



# Structural Funds In an Enlarged EU

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*Learning from the Past-  
Looking to the Future*

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## 1 Introduction: Aims and scope of the paper

The Structural Fund Regulations provide for a Mid-Term Evaluation and Review (MTE/R) of the Funds' performance during 2003/2004 to improve the quality and relevance of existing funding programmes, including in relation to the environmental provisions. This MTE/R coincides with the introduction of new Structural Fund programmes for the ten countries set to join the EU in May 2004.

**This WWF paper contains a number of recommendations to improve the application of the Structural Funds<sup>1</sup> in the coming years, focusing on funding in the EU and new Member States over the 2004-2006 period, and ahead of the next programming period (2006-2013).**

More specifically, the aim is to strengthen the environmental dimension of the Funds by:

- securing amendments to the **Commission guidelines** used to inform adjustments to existing programmes and the development of new programmes being prepared by the Candidate Countries;
- influencing mid-term decisions regarding **programme adjustment**, changes to programme administration (partnerships, assessment, monitoring, indicators) and the allocation of the reserve;
- improving the **Commission's management of the Funds**, including application of cross-compliance between the Funds and environmental legislation; and
- making initial proposals to guide work on the **reform of the Structural Funds regulations** for the next programming period.

The paper contains a set of recommendations based on existing experience and research findings, particularly in relation to influencing the Mid Term Review.

## 2 Sustainable development and the existing Structural Funds (2000-2006)

WWF has had a long involvement with reforming the structural funds starting with the original reform proposals of the European Regional Development Fund (ERDF) in 1988 and subsequent regulation revisions in 1993 and 1999. In each successive regulatory reform over the past 15 years, the environment and sustainable development provisions have been strengthened. The latest Structural Funds rules, agreed in 1999, make environment and sustainable development one of three horizontal themes, which should be 'mainstreamed' across all other funding areas, such as investment in transport, energy, fisheries, agriculture and infrastructure. In addition, Commission Guidelines issued in July 1999 made environment and sustainable development a horizontal principle.

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<sup>1</sup> There are four Structural Funds: European Regional Development Fund, European Social Fund, European Agricultural Guidance and Guarantee Fund (Guidance Section) and Financial Instrument for Fisheries Guidance.

Nevertheless, practical experience shows that **funds continue to be used in ways that undermine agreed environmental and nature conservation objectives.**

### **EU Structural Funds and the Spanish National Hydrological Plan (SNHP)**

The SNHP was adopted in July 2001 and consists of three parts: a) horizontal measures to ensure sustainable water management; b) 889 Annex II projects; and the Ebro transfer in the Levante, Murcia and Almeria, with priority being given to b) and c). The total budget for the Plan is 25 billion EUR, of which one third is expected to come from the EU Structural and Cohesion Funds.

The SNHP proposals are being prepared and submitted to the Commission (DG Regio) in separate parts. Even so, the Ebro transfer is big enough to be considered a 'major project' under the Structural Funds and should therefore undergo rigorous examination by the Commission to establish compliance with EU legislation, before funding is agreed. Several of the big Annex II projects have also been submitted for EU co-funding. The Commission has, in most cases, requested the projects to be adapted and revised due to their potential negative environmental impacts.

Nevertheless, the SNHP illustrates serious practical problems associated with implementation of the Structural Funds and the associated environmental safeguards.<sup>2</sup> Key problems include the lack of a coherent Commission position regarding legal infringements or the technical and economic viability of the Plan, in particular in relation to the Ebro transfer. This has resulted in substantial delays in launching infringement proceedings, despite apparent conflicts with EU nature conservation and water legislation, as well as with the Structural Funds rules.

While there is a clear requirement under the Structural Funds to ensure compatibility between the use of the four Funds and EU environmental legislation, the Commission Guidelines also recognise that it is a priority for the Structural Funds to maintain the environment and Europe's rural heritage. 'Environmental protection must be a major rural policy priority including the preservation of the countryside and natural resources...' However, **experience shows that funding for nature conservation, for example, remains *ad hoc* and too subject to chance.** According to the report of the Commission Article 8 (Co-financing) Working Group:

'Funding arrangements are very complex, potentially involving a large number of funds, each with separate application processes and each designed to deliver against their own objectives, rather than those of Natura 2000. None of the funds is available on a long-term basis for the range of activities associated with the management of Natura 2000... This, and the generally weak references to environment and nature conservation in the funds rules, has resulted in comparatively limited use of funds for Natura 2000, to date.'

