



TOWARDS A CLIMATE NEUTRAL EU: EFFICIENT ALLOCATION OF EU FUNDS

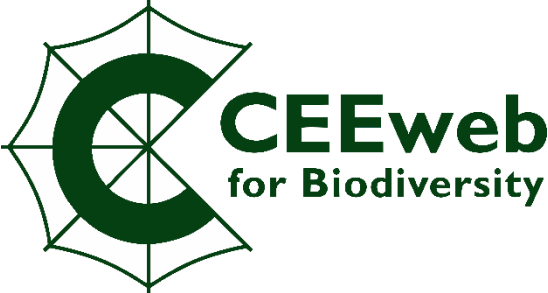
Position: The current system of EU funding to national governments must change profoundly

SEPTEMBER 2022

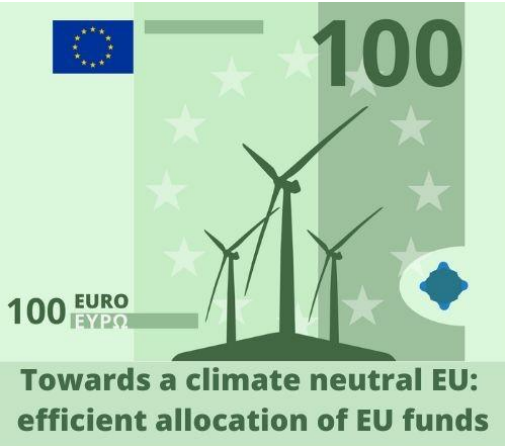
The current system of EU funding to national governments must change profoundly

A summary of conclusions of the ongoing EUKI-funded project *Towards a Climate Neutral EU: Efficient Allocation of EU Funds*

Version 1.0 (September 2022)



European
Climate Initiative
EUKI



Acknowledgements

Project partners:

- CEEweb for Biodiversity
- European Environmental Bureau
- Clean Air Action Group, Hungary
- Economic Policy Institute, Bulgaria
- Centre for Transport and Energy, Czechia
- Green Liberty, Latvia
- Institute for Sustainable Development Foundation, Poland
- Focus Eco Center, Romania
- Združenie Slatinka, Slovakia
- Umanotera, Slovenia

Disclaimer

The project “Towards a climate neutral EU: efficient allocation of EU funds” is part of the European Climate Initiative (EUKI). EUKI is a project financing instrument by the German Federal Ministry for Economic Affairs and Climate Action (BMWK). The EUKI competition for project ideas is implemented by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH. It is the overarching goal of the EUKI to foster climate cooperation within the European Union (EU) in order to mitigate greenhouse gas emissions.

The opinions put forward in this document are the sole responsibility of the project partners and do not necessarily reflect the views of BMWK.

Introduction

Experts of civil society organisations (CSOs) all over Europe are seriously concerned that if the current system of EU funding will continue, EU taxpayers' money – instead of contributing to the attainment of the EU's aims – might rather contribute to undermining the foundations on which the EU is based. This is the result of our survey¹ conducted in various EU member states as well as the two other projects which followed the first one. At the same time, CSO experts made many proposals, which, in their opinion, if implemented, would greatly help the EU budget to achieve the EU's aims, especially EU's climate and environmental targets.²

The main problems identified by CSO experts

1. The national governments have been financing activities that have been running counter to the EU's aims, and the sum spent on such activities has often been much greater than the EU money spent for achieving the EU's aims.
2. In many cases, EU money has been spent on activities that contradict the EU's declared aims, including investments that directly or indirectly supported the use of fossil fuels and/or destroy biodiversity.
3. EU funding on the national level has been often riddled with corruption. The present system of EU funding has in several countries even contributed to a substantial increase in corruption. As a result, in some countries corruption has become systemic.
4. EU money is allocated for so-called development, i.e., overwhelmingly physical investments. At the same time, there are often serious deficiencies in the operation and maintenance of important public services (education, health care, public transport, etc.). In the long term, the new investments will not be sufficient (even if they are implemented properly) without the efficient operation of important public

¹ The survey was conducted within the framework of the Project “An MFF for the Climate” (<https://eeb.org/work-areas/climate-energy/an-eu-budget-to-address-the-climate-crisis/>) carried out by Climate Action Network Europe, European Environmental Bureau, Green Budget Europe, Green Budget Germany, and Clean Air Action Group with the financial support of the European Climate Initiative (EUKI) and Heinrich-Böll-Stiftung.

