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COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS

REGIONAL POLICY CONTRIBUTING TO SUSTAINABLE GROWTH IN EUROPE 2020

SEC(2011) 92 final

1. INTRODUCTION

This Communication sets out the role for Regional Policy in contributing to the implementation of the Europe 2020 strategy[1], and in particular to the flagship initiative, 'Resource Efficient Europe'. The European Council of 17 June 2010 stressed the need for Cohesion Policy to support this strategy to help put the EU economy on the path to sustainable and job-creating growth. Success in achieving Europe 2020 goals will in large part depend on decisions taken at local and regional level[2]. Regional Policy plays an essential role in driving the shift to investment in smart and sustainable growth through the actions it can support to tackle climate, energy and environmental issues.

The Community Strategic Guidelines[3] on Cohesion Policy were adopted in 2006. This Communication takes into account recent policy developments and legislative changes to reinforce the sustainable development of the regions. It complements the recently adopted Communication[4] on Regional Policy and smart growth, boosting the policy contribution to the structural changes in the economy and to the delivery of the Europe 2020 strategy. Changes in the investment priorities of regional policy[5] have to take place in a context of redirecting general economic policy to the priorities outlined in Europe 2020. In other words, Regional funds should be used, where appropriate, to support structural reforms[6].

Given the current fiscal situation in the Union, and the substantial funds still available under the current Cohesion Policy 2007-13 programming period[7], this Communication calls on Regional Policy stakeholders to act without delay, invest more in sustainable growth, and use funds more effectively. It recommends practical ways for regions to use the policy to develop a resource efficient, low carbon, climate resilient competitive economy, including examples of good practice identified in the accompanying staff working document[8]. The Commission will work closely with national and regional authorities to facilitate the implementation of these recommendations.

2. SUSTAINABLE GROWTH AND REGIONAL POLICY

Approximately 30% of the total € 344 billion Regional funding over 2007-2013 is available for activities with a particular impact on sustainable growth. By the end of 2009, 22% of this funding for sustainable growth had been allocated to specific projects compared to 27% for the total of Regional funding.

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1 COM (2010)2020
2 European Parliament, 2009/2235(INI), 30 April 2010
3 OJ L291/11 OF 21.10.2006
4 COM(2010)553
5 COM(2010)642 final, 'Conclusions of the fifth report on economic, social and territorial cohesion: the future of cohesion policy'
6 COM(2010)700 final, 'The EU Budget review'
7 COM(2010)110
8 Details in SEC(2011) 92

Table 1: Cohesion Policy 2007-13 allocations contributing to sustainable growth

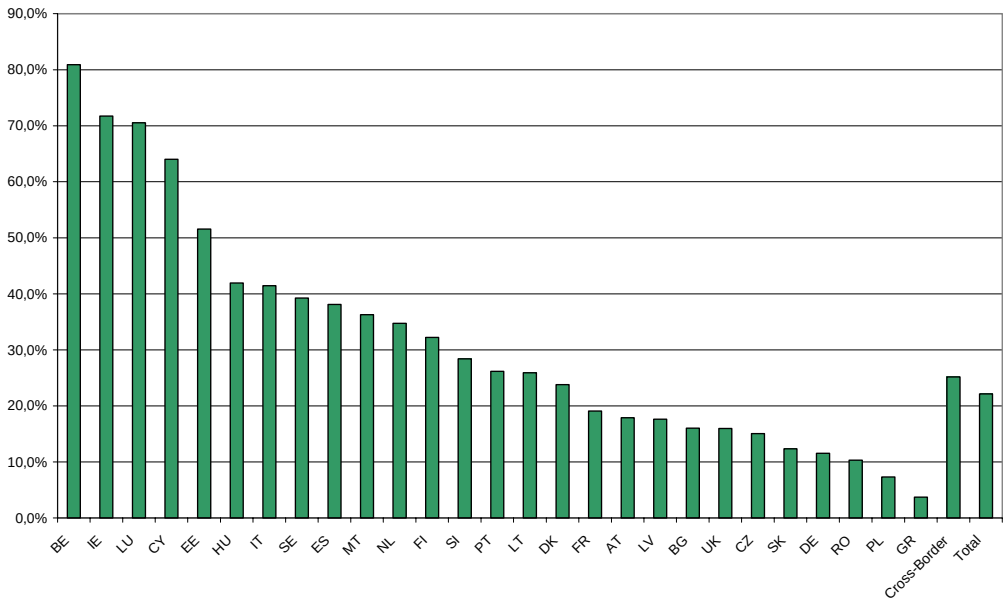
	Amount of adopted Operational Programs	Amount allocated to selected operations by end 2009	%
	Bn € (rounding)	Bn € (rounding)	
DIRECT	**45,5**	**9,9**	**22%**
Water supply	8,1	1,7	21%
Waste water	13,9	3,8	27%
Waste	7,0	1,1	16%
Air quality	1,0	0,1	6%
Nature protection	5,2	1,0	19%
Climate change adaptation	7,8	1,8	23%
Eco-innovation in SMEs	2,5	0,5	20%
INDIRECT	**59,5**	**13,4**	**23%**
Rail	23,9	5,4	23%
Urban transport	7,8	2,2	28%
Other sustainable transport	4,6	1,0	22%
Electricity	0,6	0,02	4%
Sustainable energy	9,0	1,4	15%
Urban and rural regeneration	13,6	3,4	25%
TOTAL	**105**	**23,3**	**22%**