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<sup>2</sup> See Article 12 of the Structural Funds Regulation 1260/1999 on compatibility with EU environmental policies and legislation, and Article 26 concerning major projects.

The Sixth Community Environment Action Programme (6EAP) - the environmental leg of the EU Sustainable Development Strategy - stresses the need to integrate environment into other policies, including encouraging reforms of subsidies with negative effects on the environment and incompatible with sustainable development, with a view to gradually eliminating them. This work is to include the development of a list of criteria, by the mid-term review, allowing environmentally negative subsidies to be recorded.<sup>3</sup>

**Despite these 6EAP commitments, there is currently no standard tool for authorities to monitor how funds are used to promote sustainable development. In particular, parameters for classifying projects and funds in categories related to their contribution to sustainable development, need to be developed by the European Commission.**

### **3 WWF recommendations for the Structural Funds Mid-Term Evaluation/Review (2003-2004) and Environmental Protection**

While the current programming period for the Structural Funds runs until 2006, there are opportunities in the short and medium term to change the way the funds are being implemented, and in doing so, to guide preparations on the next round of funding, post-2006. This applies equally to the Financial Instrument for Fisheries Guidance and the European Agriculture Guidance and Guarantee Fund (Guidance Section), as it does to the other two Funds.

#### ***3.1 Securing changes to the Commission guidelines***

The 1999 Commission guidelines have been instrumental in promoting sustainable development as a cross-cutting theme of the Structural Funds, although as the Alqueva and Odelouca projects, and the Spanish National Hydrological Plan demonstrate, the Guidelines have not been entirely effective. In view of the new set of complementary guidelines to inform the Mid-Term Evaluation and consequent adjustments to existing funding programmes WWF recommends the following:

- The guidelines should provide an updated picture of the EU policy framework and subsequent priorities. This should include examination of the Lisbon and Göteborg Strategies, key objectives set out under both and ways in which the Structural Funds will contribute concretely to their delivery.
- It should be re-stated that all four Structural Funds have to be implemented in a way that supports, not contradicts, EU and global sustainable development objectives. The Commission should include here a commitment to rigorous impact assessment, including cumulative impacts from several projects or sections of projects, and the consideration of a minimum number of alternative

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<sup>3</sup> Article 3, Decision 1600/2002 laying down the Sixth Community Environment Action Programme

options. It should also commit to developing a tool with key criteria to allow authorities to assess and record environmentally negative funds (see below).

- The Structural funds should also be used to increase the capacity and provide training on the use of these programmes and on environmental issues leading to an increase in the absorption capacity for using the Structural funds for projects with mainstreamed environmental objectives.
- In light of the estimate that implementation of Natura 2000 would cost between 3.4 EUR and 5.7 EUR billion per year, and given the likely costs of implementing other key pieces of EU environmental policy, such as the Water Framework Directive or the greenhouse gas emission reduction targets, the guidelines should call on Member States to significantly increase funding for projects that have mainstreamed environmental objectives, signalling that one third of the Structural Funds should be directed to this ‘pillar’ of sustainable development.
- Following the Habitats Directive Article 8 (Co-financing) Working Group, the guidelines should contain a clear statement that Natura 2000 and nature conservation is eligible for Structural Fund support, with the eligibility criteria and procedure for accessing funds to be adapted to allow for effective co-funding of the conservation network. Sustainable regional development is not possible unless there is sustainable natural resource management.
- Being a framework Directive, the Water Framework Directive is not accompanied by a corresponding financial instrument. However, existing Community funding, e.g. the Structural Funds, could be used to co-finance some of the measures required to achieve ‘good ecological and chemical status’. The precise measures to be taken will be defined by the Member States. This reliance on the initiative of Member States may mean that the opportunities for timely and effective and/or more “ecological” means of meeting the WFD's environmental objectives (e.g. wetland and floodplain restoration) – are not taken-up. It will be up to forward-looking governments, river basin authorities, water supply bodies and NGOs to press for floodplain restoration at national, regional and/or basin levels.
- To secure more environment-led projects, authorities should be encouraged to raise awareness of the economic opportunities rather than obstacles provided by environmental enhancement and protection. This includes promoting good practice examples and case studies on employment creating potential. The new guidelines themselves should contain an example of good practice, where a major project has been designed and implemented, in support for example of the Water Framework Directive.
- The present EU and the EU 25 have a Kyoto target for reducing their greenhouse gas emissions by about 8% by 2008/2012 below 1990 emissions levels. Neither the present EU nor the future EU 25 is prepared to that challenge. However, large potentials exist to cut emissions for low costs.

