



Lessons learned for international climate policy from the programming and implementation of the EU Structural and Investment Funds (ESIF)

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Introduction

- ▶ **SNAPFI advices how international climate finance can support NDC implementation in emerging economies**
 - by conducting comparative analyses and enabling exchange
- ▶ **Lessons learned from EU countries help illustrate how long-term climate policy framework could be formed**
 - challenges in CEE have relevance in emerging economies
- ▶ **Our aim is to provide lessons learned for international climate policy from the programming, implementation, monitoring, and evaluation the EU-level finance disbursed by EU funds in EU countries**
 - From detailed case studies of Lithuania and Slovakia
 - With a focus on energy efficiency in buildings

SNAPFI COUNTRY STUDY

Lessons learned for international climate policy from the programming, implementation, and monitoring of the European Structural and Investment Funds in EU Member States

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Climate Strategies

Novikova, A., Olshanskaya, M., Dunkel, M. 2020. *Lessons learned for international climate policy from the programming, implementation, and monitoring of the European Structural and Investment Funds in EU Member States*. Institute for Climate Protection, Energy and Mobility (IKEM): 2020

URL: https://www.diw.de/documents/dokumentenarchiv/17/diw_01.c.797418.de/cs-ndc_tracking_eu_aug_2020.pdf

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ESIF: 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
- ▶ **The EU budget is implemented through a range of EU funds and programmes**
 - beneficiaries: regional and local authorities, SMEs, enterprises, farmers, NGOs, research, etc.
- ▶ **In 2013-2020 MFF**
 - min 20% of the EU budget had to be spent on climate
 - 43% of the EU budget was by five ESIFs delivering the cohesion among EU member states
 - the **European Regional Development Fund (ERDF)** and the **Cohesion Fund (CF)** provided the most explicit and direct support for climate action

