would continue to be managed within the existing agencies, but their design and content would need to follow the existing planning instruments (like the River Basin or Natura 2000 management plans). In any case, such schemes would have to be formally approved by the relevant environmental authority, which will also monitor the results and work closely with the agricultural authority managing the rest of the CAP. Further, environmental authorities should be empowered to demand a revision and removal of CAP instruments identified as environmentally perverse: i.e., frustrating the achievement of targets set by the EU environmental policy and international agreements.

LIFE (Financial Instrument for the Environment)

LIFE is the only financial instrument under the EU budget wholly dedicated to the environment, nature conservation and climate change over and above national expenditures. Its aim to contribute to the implementation, updating and development of EU environmental, nature conservation and climate policies is under threat, given the very small and inappropriate allocation of funds (currently 0.3 % of the EU budget) compared to the numerous challenges our environment is facing. A future LIFE programme should provide the funds necessary to enable broad support for measures related to biodiversity and nature. To do justice to the importance of the LIFE programme, WWF expects the following elements to be integrated in the next EU budget:

- **Funding for LIFE should receive at least 1% of the total budget.** The European Commission should recognise the need for a significant increase also in the LIFE budget to enable the EU's environment; nature conservation and climate change objectives to be met, acknowledging the value for money of the LIFE programme, the high return rates and potential for job creation from green investments.
- **Invest in environment protection including nature and biodiversity: at least 50% of the LIFE budget should be dedicated to the implementation of the Birds and Habitats directives, including Natura 2000.** While the main responsibility for financing Natura 2000 lies with the Member States, Article 8 of the Habitats Directive legally links delivery of necessary conservation measures to the provision of the EU co-financing. With the finalisation of the Natura 2000 network the management and investment in Natura 2000 becomes even more important. This will help address continuing implementation deficits by a number of Member States.
- **Closer to citizens:** Secure money for traditional bottom-up projects. Support for traditional bottom-up projects, should be strengthened by earmarking at least 50% of the action grants to such projects. Max. 30% of the budget for action grants should be dedicated to "integrated projects".
- **Increase the general co-financing rate to 75% to overcome financial constraints of applicants.** NGOs and public bodies as main applicants of projects may face severe difficulties to mobilise domestic funding. In many countries the uptake of LIFE is at risk if co-financing rates are not increased to 75% especially in Member States with lower Gross Domestic Product/ GDP.
- **Reduce administrative burden and introduce a two-step application procedure.** Submitting a full proposal under LIFE is very time and resource incentive, which can lead to disadvantages for applicants that do not have the resources necessary. To reduce administrative burden it is proposed to introduce a two-step application procedure as it is already the case for a number of other EU policies and to simplify the requests on administration for implementation without losing control about the quality of projects.

EU External Action

The newly revised European Consensus on Development (June 2017) sets the framework for EU international development cooperation and thus the principles and priorities for the use of Official Development Assistance (ODA) in the next MFF. Like the EU's Global Strategy, it sets out a vision for the EU's engagement in the world which highlights the transformative character of the 2030 Agenda and the cross-cutting dimension of the Sustainable Development Goals in the implementation of EU's external actions. In the next MFF we expect to see the EU's contribution to the SDGs taken forward through:

