The impact of EU level financial instruments on climate policy in EU member states: case study of European Structural and Investment Funds (ESIF)

Setting the scene: project rationale and the ESIF analysis methodology

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Introduction

- **To limit global warming to 1.5°C, restructuring + additional investment needed**
  - USD 2.4 trillion/annually in 2016-2035, or 2.5% GDP (IPCC 1.5°C Report)
  - a big challenge especially in emerging economics
- **The SNAPFI project**
  - advices how international climate finance can support NDC implementation in emerging economies
  - conducts comparative analyses + exchange with lessons learned b/n countries
- **Lessons learned from European countries can help illustrate how long-term stable climate policy framework could be formed**
  - many challenges which occur in Central and Eastern European countries with lower welfare levels than in Western Europe have relevance

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EU budget: key facts

- **The EU budget is a tool to deliver common objectives of EU member states at EU level**
  - It scales to 1% EU's GNI, ca. 2% of all EU public expenditure, or EUR 148 bn (2019)
- **Its long-term plans (Multiannual financial frameworks – MFFs) are:**
  - MFF 2000 - 2006, MFF 2007 - 2013, MFF 2014 – 2020, MFF 2021-2027
- **It is an investment budget, which it aims to create a leverage effect**
  - EUR 1 of the EU budget-> more than EUR 1 of investment
  - it finances public goods of European dimension that would not happen otherwise
- **The EU budget is mostly implemented by the EC and the EU member states**
  - 74% is under shared management b/n EU States and the European Commission (EC), 18% is managed directly by EC, and 8% - indirectly by NGOs etc

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Source: all data from EC online

ESIF: key facts

- **The EU budget is implemented through a range of EU funds and programmes**
  - beneficiaries: regional and local authorities, SMEs, large enterprises, farmers, NGOs, academic and research institutions, and others.
- **In 2013-2020 MFF, at least 20% of the EU budget must be spent on climate**
- **In 2013-2020 MFF, 43% of the EU budget is being disbursed by five European Structural and Investment Funds (ESIF) delivering the cohesion among EU states:**
  - The European Regional Development Fund (ERDF), the European Social Fund (ESF), the Cohesion Fund (CF), the European Agricultural Fund for Rural Development (EAFRD), and the European Maritime and Fisheries Fund (EMFF)
  - ERDF and CF providing the most explicit and direct support for climate action, while all these funds disburse finance for it

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EU 2020 Strategy

Common Provision Regulation (CPR), including Common Strategic Framework (CSF)

includes common rules for ESIF "to deliver the Union strategy for smart, sustainable and inclusive growth"

Partnership Agreements (PA)

National document outlining the strategic goals and investment priorities of ESIF use in a member state in the pursuit of EU2020 objectives

Operational Programmes (OP)

National plans delivering ESIF objectives + investment priorities set for each country targeting a specific region or a country-wide theme

Thematic objectives

Smart growth

TO1 - Strengthening **research, technological development** and **innovation**
TO2 - Enhancing access to, and use and quality of, **ICT** (Broadband target)
TO3 - Enhancing the **competitiveness of SMEs**

Sustainable growth

TO4 - Supporting the shift towards a **low-carbon economy** in all sectors
TO5 - Promoting **climate change adaptation**, risk prevention and management
TO6 - Preserving and protecting the **environment** and promoting **resource efficiency**
TO7 - Promoting **sustainable transport**, removing bottlenecks in key network infra

