

How **green** will the EU funding be in Central and Eastern Europe?

Assessment of national Partnership Agreements and Operational Programs in 8 CEE countries

Online Webinar - 17 May 2022, 13.00-15.00 CET

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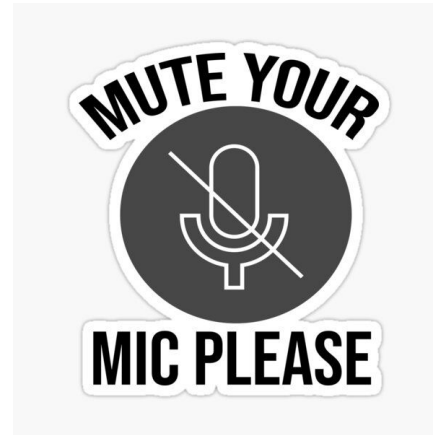
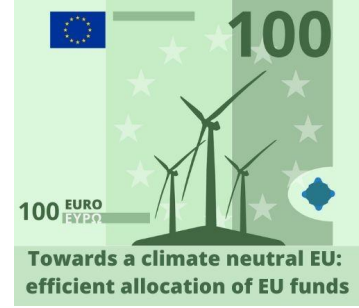
Federal Ministry
for Economic Affairs
and Climate Action



European
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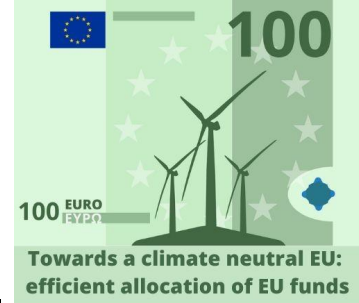
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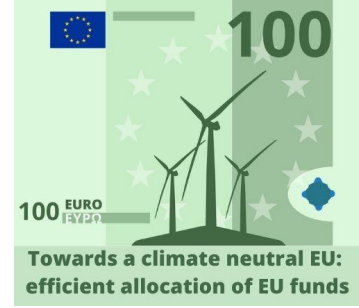
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Agenda of the webinar:

1. Introduction - what are the Partnership Agreement and Operational Programs and why are they important for climate?
2. Presentation of the assessments from 8 CEE countries (Slovenia, Poland, Bulgaria, Slovakia, Romania, Latvia, Czech Republic, Hungary)
3. Conclusion - what are the common strengths and weaknesses in the CEE region?



This webinar is organised as a part of the project “Towards a climate neutral EU: efficient allocation of EU funds”



Learn more here: <https://www.ceeweb.org/eufunds/>



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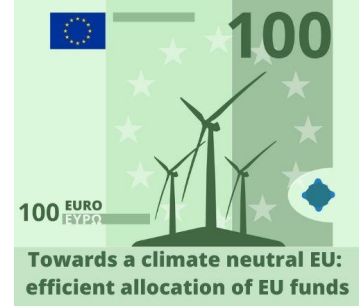
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European Green Deal: to make the EU climate neutral by 2050

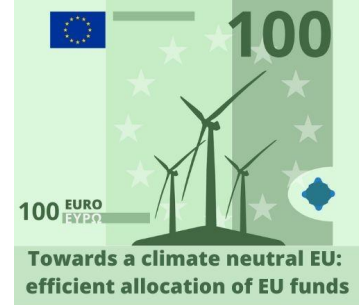
- By increasing GHG emission reduction targets
- By reviewing existing laws, and
- By introducing legislations on circular economy, building renovation, biodiversity, farming and innovation

MFF and **RRF** are the financial instruments to finance the implementation of those ambitious goals.

The project '*Towards climate neutral EU...*' is monitoring those instruments.



What is PA and OP?



Partnership Agreements (PAs) are negotiated and signed between the European Commission and EU Member States. They are strategic plans outlining each country's goals and investment priorities and setting out the use of funding under the Structural and Investment Funds.

Operational Programmes (OP) break down the overarching strategic objectives agreed in the Partnership Agreement into investment priorities, specific objectives and further into concrete actions.

Operational programmes are detailed plans in which the Member States set out how money from the European Structural and Investment Funds will be spent during the programming period.



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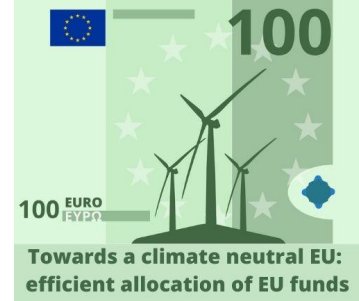


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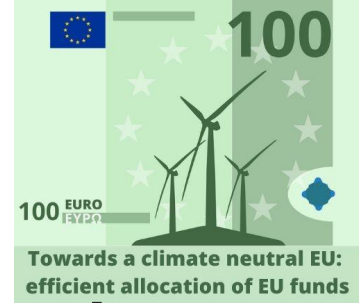
Poll 1: Do you agree with the following statement?

"The current system of EU funding is an efficient tool for EU's transition to climate neutrality."