- Structural funds could prove very helpful to channel resources into clean technologies locally where either appropriate infrastructure or simple upfront cash is missing to pay the environmental price. Structural Funds for energy efficiency improvements and for renewable energies could be used to cover slightly more than the marginal costs of carbon abatement technologies compared to the conventional costs.
- There should also be guidance on EU policy as regards transparency and information on funding availability, as well as partnerships, with best practice used to demonstrate how these elements of the Structural Fund rules should ideally be implemented. This should take full account of the EU's commitments under the Aarhus Convention.

It is vital that the new complementary guidelines also inform the development of Candidate Country development plans and subsequent programming documents .

### **The use of Structural funds to halt climate change and promote the use of Renewables.**

One of the key challenges to Europe's footprint and its responsibility for global sustainable development is the need to combat climate change and secure an environmentally sound energy system. In addition, security of supply of energy becomes a top priority for the growing import dependence of Europe's energy markets. Both issues can be addressed best by promotion of renewable energies and energy efficiency within the framework of the Structural Funds.

WWF is strongly promoting the rapid use of wind and sustainable biomass energy as key sources and cost-competitive domestic energy carriers in the short and mid-term. Other forms of renewable energies, such as solar and geothermal have a vital role to play as well in some areas but generally need major investments and time in order to bring prices down to create economies of scale. In addition, strong rules and incentives for substantive market penetration of energy efficient appliances, cars, industrial motor drives and buildings will complement to reduced greenhouse gas emissions but will also reduce energy bills, create employment and new (export) markets.

Structural funds could prove to be an important tool to help the EU to meet its commitments regarding the Kyoto Protocol. It could work to channel resources into clean technologies locally where either appropriate infrastructure or simple upfront funds are missing to. Structural Funds for energy efficiency improvements and for renewable energies could be used to cover slightly more than the marginal costs of carbon abatement technologies compared to the conventional costs. By doing so, clean technologies would not receive 100% funding but would "only" receive support for being a cheaper option based on LCA on the market for investors. In addition, structural funds could be used and organised as mushrooming funds via evolving schemes. That would mean that the money savings (energy bills) through the implemented energy savings could be shared by both, the present project owner and the administrator of the Structural Fund who in turn could re-invest the money in new projects.

### ***3.2 Programme adjustment and allocation of the reserve, as part of the MTE/R***

The Structural Fund Regulations make provision for a mid-term evaluation, to be completed in 2003. The aim is to improve the quality and relevance of programming. Commission guidance on the MTE makes clear that **an important objective is to assess the extent to which the ‘horizontal’ objectives have been integrated into all programmes, including in relation to the environmental provisions.** WWF recommends that the assessment considers:

- the effectiveness of monitoring committees and implementation procedures;
- the quality of monitoring systems in terms of organisation, regularity and quality of data;
- the quality of indicators to monitor horizontal themes; and
- the adequacy of project selection criteria and procedures.

It is critical that thorough evaluations are undertaken of all programming documents, including non-Objective 1 programmes.

Member States are to send their evaluations on the national programmes to the Commission by the end of 2003. **The Commission must ensure the procedural requirements are observed, and the commitments in the programmes reviewed. This includes statements that funding should be made conditional upon implementation of the Nitrates and Habitats Directives, and fulfilment of steps required for the establishment of the Natura 2000 network of sites.** On this basis, Member States are to propose modifications to their programmes, which will be discussed and negotiated with the Commission.

**WWF calls on the Commission to ensure that the 4% performance reserve be allocated taking into account Member States’ contribution to the objectives of the EU Sustainable Development Strategy, notably in relation to climate change, transport, public health and natural resources.**

At national/regional and EU level, there is an opportunity to use the evaluation, and subsequent proposals and decisions regarding programme adjustment and changes to programme administration (partnerships, assessment, monitoring, indicators), in support of the environment and sustainable development. WWF recommends that national and/or regional managing authorities:

- assess the extent to which programmes have contributed to sustainable development and environmental objectives. The objectives of the EU Sustainable Development Strategy should be used as the basis for assessment.
- assess the percentage of funds used to support environmental projects, or projects with environmental objectives at their core.