- **Consistent, transparent and predictable funding that addresses the most pressing needs of people and communities** who face the multifaceted challenges of climate change, environmental degradation, poverty and inequality, including gender inequality. The design of interventions in consultation with relevant stakeholders, should promote integrated programmatic approaches, for example, the food, water, energy, land nexus.
- **Delivery of international commitments on climate** including the EU's fair share of 100 billion USD for climate action in developing countries by 2020 and to at least 2025. A benchmark of 50% for climate-relevant spending should be set in external financing instruments, to ensure that projects with clear and identifiable climate co-benefits are supported across sectors (such as climate-resilient agriculture and measures to protect nature and environment which strengthen resilience and contribute to climate adaption and mitigation). Aim to provide predictability in climate finance flows and a balance between funding for mitigation and adaptation and ensure particular support for the countries with the least capacity and the most vulnerable. Agree and use a consistent and transparent approach, across all EU donors, for the reporting of climate finance both through public funds and leverage of private funding.
- **Delivery of international commitments on biodiversity** by ensuring that under the CBD the target for doubling international finance flows for biodiversity in to developing countries by 2015 has been met and is maintained throughout the lifetime of the next MFF. The financial commitments must be adjusted once new financial targets for the period 2021-2030 have been agreed in 2020. In order to strengthen resilience of communities, including to natural disasters and the impacts of climate change, ensure support for the conservation, restoration and sustainable management of natural resources and ecosystems and all the essential services they provide.
- **Follow through on the commitment in the Development Consensus to mainstream climate change and environment** in EU external financing instruments through the inclusion of a requirement in the future Common Implementing Regulations and the widespread dissemination of guidance, tools and training.
- **Maintain and expand support to civil society** (local, national, regional and global) as key sustainable development actors, implementers of programmes, partners in dialogue, watchdogs and advocates. The more support provided to civil society, the greater the likelihood that programmes will reach those most likely to be left behind and the greater the foundation for a thriving and active civil society.
- **Given the universality of the 2030 Agenda, greater public knowledge and understanding should be encouraged** of the impacts of our policies and lifestyles in Europe on people and sustainable development elsewhere. Programmes such as the current Development Education Awareness Rising programmes (DEAR) are a valuable contribution to such public awareness and should be expanded.

© Karine Aigner / WWF-US

Climate and Energy

The EU's budget should support efforts to limit the rise in average global temperatures to 1.5°C as per Article 2 of the Paris Agreement. To fulfil the commitments made under the Paris agreement, the next EU budget should:

- **Support a people-centred and just transition to a low carbon society**
  The Paris agreement calls on countries to take into account the imperatives of a just transition for workers and regions that may be negatively impacted by policies and measures to cut greenhouse gas emissions. WWF would like the EU to translate that principle into concrete action, also by taking into consideration gender specific needs and approaches that can contribute to addressing gender inequalities. For the next EU budget we recommend:

  - Providing tailored financial support to communities and vulnerable households to, for example, improve the energy efficiency of their homes; supporting regions that are particularly dependent on activities like coal mining to help them overcome the challenge of transforming their economies;
  - Developing and implementing long-term strategies for economic diversification towards sustainable economic activities;
  - Increasing the role of cities and regions in investment planning for decentralised clean energy solutions;
  - Involve stakeholders and partners in planning, monitoring and implementation of any EU financial support for a people-centered and just transition.

- **Use of EU ETS Auctioning revenues**
  The revised EU Emissions Trading System Directive, which should be finalised by the end of 2017, currently says that 100% of the ETS revenue should be used by Member States for 13 specific activities, all of which are intended to support efforts to tackle climate change. However, WWF does not consider that the directive will contain sufficient safeguards to ensure Member States actually use their auctioning revenues to support further climate action. We therefore encourage the EU to establish more centralised earmarking of ETS auctioning revenues, as a means to providing a dedicated funding stream for climate action under the EU budget.

European Cohesion Fund (CF), European Social Fund (ESF), European Regional Development Fund (ERDF)

Regional policy is an important element of the EU budget, touching all parts of the EU, at all levels - from the EU-wide and national scale, to Europe's regions and local communities. For the next EU budget, the following issues need to be addressed:

- **Mainstream environmental, biodiversity and climate EU and national goals into Partnership Agreements and Operational Programmes (OP's),** focusing on national implementation of SDGs, the Paris Agreement process, as well as the CBD and the EU Biodiversity Strategy. Especially in EU Member States where the EU budget is the primary vehicle for public investment this needs to be addressed
- **Strong climate and biodiversity proofing for infrastructure projects, ensuring protection of critical ecosystems and their services, especially within the Natura 2000 network**, as well as effective control and monitoring of such projects by the European Commission and civil society in member states, through programme monitoring and full Environmental Impact Assessments (EIA's) and Social Impact Assessments (SEI's). A first priority will be to finance clean energy only, and harness the full potential of renewable energy and energy savings.
- **Common Impact indicators assessing the progress towards EU targets for environment, climate, nature conservation and sustainable development**. In order to improve the monitoring and evaluation of EU budget results, it is necessary to further reduce and streamline performance indicators in the operational programmes (OPs). This should also include looking at gender inequalities.