EUKI is a project financing instrument by the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU). Its implementation is supported by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH. It is the overarching goal of the EUKI to foster climate cooperation within the European Union (EU) in order to mitigate greenhouse gas emissions.

The opinions put forward in this summary are the sole responsibility of Clean Air Action Group and do not necessarily reflect the views of the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety, Heinrich-Böll-Stiftung or the project partners.

² Detailed proposals have been prepared during two projects funded by BMU/EUKI:

<https://www.levago.hu/egyeb/ngo-proposals-for-the-partnership-agreement-on-eu-funds-and-the-national-recovery-and-resilience-plan/>

<https://www.ceeweb.org/eufunds/>

services. Moreover, it does not make much sense to pour money into new physical developments while important sectors (education, health care, public transport, etc.) are grossly underperforming.

5. Even if the EU money has been spent in principle on good projects, these projects have often been oversized and overpriced.
6. One of the main disadvantages of the present system of EU funding is harmful market distortion: too many companies have not been striving to produce the best quality products and services, but they vied to receive as much public funding as possible. This resulted in highly unpredictable market conditions for many businesses. This system has also substantially contributed to the dismantling of democracy in some countries, since few businesspeople or business organisations dare to criticize the government for fear of not receiving EU funding.
7. “Free” EU money in many cases resulted in investments that subsequently proved to be useless.
8. It occurred time and time again that there has not been sufficient money for operation and maintenance after the end of a project financed by the EU.
9. Local and regional capacities for planning, preparation and implementation of EU funded projects aligned with a coherent climate action are largely underdeveloped.
10. In some countries the system associated with EU funds became so bureaucratic, that it effectively discourages many actors, which need funding the most, from drawing EU funds. Such a system leads also to a low absorption of EU funds.
11. Although in most cases EU legislation has been completely and correctly transposed into national legislation, the lack of appropriate institutional culture and capacity resulted in many cases in poor enforcement. Despite this fact, the European Commission controls only the transposal of legislation but practically does not control its implementation.
12. Representatives of the European Commission often turn a blind eye to the misuse and inefficient use of EU money.
13. The indicators measuring the effects of EU funding, including climate tracking methodology, are often inappropriate.³ Among others, the monitoring of greenhouse gas emissions from EU (and nationally) funded projects is practically non-existent.
14. The provisions of the European Code of Conduct on Partnership have been often violated by Member States, resulting in insufficient public participation and thus public control.

³ See, for example: Climate spending in the 2014-2020 EU budget – Not as high as reported. European Court of Auditors, Special Report 2022/09, https://www.eca.europa.eu/Lists/ECADocuments/SR22_09/SR_Climate-mainstreaming_EN.pdf

Proposals by CSO to substantially improve the system of EU funding

Above all very strict conditionalities must be set for EU funding, and the European Commission must continuously monitor the fulfilment of these enabling conditions. According to the overwhelming majority of the respondents, EU funding must not be provided to governments that do not fulfil the enabling conditions. If the enabling conditions are violated at any time during the financial period, EU funding must be suspended immediately as this is absolutely necessary to avoid further aggravation of the problem. (Quite a number of the experts stated that tolerating the violation of EU rules undermines the very foundations of the EU. In the longer term, this would have much graver consequences even for local communities than the suspension of EU funding.⁴)

The most important enabling conditions proposed have been the following:

1. The Partnership Agreement between each Member State and the Commission must be in full conformity with the EU's goals.
2. The recommendations of the Country-Specific Recommendations and the European Semester Country Reports must be implemented.
3. The National Energy and Climate Plan must be ambitious enough and include a clear implementation schedule so that the 2030 goals set forth by EU legislation will be achieved by the Member State.
4. National funding and the national taxation system must not contradict EU funding, i.e., the purpose of funding by the national government and national tax subsidies must be in line with the purposes for which EU money is provided. Public funding, both national and EU funding, must be aligned with climate targets and other commitments enshrined in EU and international law.

⁴ See, for example:

- Supplement to the Synthesis Report “Climate Change and the EU Budget 2021-2027” – Assessment of the responses from the questionnaire and conclusions drawn from them. EUKI Project “An MFF for the Climate” September 2019, <https://eeb.org/publications/183/eu-governance/100291/supplement-to-the-climate-change-and-the-eu-budget-report-by-clean-air-action-hungary.pdf>
- Measures for the protection of the Union budget: the Court of Justice, sitting as a full Court, dismisses the actions brought by Hungary and Poland against the conditionality mechanism which makes the receipt of financing from the Union budget subject to the respect by the Member States for the principles of the rule of law. Court of Justice of the European Union, PRESS RELEASE No 28/22, Luxembourg, 16 February 2022, <https://curia.europa.eu/jcms/upload/docs/application/pdf/2022-02/cp220028en.pdf>
- Pro-European Hungarian experts about EU funding to Hungary. Clean Air Action Group, 2022, https://www.levego.hu/sites/default/files/opinions_EU-funding_Hungary_2022March.pdf

5. All environmental harmful subsidies must be removed. There must be a precise schedule for this removal.
6. Much less funding should be allocated for new physical developments. Most of the funding should be allocated for improving the operation of public services (with clear targets and strict deadline for ending such funding from EU sources). Proper operation and maintenance of existing public services should be ensured before investing in new developments. The coherence between the public and private sector's services has to be ensured.
7. Funding for “development” must be overwhelmingly used for renewing and renovating existing assets (improving the energy efficiency of buildings, modernisation of railway tracks, etc.).
8. Best practice measures must be implemented to reduce corruption. Among others, the Member State must join the European Public Prosecutor’s Office.
9. The unnecessary bureaucratic burdens associated with use of EU funds, introduced as anti-corruption measures must be decreased, since they did not tackle corruption, but discouraged municipalities and other stakeholders from applying for EU funds.
10. There must be no discretionary funding for companies (except for companies providing public services which cannot be financed by the market).
11. The “principle of non-regression” must be applied, i.e., it must be stipulated that each Member State repeal all legislative and institutional measures adopted by that Member State since its accession to the EU that downgrade or limit the legislative or institutional level relating to the EU’s basic principles in comparison with the level at the time of the accession.
12. The Member State must fully implement the provisions of the European Code of Conduct on Partnership. Among others, the PA and the Operational Programmes must be prepared with the involvement of civil society and other stakeholders, and after it is adopted, its provisions must be continuously implemented. The non-governmental members of the Monitoring Committees should have a two-thirds majority in these committees.
13. Funding for climate change mitigation and adaptation must be increased at the expense of physical investments which do not contribute to climate action.
14. Better indicators are necessary. The indicators should apply first of all for performance on national level, and less on performance on programme and project level.
15. The monitoring and assessment capacity of the European Commission should be increased. This is especially relevant for climate funding, since the European Court

of Auditors has concluded that the EU has missed its self-imposed target of spending at least 20% of its 2014-2020 budget on climate action.⁵

16. Capacities on regional and local level must be enhanced to support planning, preparation and implementation of EU funded projects, to provide for effective climate action.



Zajā brīvība



Supported by:



on the basis of a decision
by the German Bundestag

⁵ Climate spending in the 2014-2020 EU budget. Op.cit.