- consider the extent to which projects have integrated environment and nature conservation, in relation to partnerships, planning, project selection criteria and procedures, monitoring and implementation, and indicators.
- specifically, assess progress in relation to the nitrates Directive and Habitats Directive 'cross-compliance' provisions. These provisions have been extremely useful in focusing current Member States attention on the two Directives. The cross compliance criteria should now be used to encourage current Member States to increasingly use Structural Fund money to actively support implementation of these Directives. The cross compliance link between Structural Fund money and environmental Directives is also now becoming crucial for the 10 new Member States which will also have to comply with the Directives.
- examine how far programmes have reached the intended beneficiaries, in particular, what is the extent of partnerships, between different target groups and different funds.
- identify changes to EU policy and regional aspirations, or emerging gaps that programmes do not address. Importantly, new emerging issues should also be addressed. For example, in light of the EU's commitment to the recovery of fish stocks by 2015, where fishing opportunities have diminished due to declining fish stocks, funding should be redirected to the support of EU recovery plans rather than boat building or modernisation projects.

The resulting reprogramming should reflect these issues, by redirecting funds to new areas, but also by making improvements to the administration of the programmes, as follows.

- Strengthening the role of competent environmental authorities and other partners, including their role on sub-committees, advisory committees and working groups, as well as the main Programme Monitoring Committee. This applies to ALL programmes, including non-Objective 1 programmes. To provide day-to-day advice and guidance, environment and sustainability expertise should also be made available for programme secretariats.
- Environmental elements of project application and scoring procedures should be reinforced and detailed guidance provided, including minimum environmental criteria. Environmental indicators and targets should be established unless this is clearly not relevant. There should also be better feedback mechanisms to projects, identifying problems or obstacles and generating ideas to enhance future projects.
- Managing authorities should apply Community Initiative lessons to the mainstream funds. Technical assistance funds should be targeted more clearly at innovation, project design and delivery. This work should be supported through the promotion of best practice examples by managing authorities, and even the establishment of 'model' projects.

- Authorities should seek to strengthen the coherence between and within programmes, establishing mechanism for better co-ordination and integrated planning (learning from existing best practice) and possible using cross-compliance or linkage of measures to improve coherence and sustainability.
- Regional and national networks should be established, to exchange experiences and good practice in programme administration, and to promote innovative funding approaches. These should include experts and non-governmental organisations, and link into an EU-wide network

**WWF recommends that the Commission:**

- gives greater weight to policy integration and coherence in its Mid-term Review. It should refer to EU, national and regional sustainable development strategies and key regional trade-offs. The Commission should encourage or support programme changes that improve coherence between the three ‘pillars’ of sustainable development, particularly in relation to conservation and sustainable management of natural resources.
- Draws a strong link between the performance reserve and sustainable development aspects, a list of parameters should be developed including, for example, how far environment has been mainstreamed or whether regions have complied with the Natura 2000 and nitrates cross-compliance commitments. This applies to all four Funds, including fisheries and agriculture.
- Specific recommendations will arise in relation to individual programmes, for example, the Commission should consider the concerns regarding the SNHP in its review of relevant Spanish programmes. The results should be clearly reflected in allocating the performance reserve.

### ***3.3 Improving the Commission’s management of the Funds***

Responsibility for monitoring and enforcing implementation of the Structural Funds regulations rests with the Commission and the individual Directorates General (DGs). The Mid-term Evaluation/Review provides a suitable opportunity to assess the Commission’s performance, and ways to address current weaknesses.

The Commission’s response to the SNHP suggests that there is a lack of consistency and coherence across the different DGs on this issue, resulting in differences in analysis between DGs and delays as regards drawing clear conclusions and decisions to initiate infringement proceedings. Work on the cross-compliance mechanisms (Nitrates Directive and Natura 2000) has resulted in funds being withheld in certain case but did not lead to a comprehensive strategy to integrate the Directives’ requirements within regional development plans.