© Michel Gunther / WWF

Common Fisheries Policy and Marine Environment

The European Maritime and Fisheries Fund (EMFF) is the financial instrument which aims to support the implementation of the Common Fisheries Policy (CFP). Through this financial instrument, the EU budget has made efforts to provide the conditions for more sustainable fishing practices. However very little funding has been spent so far on reducing the impacts of fishing in the marine environment. EU Member States have spent only 2.3% of the 6.4 billion euros that have been allocated for the period 2014-2020. To achieve the conservation goals of the CFP, the next EU budget should:

- **Allocate at least the same amount of money to the EMFF that was allocated under the current period (6.4 billion euros).** The fact that Member States are not spending the allocated resources is mainly due to administrative and bureaucratic problems at national and local level and not because the resources are not considered necessary.
- **Guarantee that all allocated funding under the EMFF is being properly spent by Member States** to make the production of fishery products from capture to point of sale more sustainable, ensure proper enforcement of fishing rules, facilitate the fulfilment of the landing obligation, support the design of conservation measures, support coastal communities in diversifying their economies, support transparent and traceable supply chains and improve data collection, all in coherence with the conservation goals of CFP.
- **Ensure that EMFF funding is conditioned to sustainable management of the marine environment by Member States and operators in the sector** and that only those who comply with the rules of the CFP receive the correspondent financial aid. To achieve this, the European Commission must use all the tools available and suspend the interim payment when the conditions are not being respected.
- **Ensure dedicated allocation of EMFF funds for biodiversity and Natura 2000** to reduce the impacts of fishing activities on the marine environment or introduce environmental measures to improve recovery of fish stocks (e.g. spatial closures or ecosystem recovery through marine protected areas). This may also include dedicated allocation of EMFF funds for biodiversity and Natura 2000 sites where management plans have a conservation objective on recovery from fisheries impacts.

Connecting Europe Facility (CEF)

The Connecting Europe Facility is funding targeted infrastructure investment in the EU. For the moment, the CEF focuses on energy, telecom and transport but leaves out the environmental dimension. Green infrastructure is necessary to maintain and restore biodiversity in increasingly fragmented habitats. WWF proposes for the next EU budget to:

- **Establish a trans-European "Green Infrastructure" funding line. A Trans European Network for Green Infrastructure (TEN-G)** should ensure connectivity and restoration of habitats and ecosystem services in selected priority areas of EU added value. TEN-G should be supported by EU funding as part of a new Connecting Europe Facility (CEF) similar to energy-, transport- and telecommunications networks development.
- **All funding under the CEF should help to deliver renewable energy and energy efficiency projects** to ensure that EU funded infrastructure contributes to the transition to a zero emissions energy sector.

WWF Position on the next EU Budget and its application

WWW.WWF.EU

Why we are here
To stop the degradation of the planet's natural environment and to build a future in which humans live in harmony with nature.

www.wwf.eu

EU Transparency Register Nr: 1414929419-24

Printed on recycled paper.

For further information:

Anke Schulmeister-Oldenhove
Senior Forest Policy Officer & Coordinator EU Budget

WWF European Policy Office
Email: aschulmeister@wwf.eu
Mobile: +32 485 843 144

This programme is implemented with the support of the European Union. The contents of this publication are the sole responsibility of WWF and can in no way be taken to reflect the views of the European Union.