Source: Member States Strategic Reports, September 2009 – January 2010.

In particular, investments for energy-related and environmental programmes were below average.

At the start of this programming period, energy efficiency and renewable energy were not recognised as the priorities they are today. The financial crisis, restricted public budgets, administrative bottlenecks and insufficient technical expertise in what are relatively new areas of activity for managing authorities have all contributed to delays in these fields.

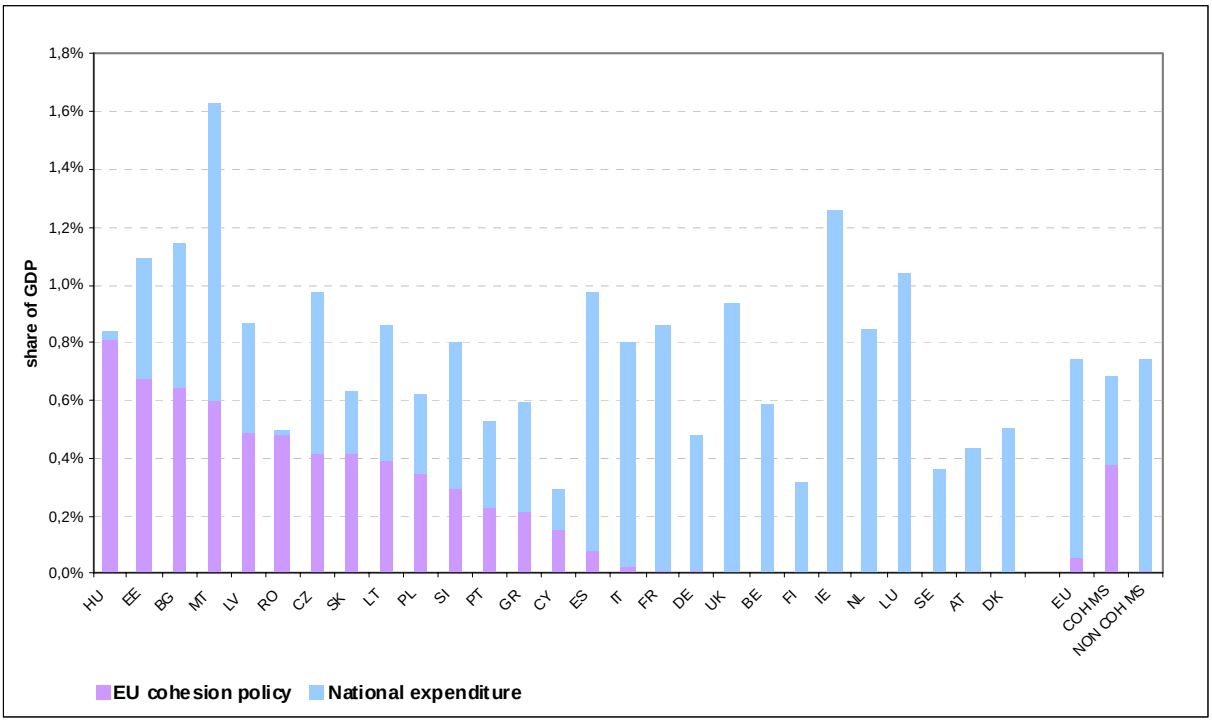
Chart 1: Percentage of uptake of the 2007-2013 Cohesion Policy allocations contributing to sustainable growth by Member States



Source: Member States Strategic Reports, September 2009 – January 2010.

The Flagship Initiative on a 'Resource Efficient Europe' underlines the importance of mobilising Regional Policy funding[9] in a consistent funding strategy mobilising national, public and private funding. Clear national strategies will be a prerequisite. The graph illustrates how Cohesion Policy has so far leveraged national funding for investments mostly in environmental infrastructure and rehabilitation.