Greater emphasis is needed to ensure environment and sustainable development are truly cross-cutting, and that safeguard provisions are properly enforced, based on close cooperation with the relevant Commission services. This applies to all four Funds. The Commission should improve management of the Funds by:

- implementing the requirements of the Sixth Environmental Action Programme, developing a tool with key criteria to allow authorities to assess and record environmentally negative funds.
- withholding funding if the Commission or another EU institution, such as the European Parliament officially states that projects are not compatible with other EU policies. In such cases, projects should only be given the green light if it is clearly shown that this does not undermine environmental legislation.

The Commission should also facilitate the establishment of an EU network to exchange experiences and good practice in programme administration, and to promote innovative funding approaches to the benefit of the horizontal themes. This should support the replication of good practice within and between each of the four Funds and Community Initiatives. Existing networks should actively seek to include experts and non-governmental organisations with expertise or interests in the field. A European unit could act as the Commission's 'node' in the network, supporting innovation and capacity building across the Funds.

### ***3.4 Influencing the long-term reform of funds (post 2006)***

The next round of Structural Funds programmes will cover the period 2006-2013. Some pointers as to the likely shape of the Funds after 2006 have been set out in the second progress report on social and economic cohesion.

Key options for reforming the Structural Funds regulations are being elaborated elsewhere, but WWF's initial proposals include:

- making sustainable development the overarching objective, confirming the inter and intra-generational aspects of sustainable development and recognising current weakness in terms of supporting the natural resource base and social capital. The overarching objective should be followed by a coherent set of three objectives reflecting each of the three 'pillars' of sustainable development - social, environmental and economic;
- targeting the bulk of funds on the new Member States, but leaving a budget for cross-cutting, pump-priming and innovative actions to support environmental objectives, notably on water and nature conservation;
- increase funding for projects that have mainstreamed environmental objectives, signalling that one third of the Structural Funds should be directed to this pillar of sustainable development;

- developing a clear link between mainstream funds and pilot projects and programmes, including LIFE and the Community Initiatives, to ensure lessons on sustainable development are applied more widely, and also to ensure coherence between different funding streams;
- ensuring effective contribution to financing the implementation of EU environmental policy, including Natura 2000 and the Water Framework Directive, across the whole EU territory (see insert below);
- setting up co-ordination mechanisms to strengthen the coherence and complementarily with other land use policies in particular the rural development policy and implementation of the Water Framework Directive;
- changing the approach to funding by increasing the consideration given to environmental and social pillars of sustainable development. There could also be a shift to more local delivery, mainstreaming small-scale, long-term regeneration projects, while moving away from capital intensive investment.

### **Using the Structural Funds to develop a long-term EU strategy to mitigate the effects of floods**

**1. EU policy coherence.** The EU should assess the extent to which ‘inadequate land-use and water management policies’ have contributed to recent flooding problems in Europe (as set out in the Communication<sup>4</sup> laying down the EU’s response to these floods), and ensure that EU spending is made compatible with the Integrated River Basin Management (IRBM) principles enshrined in the Water Framework Directive. This is particularly the case as regards the use of EU funding to promote non-structural measures for flood mitigation, such as wetland and floodplain protection and restoration. As a consequence, the EU needs to guarantee that:

- The revision of the Structural Funds contributes to halting and reversing the wetland and floodplain loss and degradation caused by the misuse of these same funds, and thus helping to achieve the WFD’s objectives of “good ecological and chemical” status in all European waters by the required deadline of 2015. Investments need to be diverted away from heavy infrastructure for flood control to those designed to “make room” for rivers in floodplains, by:
  - Ensuring that existing wetlands and floodplains are able to function naturally and fully, as part of an integrated system, in order to play as full a role as possible in mitigating future flood events
  - Restoring degraded wetlands and floodplains, including river meanders, and especially reconnecting rivers with their floodplains

<sup>4</sup> European Commission Communication to the European Parliament and the Council, The European Community Response to the Flooding in Austria, Germany and Several Applicant Countries, COM(2002)481, Brussels 28.08.2002

- Removing obsolete man-made constraints on rivers as well as flood defences, and preventing further construction on floodplains
  - Setting up public awareness campaigns to inform the public about the risks of living in flood prone areas and combat the false sense of security provided by current dykes etc, which not always work.
- Pre-Accession (ISPA, SAPARD, Phare) investment priorities need also to be examined to ensure the integrity of floodplain functions and values in Candidate Countries, given that a high proportion of Europe`s remaining natural areas are found there. Special attention should be given to the potential impacts of proposed new road and waterway developments.