- 1. Totally agree**
- 2. Somewhat agree**
- 3. Neither**
- 4. Somewhat disagree**
- 5. Totally disagree**



Poll 2



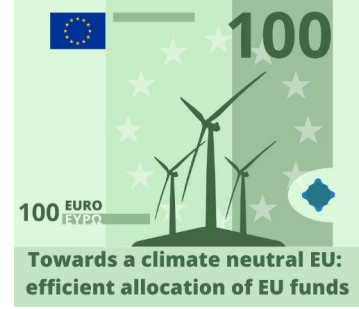
Guess the amount of EU funds transferred to CEE countries each year since 2014 as percentage of the GDP of these countries?

A) about 0.5% B) about 2% c) about 4%

Slovenia

Background:

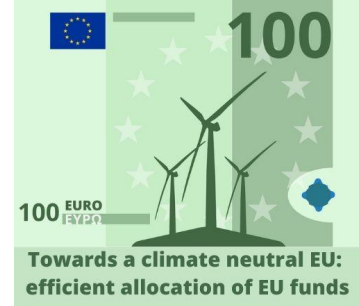
- Centralised approach to EU funding managed by the Government office for development and European cohesion policy (SVRK)
- Two cohesion regions, West (developed) and East (less developed) Slovenia
- Two coal regions (JTF): Savinjsko-Šaleško in Zasavsko
- New incoming Government announced to open up key financing plans again



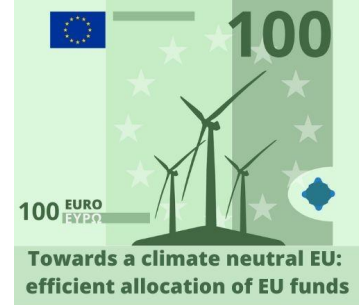
Slovenia

Status:

- Recovery and resilience plan (implementation phase) EUR 2.5 bn
- Draft partnership agreement (4.2.2022)
- Draft operational program (4.3.2022) EUR 3.2 bn
- Draft S4/S5 Slovenian Smart (Sustainable) Specialization Strategy (4.3.2022)
- 2 regional development plans for coal regions not yet finalized;
National coal exit strategy adopted (13.1.2022)



Slovenia



Promising elements

- Energetic refurbishment of (public) buildings (but: strong focus on earthquake proofing, separated ESCO and non-lucrative) EUR 113 million
- RES support to wind, solar, district heating (also: waste energy) EUR 116 million + smart grid (energy communities and infrastructure) EUR 44 million
- Just transition in two coal regions: a (missed) opportunity? EUR 250 million
- Railways: opportunity



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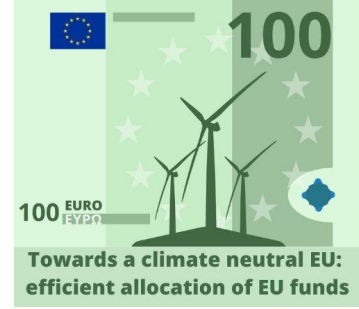


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Slovenia

Weaknesses

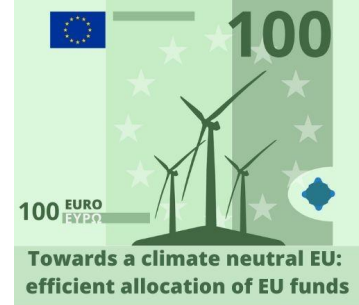
- only 25% of funds for policy objective 2 (green, low-carbon)
- Threat: focussing the use of funding (RRP + cohesion) for climate change adaptation on built flood protection infrastructure largely ignoring close to nature management and nature-based solutions (EUR 144 million)
- newly built road infrastructure (mainly the so called “3rd development axis”)
- support to waste incineration (local environmental impact, overcapacities)