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

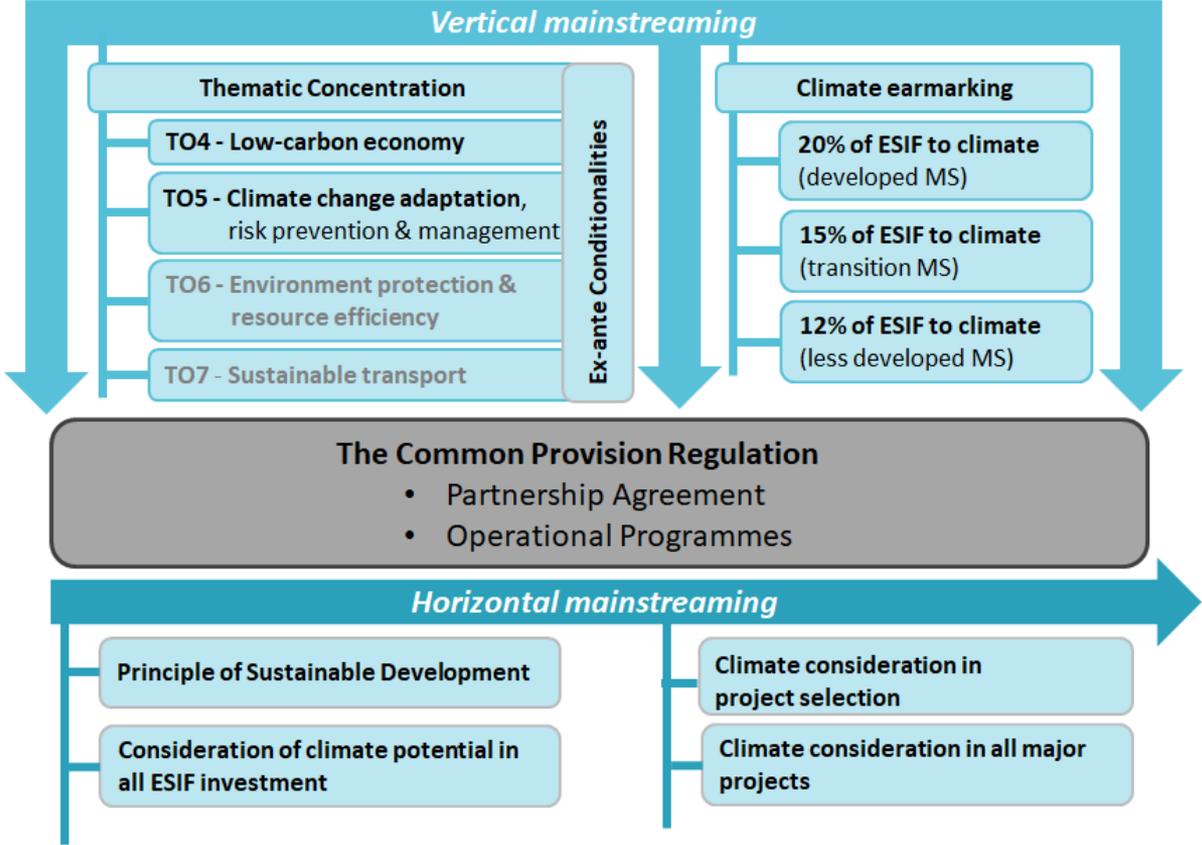
Inclusive growth

- 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



Lesson 1: Negotiation as a partnership

- ▶ Strengthen **partnership aspects** throughout negotiation and implementation process, allow for enough negotiation time and involve comprehensive stakeholder consultation to ensure alignment with national priorities and maximization of non-climate benefits (i.e. inclusive growth, jobs, energy poverty)

Success factors of the ESIF

- Negotiation of the ESIF between the European Commission and EU member states as between equal parties → Partnership Agreement (legally-binding doc)
- Sufficient negotiation period and flexibility to define implementation arrangements & negotiate targets and priorities
- Long-term planning horizon (7 years versus 1 year under regular budget exercise)

Lesson 2: National ownership

- ▶ Promote **national ownership of the program implementation**, including involvement of national institutions, financial organizations and civil society in program delivery to ensure sustainability and facilitate replication

Success factors of the ESIF

- Country, regional- and/or country-wide theme - level programming as opposed to project-based programming
- EU-wide climate compact helps raise ambitions of individual MS, but alignment with **socio-economic development** priorities is even more important ->
 - build on local priorities , esp. on non-climate benefits
 - ESIF as a development instrument, not only climate finance instrument
- Implementation is outsourced for the countries

Lesson 3: Invest in quality programme preparation

- Invest in **quality program preparation**, including ex-ante assessment to know your market conditions and beneficiaries, understand your regulatory constraints such as State Aid and procurement rules, eliminate competing schemes, implement the market-oriented tariff reform, and ensure the market capacity is ready to absorb the programme

Limitation factors of the ESIF

- ▶ Financial instruments did not “fly” when there was a similar subsidy instruments or they are considered or have recently been implemented
- ▶ EU **regulations** (e.g. State Aid, public procurement) **restricted innovation** in climate programming, e.g. when they treated grants and non-grants projects as the same

Lesson 4: Standardize processes and ensure TA

- ▶ **Standardize and simplify** the process as much as possible, in particular for public procurement, provide comprehensive technical assistance (TA) package to support project preparation and implementation, ensure coordination between technical assistance, grants and financial instruments under one funding framework

Success/Limitation factors of the ESIF

- Lack of the effective delivery mechanisms/implementing structures
- Fragmented technical assistance
 - -> need for a comprehensive TA package to support project preparation and implementation at all stages and ideally combine TA and financial incentives under one funding framework

Lesson 5: Work on private sector engagement

- ▶ Identify and promote **opportunities for the private sector engagement** and scaling-up the private sector financing of low-carbon and climate resilient investment to ensure lasting impacts on market creation.

Success/limitation factors

- Market absorption capacity and private sectors' reluctance to engage:
 - Scale matters for financial sector and suppliers
 - Complexity and bureaucracy associated with public funding also does matter
- Success with a focus on low-hanging fruits, proven solutions & business models ready scale-up in energy efficiency in buildings and SMEs at the expense of innovation and RDD

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