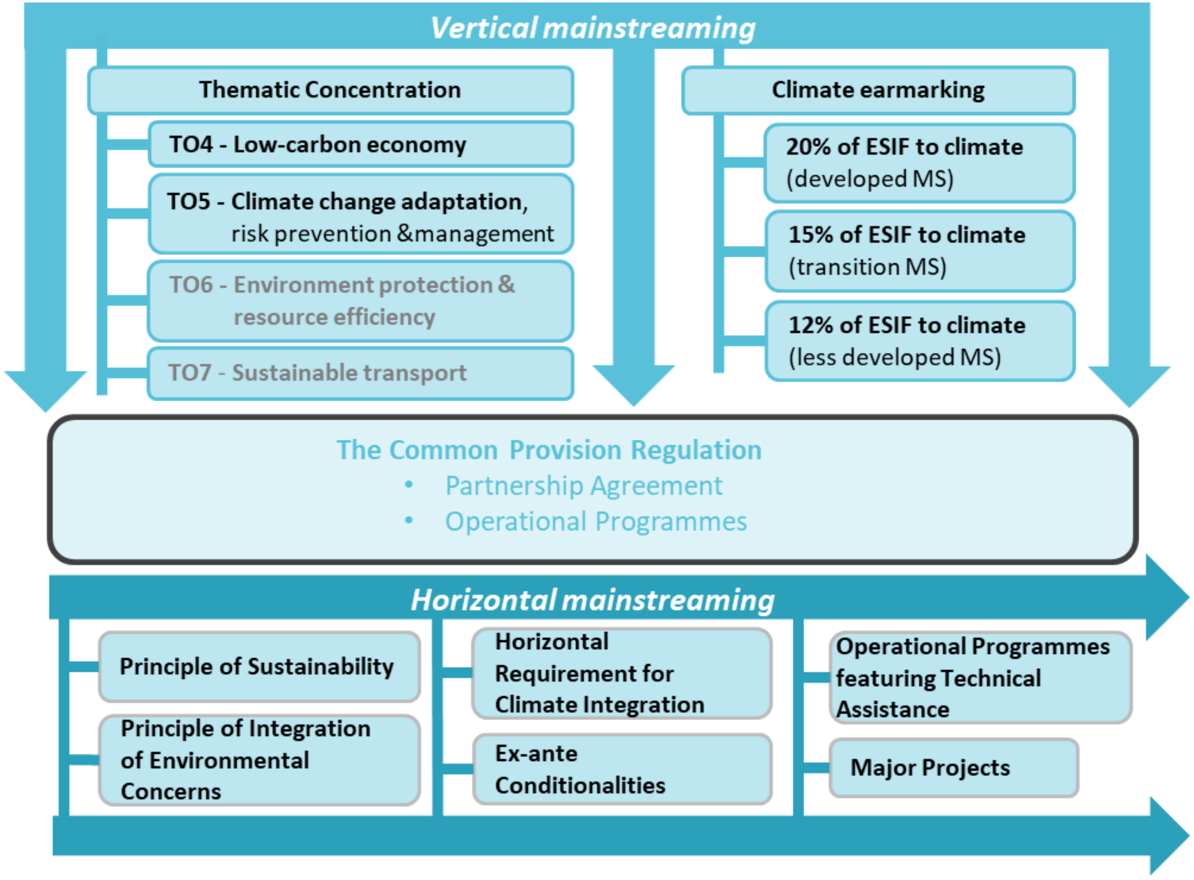
Inclusive growth

TO8 - Promoting sustainable and quality **employment** and supporting **labor mobility**
TO9 - Promoting **social inclusion**, **combating poverty** and any discrimination
T10 - Investing in **education**, training, vocational training for skills and **lifelong learning**
T11 - Enhancing **institutional capacity** of public authorities, **efficient public admin**

Targets

1. **Development** 3 % of EU GDP to be invested in the R&D and innovation sector
2. **Education** Reducing school drop-out rates below 10 %, At least 40 % of 30-34–year-olds completing third level education
3. **Climate change and energy sustainability** Reduce GHG by 20 % vs 1990, Achieve a 20% RE share in final energy consumption, Achieve a 20 % increase in EE
4. **Employment** 75 % of 20-64-year-olds to be employed
5. **Fighting poverty and social exclusion** At least 20 million fewer people in or at risk of poverty and social exclusion

Climate mainstreaming in ESIF



Objective of the analysis

- The ongoing project study aims to assess the link between the EU-level finance provided by the ERDF and the CF, and climate policy development in a few EU member states.

- **Specific questions**
  - How does the architecture of disbursing finance look like, including the programming, implementation, and control?
  - What have been the impacts and transformative effects so far? Which features, success factors and constrains have been critical?
  - How to translate these into lessons learned for the donors and beneficiaries of international climate policy and experts providing technical assistance to it?

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Hypotheses tested using a questionnaire

- Role of the negotiation consultation processes for PA and OPs
- Role of the ex-ante assessment of country priorities is useful
- Role of the comprehensive package of technical assistance
- Choices between grants and FIs
- Combination of ESIF use with the revision of regulatory policies
- Possibility to provide long-term signal
- Market constrains, i.e. constrains of specific sectors
- Finance absorption capacity

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