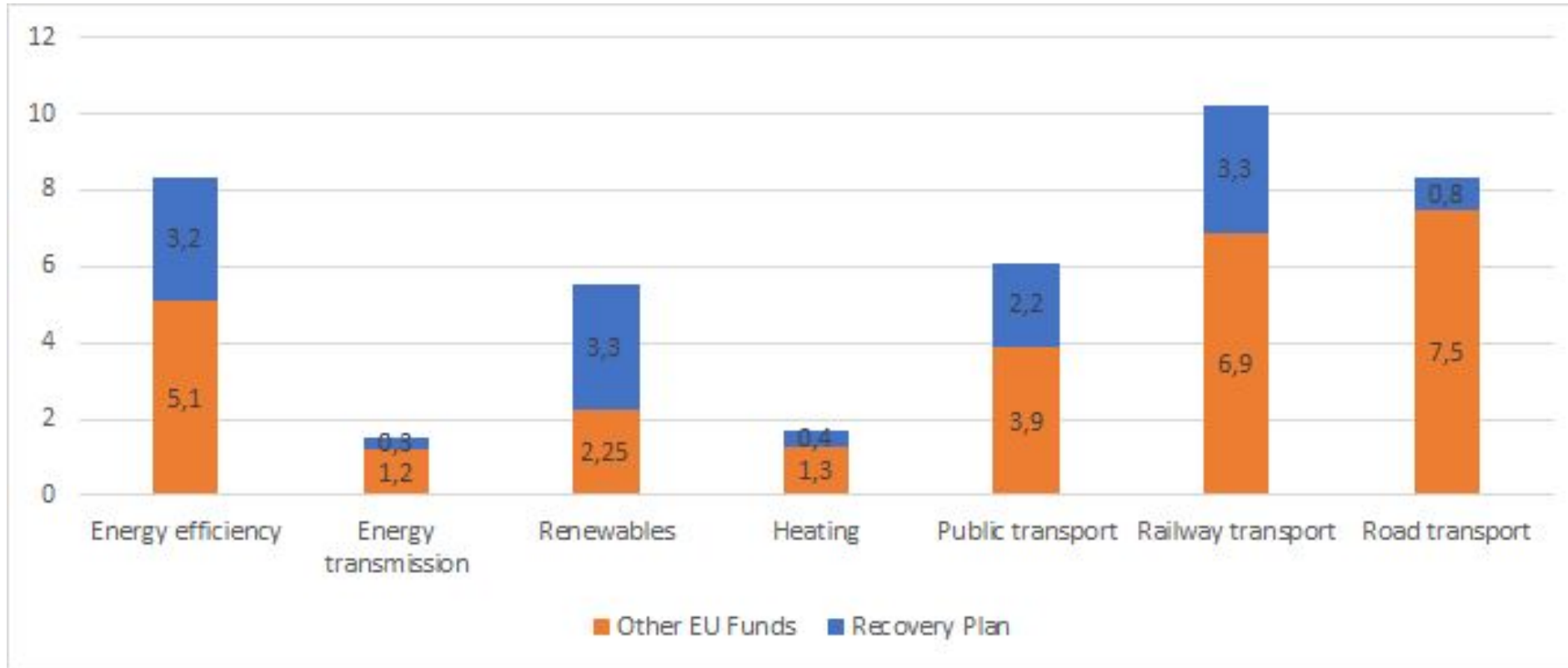
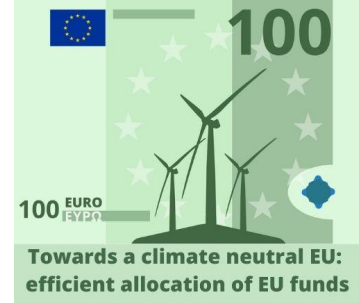
Slovenia

Summary

- Less than 10% for climate change mitigation
- Some harmful investments
- Based on old climate targets (“old” NECP) and insufficient renewable targets (less than suggested by EU, way less than suggested under RePower EU)



Poland - ISD



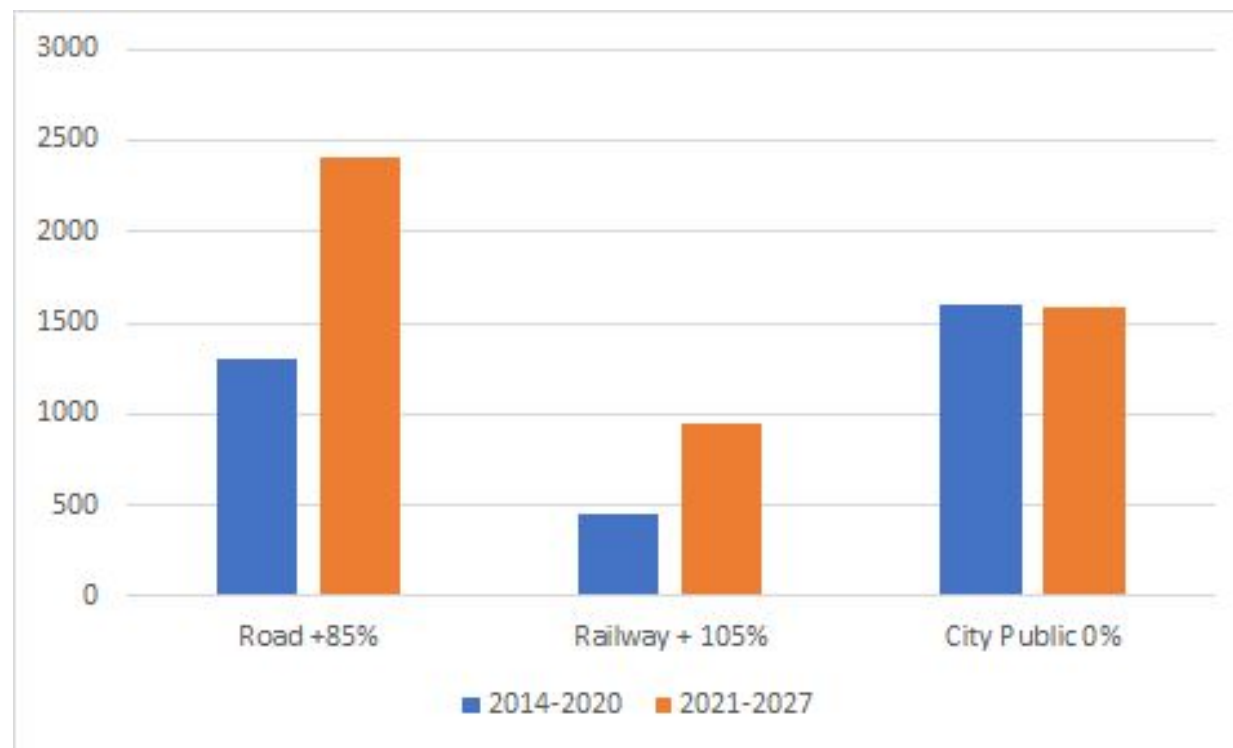
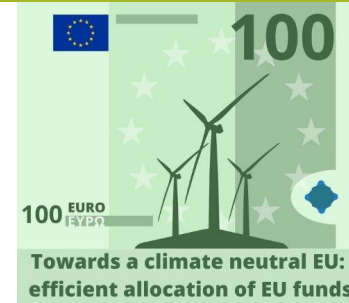
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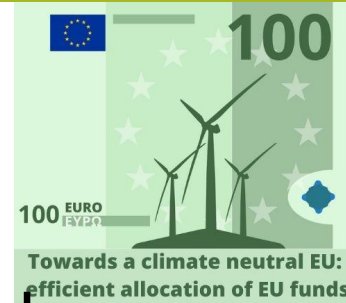
Poland