## **2. Implementation of EU policy related to flood prevention and mitigation**

- As a matter of urgency, the European Commission must uphold the Water Framework Directive`s “no deterioration” clause with regard to the current ecological and chemical status of wetlands and floodplains, and ensure that wetlands and floodplains are protected and managed under Natura 2000.
- Opportunities in the existing EU financial instruments are promoted to help with WFD implementation, in particular to protect, enhance, and restore wetlands and floodplains. Further, the Commission should consider linking EU financial support to adequate implementation of the Water Framework Directive and the 11 water-related Directives<sup>5</sup> associated to it (as already done with the Nitrates and Habitats Directives). The Commission should further promote pre-Accession funding for WFD implementation as done via the “ISPA-WFD” workshops that took place in the Baltic and Danube basins during Spring 2002.
- Member States (including Candidate Countries) need then to ensure timely and efficient implementation of the WFD, and the 11 water-related Directives associated to it, in particular to integrate measures to achieve good ecological and chemical status of wetlands and floodplains in the development of River Basin Management Plans. The European Commission must withhold funding where this is not the case.

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<sup>5</sup> Bathing Water Directive 76/160/EEC, Birds Directive 79/409/EEC, Drinking Water Directive 80/778/EEC as amended by Directive 98/83/EC, Major Accidents (Seveso) Directive 96/82/EC, Environmental Impact Assessment Directive 85/337/EEC, Sewage Sludge Directive 86/278/EEC, Urban Waste Water Treatment Directive 91/271/EEC, Plant Protection Products Directive 91/414/EEC, Nitrates Directive 91/676/EEC, Habitats Directive 92/43/EEC and the Integrated Pollution Prevention Control Directive 96/61/EC.

## 4 Looking towards EU Enlargement

The specific needs, challenges and opportunities facing the ten new Member States due to join the EU in 2004 must be central to any discussions on the future of EU funding. Following agreement at the Copenhagen Summit in 2002, expenditure ceilings have been set for 2004-6 (see below) and the Countries have prepared, under considerable time pressure, national development plans for this period. The scope and performance of the resulting Operational Programmes will have a major influence on future funding decisions, and subsequently will have ramifications – good or bad - on the unique environment in these countries, and on sustainable development across Europe.

**Expenditure Ceilings For Ten Candidate Countries, as agreed at December 2002 Copenhagen Summit Agreement (1999 prices)**

<i>In millions of Euros</i>	<b>2004</b>	<b>2005</b>	<b>2006</b>
<b>Heading 1: Agriculture</b>	<b>1.897</b>	<b>3.747</b>	<b>4.147</b>
▪ 1a CAP	327	2.032	2.322
▪ 1b Rural Development	1.570	1.715	1.825
<b>Heading 2: Structural Actions</b>	<b>6.095</b>	<b>6.940</b>	<b>8.812</b>
Structural Funds	3.478	4.788	5.990
Cohesion Fund	2.617	2.152	2.822
<b>Heading 3: Internal Policies and additional transitional expenditure</b>	<b>1.421</b>	<b>1.376</b>	<b>1.351</b>
<b>Heading 5: Administration</b>	<b>503</b>	<b>558</b>	<b>612</b>
<b>Total maximum appropriations for commitments</b>	<b>9.952</b>	<b>12.657</b>	<b>14.958</b>

It is only logical that lessons from the existing Member States should be applied to maximise opportunities and avoid pitfalls. Yet, as the Polish national development plan illustrates, environmental issues are simply not receiving sufficient attention.<sup>6</sup> The new member states need to be much more involved in ongoing EU discussions on the use of funding, especially as a means of securing development that is environmentally sustainable in the long-term. There are already examples of funding being deployed in support for environmentally damaging projects (notably the Via Baltica)

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<sup>6</sup> The Polish Institute for Sustainable Development made an environmental evaluation of this plan, financed by REC. A Polish version can be found at [www.rec.org.pl](http://www.rec.org.pl)

### **Via Baltica TENS-T route threatens nature in Poland:**

Poland submitted its National Development Plan (NDP) to the European Commission in February 2003. This plan will determine the allocation of structural funds in Poland for the 2004-2006 period. There is a concern that certain investments planned for EU co-financing for transport will contradict both EU and Polish environmental legislation and which may now pose a serious threat to wildlife in Poland. The plan includes projects to build various parts of the highly controversial Bialystok alternative of the Via Baltica motorway.