- Too much money for road building, not enough for public transport;
- **Put more constraints on investment in road sector!**
- Tiny money for renewables development and even 1000km of gas pipelines;
- Blockade on RRF, which is potentially greener than traditional EU funds;



Poland

- Indicators do not match the environmental goals of EU funds;
- No monitoring of GHG emissions on important priorities, esp. transport, no monitoring of biodiversity loss or reduction of fuel poverty;
- Many possible investments are not shown in product indicators, eg. charging stations;
- **There should be a set of obligatory indicators for comparison among programs**

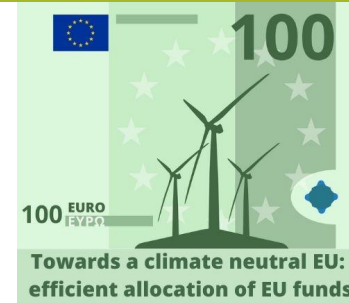


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Bulgaria



Status:

- PA - approved by the Council of Ministers on April 27, 2022, to be submitted to the European Commission
- OPs (10) mainly at the stage of final drafts



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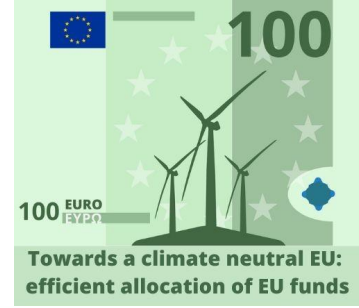


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Bulgaria

Assessment of climate and environmental ambitions:

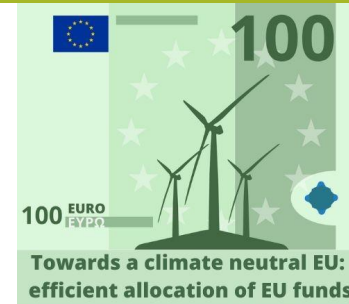
- PA: providing an appropriate description of the overall situation at the beginning of the new programming period
- OPs, general observation: too broad justifications, lack of concrete details
- OPE: based on strategic documents that need to be updated and/or revised (i.e. NECP); insufficiently reflecting on Fit for 55; indicators are not ambitious enough or have no justification; earthquakes need to be excluded as risks arising from climate changes;
- OPTC: no meaningful lessons learnt from previous period; inappropriate use of indicators - money savings and new km added to the network instead of cutting CO2 emissions;



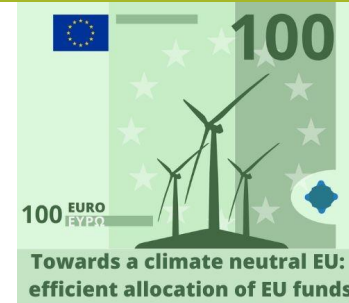
Bulgaria

Assessment of climate and environmental ambitions:

- OP Development of the Regions - over 20% of the total resource of Priorities 1 and 2 contributes to climate change mitigation. No assessment of the climate impact from the financing of projects of national and regional importance in the field of transport and civil engineering. Interventions contributing to climate change targets include energy efficiency measures for buildings and those aimed at developing sustainable mobility; Priority 1 - Integrated Urban Development and Priority 2 - Integrated Territorial Development include support for energy efficiency and sustainable renovation of residential and public buildings; Priority 3 is JTF- insufficiently developed, it includes funding for regions OUTSIDE coal regions. NO end product indicators. In general, there are no indicators for the outcomes as a result of the whole OP.
- OP Competitiveness and Innovation in Enterprises promoting energy efficiency, reducing CO₂; fostering transition to circular economy and more resource efficient economy - no values beside financial parameters
- OP Human Resources Development: new labour market skills, including 'green' ones (no indicators yet)



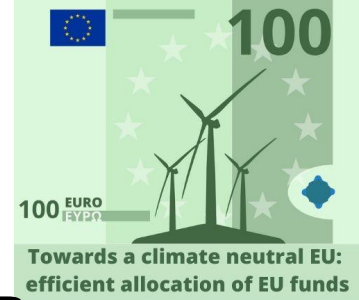
Bulgaria



Public Participation:

- no centralized approach for OP consultation, draft versions difficult to find; sometimes only presentations available;
- no public consultations in presence in 2021 and 2022, sporadic online consultations on www.strategy.bg
- no feedback on the submitted statements and proposals

Slovakia



Total EU Structural and Investment Funds 2021-2027.....12 bil EUR
Goal „Greener Europe“ 4.2 bil EUR

PA:

Approved by SK government in April, now expecting EC approval

OP „Program Slovakia“:

Commenting and consultation process concluded end of April, now expecting approval by SK government



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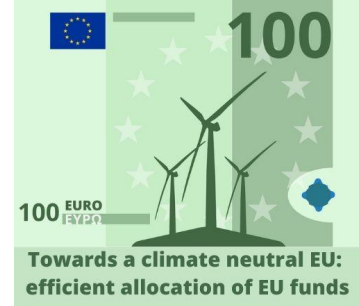


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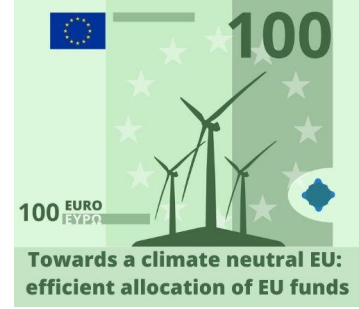
Slovakia

EC critical feedback:

- Low allocation for climate targets (public transportation specifically)
- Not respecting DNSH principle
- Insufficient data to support some investments
- Insufficiently reflecting situation re war in Ukraine – energy sovereignty



Slovakia



Comments of Climate coalition

- Climate strategies are outdated, not fit as a background for EU funding (NECP, Low emission strategy)
- Insufficiently preparing country for F 55 and in the UA war context (EE, RES)
- Regional disparities and less developed regions to be prioritised
- Fossil gas in equipment and technology should not / will not be supported (gas boilers as a “clean air measure”)

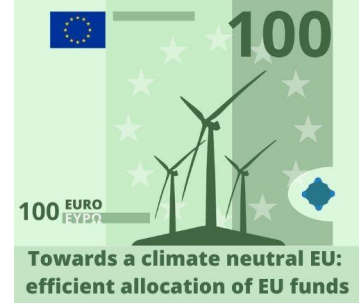


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Slovakia

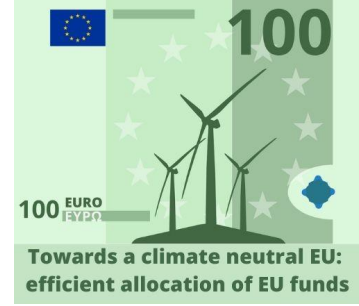


- Heating and cooling - developing conditions for 4G heat networks
- Use of biomass – DNSH principles to be respected
- Transportation not leading to carbon neutrality (only connectivity, mobility, economic development)
- Focus on energy efficiency and the reduction of household energy consumption (instrument for energy poverty)
 - i. deeper renovation of buildings (primary energy savings of 30% to 60%)

Slovakia

Systematic issues

EU Structural and Investment Fund as well as RRF



stakeholder's involvement ➡ bad governance ➡ bad spending

- insufficient participation in drafting and implementation (for NRRP and OP, exception PA), comments not reflected
- for recipients: administrative burden, cash flow issues (anti-corruption measures)
- as a result: unspent funds (unsuccessful reforms)

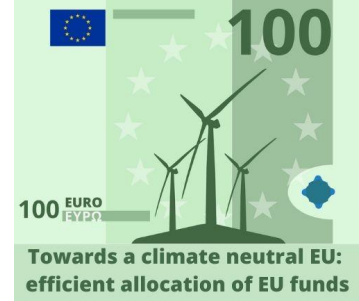


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Slovakia - making EU funds greener... campaigning angle



- broader picture + timing (tie EU funding advocacy to opportunities)
 - EGD - Fit for 55 and other legislation
 - RePower
 - European Semester - Country Specific Recommendations
 - National Reform Programmes
 - Annual implementation reports
- get national and EU decision-makers interested
- keep explaining to media and engaged public

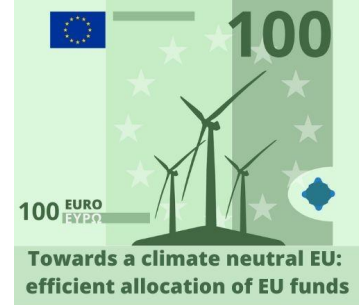


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Poll 3



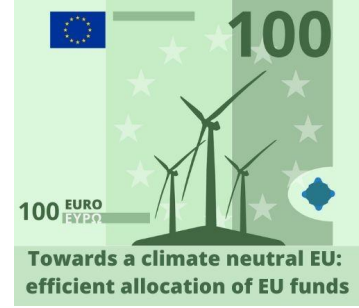
Do you agree with the following statement?

"In the CEE region, EU funds have been used in an efficient and climate-friendly way."

- 1 Totally agree
- 2 Somewhat agree
- 3 Neither
- 4 Somewhat disagree
- 5 Totally disagree

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Romania



Partnership Agreement - latest version: 14th April 2022, sent to EU Commission.

Operational Programmes (9): most relevant OP **Sustainable Development**, revised version february 2022.

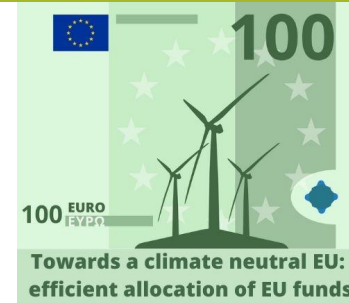


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Romania



Promising elements:

- EU funds are the backbone of investments into environmental protection in Romania.
- PA assures the complementary nature of the different OPs.
- A series of national plans were developed in the last years to meet EU standards and goals which will be financed by the funds from OPs: PNIESC (National Integrated Plan in the Domain of Energy and Climate Change 2021–2030), PNGD (National Plan for Waste Management), etc.



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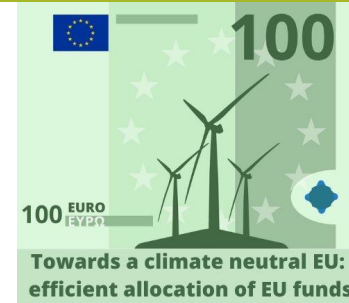


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Romania

Elements of concern:

- Low ambition for climate protection in Priority 4: Promotion of energy efficiency, intelligent systems and networks for energy and reduction of GHG - less than 20% of OPSD.
- It's a risk to use funds intended for climate protection into investments in infrastructure for natural disaster protections (floods, landslides, draught, erosion). OPSD Priority 3: Promotion of adapting to climate change and management of risks. Total budget allocated: 440.000.000 EUR (vs. for example protection of biodiversity and air quality ensurement in Priority 2: Environmental protection through the conservation of biodiversity, air quality ensurement and contaminated site remediation: 160.000.000 EUR).
- Low civilian involvement (lack of public interest and space ensured).



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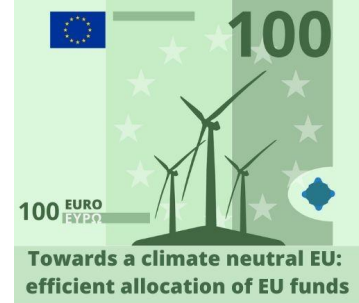
Latvia

Partnership Agreement (status: not approved)

- Public hearing of first PA version on 10/2020
- No provided feedback on PA progress in 2021
- Latest version was sent to EC on 16/02/2022
- interinstitutional coordination by 10/05/2022
 - 2 of 15 institutions rejected
 - several institutions have submitted comments and corrections
- no clear prediction when PA can be approved

Operational program (status: approved)

- Public hearing end 08/2021- beginning 09/2021
- Approved 16/11/2021

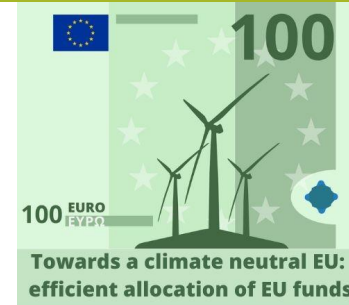


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Latvia



- **PA** - Clearly stated energy efficiency targets, its measures:
 - 1) in state buildings - **3%** of the state energy-inefficient premises are renovated every year;
 - 2) **2000** multi-apartment residential buildings are renovated and non-emission technologies have been installed;
 - 3) annual reduction of primary energy ~ 68 GWh / year in municipal public buildings
 - 4) at least **7,500** private houses or small number of building complexes are renovated and non-emission technologies have been installed;
 - 5) improvement of energy efficiency in industry and enterprises - by promoting the achievement of the RES targets
- **OP** - does not indicate to what extent the objectives of the NECP will be achieved



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Latvia

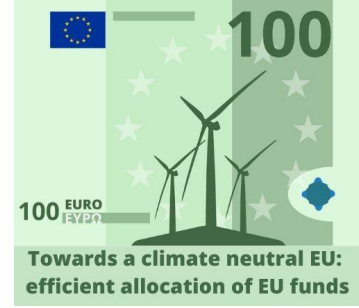
Observations/ findings:

1) *territorial breakdown* -

are not allocated respective sectoral and territorial climate objectives and link to the planned EU funding (including funding from other financial instruments)

2) *documentary linking* -

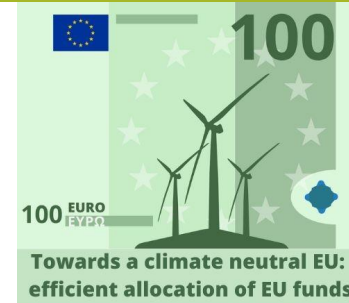
it is not specified which strategic document or guidelines that will be developed will contribute to the achievement of specific climate goals



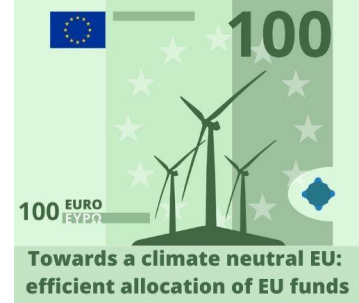
Latvia

3) insufficient public involvement:

- *short deadline* for public hearing (PA)
- *multiple public hearings at almost the same time* (for RRP and EU funds implementation, National Climate draft laws and OP at end of August/beginning September 2021)
- *transparency* (no information on the PA progress for more than a year) and *no information was provided (PA)*:
 - whether and how feedback will be provided,
 - which proposals will be accepted and which will be rejected;
 - why