Phare and ISPA funds have already been used to finance parts of this variant. This alternative, if chosen, will cut across four sites of international conservation importance, including the famous Biebrza National Park, which are candidates to be included in the EU's Natura 2000 network of protected areas. There is an alternative route via the city of Lomza, which would by-pass all four sites, and would also be 30 km shorter than the Bialystok route. So far, no environmental impact assessment has been conducted on any of the routes.

Further planning of such projects must be avoided if EU enlargement is not to be synonymous with environmental degradation.

While important lessons need to be learned from experience in the existing Member States, the Candidate Countries face additional and specific challenges, notably:

- Absorption capacity - according to the Copenhagen Summit agreement, there will be four times more EU funding for environment from the Cohesion Fund for the 2004-6 period for the ten Candidate Countries than under ISPA during the Pre-Accession phase. Furthermore, in the case of Romania and Bulgaria, there is to be an increase of 40% funding under ISPA<sup>7</sup>, but only if good absorption can be demonstrated. This is because budgetary allocations are appropriated on the basis of past expenditure records and on countries being able to demonstrate absorption capacity. However, only 11% of total ISPA commitments had been spent in the Candidate Countries by the end of 2002.

The need to demonstrate absorption capacity is likely to lead the new Member States to focus on using the instruments that they have experience with, and ones they are certain will meet with approval from the Commission. This is expected to be to the detriment of measures more easily targeted at the environment. For example, there is no experience under SAPARD of using agri-environmental measures although these were eligible. Despite a wide range of measures being available to the new Member States under the Rural Development Regulation, Candidate Countries will be advised to focus on few targeted, high expenditure projects drawing on past SAPARD experience.

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<sup>7</sup> Instrument for Pre-Accession Support.

- Capacity for administering funds – the first ten Candidate Countries face a double challenge, having to prepare and operationalise programming documents for the 2004-2006 period, while simultaneously participating in discussions and planning for the period beyond 2006. Institutional capacity building is still a clear priority for all Candidate Countries, especially to ensure coherence between programmes and instruments, and respecting the need for environmental integration and sustainable development. Twinning between national experts in Member States and Candidate Countries should continue, while the network of environmental authorities working on environmental integration into the Structural Funds in Spain, Italy and the UK should be extended to include the Candidate Countries.
- Ensuring compliance with EU environmental standards – there is a critical need to ensure full compliance with EU environmental legislation, notably the birds, habitats, environmental impact and strategic assessment Directives, at all stages in the planning and implementation of funds. Apart from inserting cross-compliance provisions within funding programmes, there is an urgent need to monitor and enforce such provisions, within the receiving countries and the Commission. Rigorous monitoring and enforcement systems should be in place as a precondition to agreeing funding programmes.
- Supporting small projects - to date, most spending on projects in the Candidate Countries has been focused on large-scale infrastructure projects financed by ISPA, to assist implementation of the EU's investment-heavy legislation, including the Urban Wastewater Treatment Directive. This trend is set to continue at least until 2006, not least due to the fact that of a total of 21.8 billion EUR approximately one third of the Candidate Countries' investment will stem from the Cohesion Fund. Yet locally or regionally designed projects of a smaller scale can be far more efficient in their use of resources and more effective in supporting long-term sustainable regional development. A stronger bottom-up, cross-sectoral approach, such as that promoted by Community Initiatives or under PHARE, should be mainstreamed within the Candidate Countries' funding programmes.

According to the European Commission, enlargement is the EU's single biggest contribution to global sustainable development.<sup>8</sup> EU funding presents a particularly powerful tool to 'leap frog' development, upgrading environmental protection, social welfare and economic growth. However, if the EU does not learn from earlier mistakes, there will be a real danger that EU funding will simply support outdated development patterns, undermining the EU's internal and global commitments to environment and sustainable development.

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<sup>8</sup> Commission Communication, Ten Years After Rio: Preparing for the World Summit on Sustainable Development in 2002, Brussels 6.2.2001, COM(2001)53.



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

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