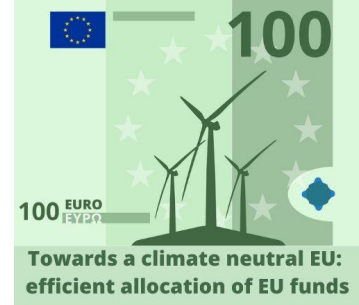


Czech Republic



- Analysis conducted on **PA** and **OPTAK** (Operational Program Technologies and Application for Competitiveness) and **OPŽP** (Operational Program Environment)
- **Key takeaways**
 - The issue of “departmentalism”
 - PA and OPs are not ambitious enough in terms of climate action
 - Low support for renewable energy and energy efficiency measures
 - In total EURO 1.5 billion - OPŽP (EUR 776 million), OPTAK (EUR 797 million)
 - High support for biomass x low support for wind and solar energy

Czech Republic



- Key takeaways

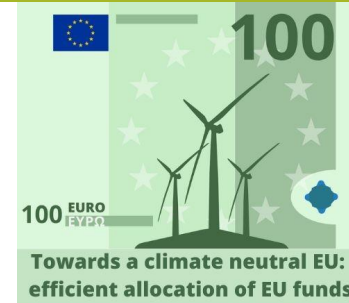
- Strong support for fossil fuel projects, which contradicts the DNSH principle
- Lack of transparency and openness in the negotiation process.
 - The government did not ensure a meaningful involvement of civil society
 - Troubles with accessing information
 - Limited pool of beneficiaries due to lack of communication from the State

Hungary

Partnership Agreement (status: not approved)

- **Main challenges** described correctly
- **Too general objectives**, no numerical targets → *need for more specification, detailed analysis and meaningful indicators*
- **Mostly greenfield investments, high raw material demand** (e.g. new road construction) → *need for priority of brownfield investments and circular economy*
- **Environmental and climate protection are NOT long-term guidelines**

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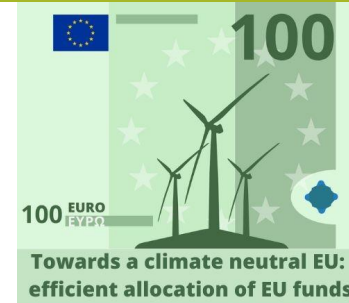
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Hungary

Partnership Agreement - horizontal enabling conditions

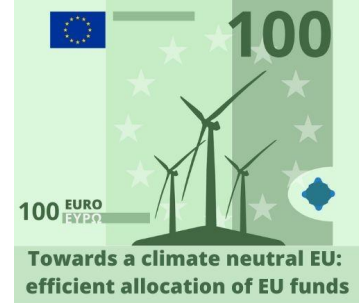
- ❖ Concerns regarding:
 - Charter of Fundamental Rights (freedom of expression, hostile environment to civil society organizations, transparency, access to public information)
 - Judicial independence
 - Public procurement




→ **Rule of Law Mechanism**



Hungary

Operational Programmes



Operational Programme	Goals, Priorities	Measures, Targets
 Environmental and Energy Efficiency OP	✓	✗
 Economic Development and Innovation OP	✗	✗
 Territorial and Settlement Development OP	✗	✗

Hungary

Examples - Environmental and Energy Efficiency OP

- **Meaningless indicators**

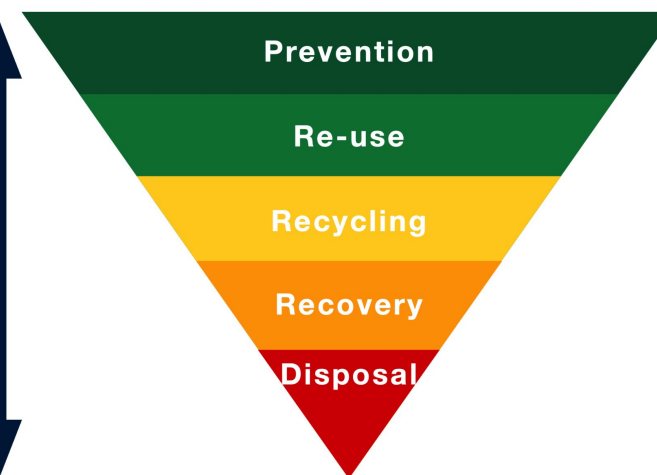
- circular waste management: **amount of waste to be recycled**
- circular economy: **number of enterprises supported**

- **Extremely low ambition**

- Resources to the **protection of the environment and nature: 3,5%**
- Improvement of blue-green infrastructure: 2,9 Ha by 2024 (<4 football fields), 29 Ha by 2029
- **Resources dedicated to environmentally not beneficial or hazardous activities**
- Renewables: **encouragement of conversion to biomass**
- Water management **goal**: nature-based water retention **vs. 80% of budget** on drainage & flood protection infrastructure
- Climate change adaptation and mitigation: acquisition of heat protection equipment

Most Preferred

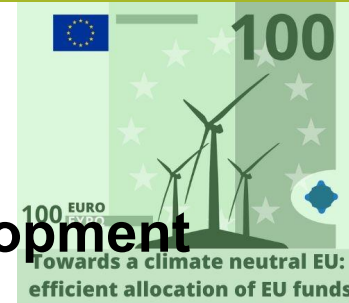
Least Preferred



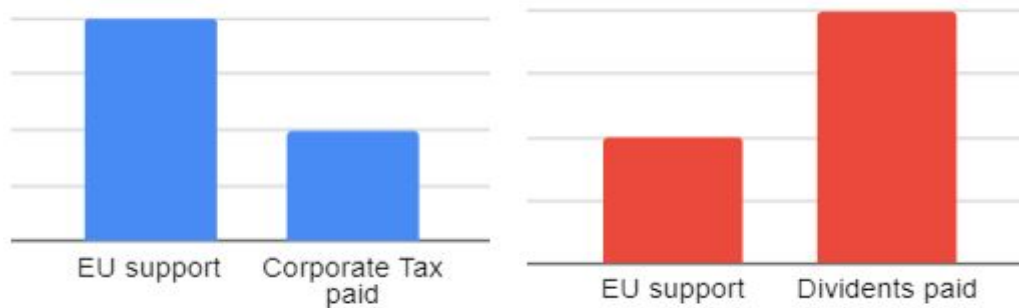
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Economic Development and Innovation OP, Territorial and Settlement development



- **Public vs. Private funding, previous period:**
 - **Enterprises: 53% of EU funding** (State: 20% municipalities: 19%)
 - Enterprises with EU funding:



1085 SMEs : no employees between 2010-2020
320 SMEs getting ~75 mil €: never had market revenue

- Enterprises that have received EU funding have **grown slower** than enterprises that have not!
→ **market distortion, inefficiency, corruption**
- **Political discrimination of municipalities** (selection criteria: political preference instead of necessity/efficiency)

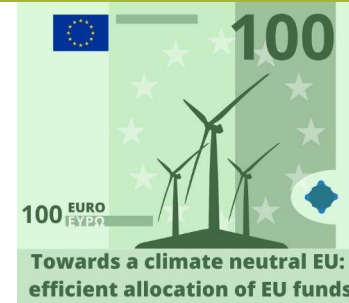
Hungary

- April, 2022:

EU triggers rule of law procedure against Hungary

Serious concern on Hungary's financial controls, auditing processes, transparency over spending and the prevention of fraud and corruption.

2021-2027 Funds suspended.

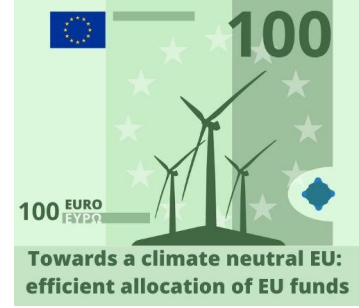


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Poll 4

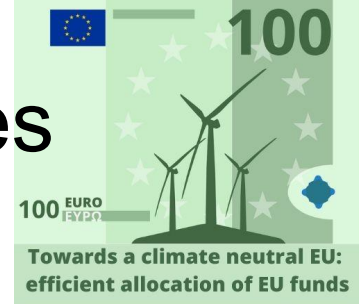


**What are the main obstacles to efficient and climate-friendly spending of EU funds in CEE?
You can choose more than one options:**

- **Small capacity to enforce environmental legislation**
- **Corruption**
- **Low ambition of targets**
- **Inadequate indicators**
- **Useless developments**
- **The "polluter pays" principle not respected (externalities)**
- **Bureaucratic burden**
- **Lack of proper monitoring and evaluation**

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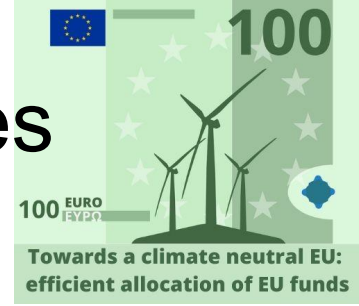
Situation in CEE – common strengths and weaknesses



Main problems:

- National funding vs. EU funding
- EU money vs. EU targets
- Harmful market distortion – unpredictable for businesses, dismantling of democracy
- Even good projects – often oversized, overpriced
- Huge opportunity costs
- No money for operation and maintenance
- Corruption
- Enforcement lacking
- Inappropriate indicators and unambitious targets
- Little meaningful public participation

Situation in CEE – common strengths and weaknesses



Proposed solutions:

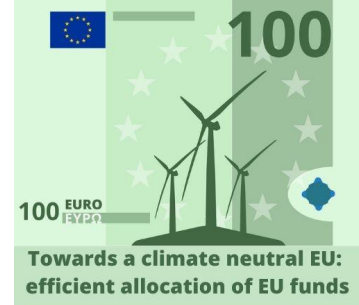
1. Partnership Agreements and Operational Programmes with robust enabling conditions
2. Strict enforcement (non-compliance → no EU money!)

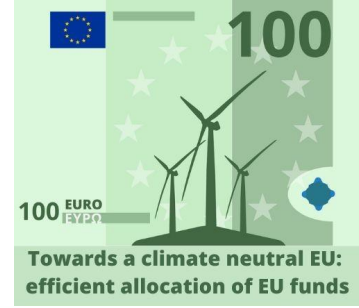
<https://www.levego.hu/egyeb/ngo-proposals-for-the-partnership-agreement-on-eu-funds-and-the-national-recovery-and-resilience-plan/>

Poll 5

**What would be necessary to improve the efficiency of EU funding in CEE?
You can choose more than one options:**

- more ambitious targets
- strict enforcement of environmental legislation
- boosting monitoring capacities
- harmonizing national expenditures with EU funding
- corruption risk reduction
- better justification for developments
- increasing the ratio of nature-based solutions
- strict implementation of the "polluter pays" principle





Thank you for your participation!



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