Chart 2: Total public expenditure in environmental protection as a share of GDP (2008)



COH MS: Cohesion Member State - NON COH MS: Non Cohesion Member State

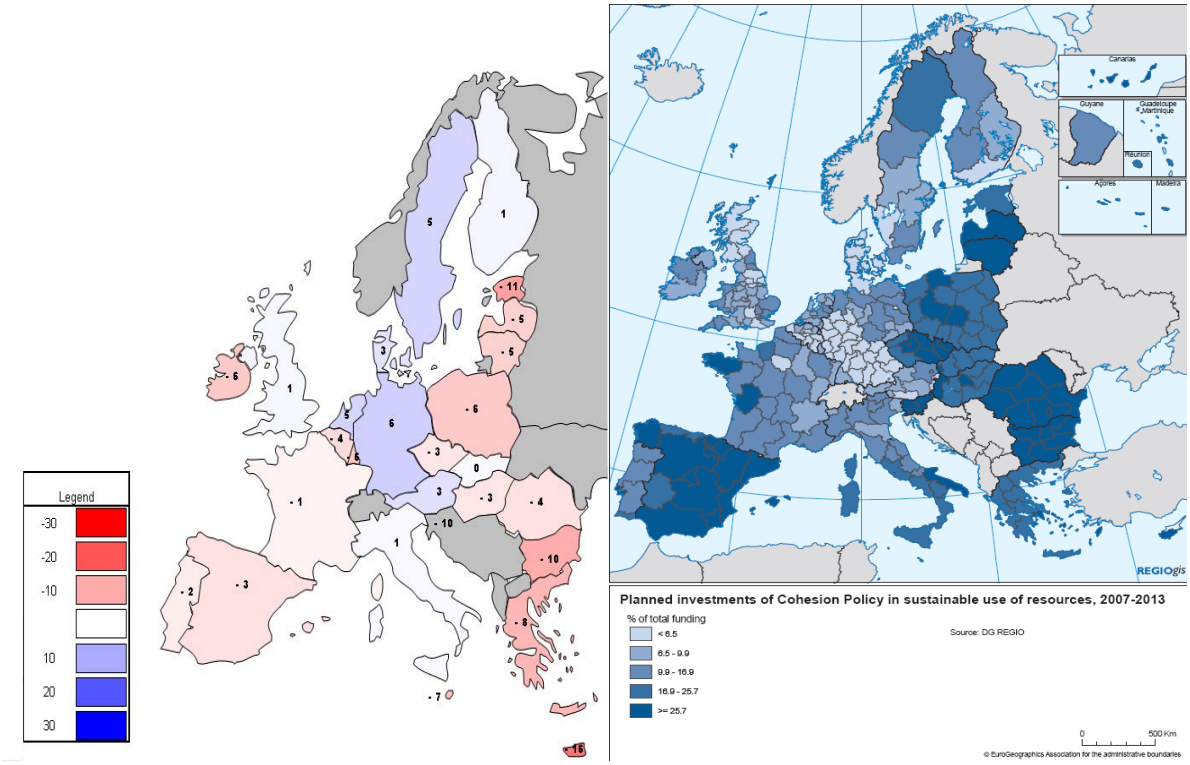
Source: Eurostat, DG REGIO

The following maps show that the current allocations of regional policy will help to tackle the identified gaps in sustainable resource management[10] for several regions and Member States.

9 See also CdR 223/2010

10 Details in SEC(2011) 92

Map 1: Situation of MS on 'sustainable use of resources' and planned investments of Cohesion Policy in 'sustainable use of resources' over 2007-13



Scores in 'sustainable use of resources'
Relative positions of MS: the higher the score, the better the situation

Source: European Commission, DG ECFIN

Source: European Commission, DG REGIO

Regional Policy has consistently co-financed the provision of environmental infrastructure for water and waste management helping regions meet the stringent framework set out in EU directives. This has also been an opportunity to facilitate improvements in competitiveness while preserving their environment and creating jobs.

The Commission believes that within the current programming period there is considerable scope for the managing authorities to deploy available resources more effectively. In the existing Operational Programmes there is room to reconsider the priorities for projects and launch new ones. The recommendations offered in this Communication are intended to serve as a guide on how priorities for investment can be best selected and how they can be best managed to obtain maximum results in terms of sustainable growth. This advice draws on the good examples shown already by regions and cities.

3. REINFORCING REGIONAL POLICY'S CONTRIBUTION TO SUSTAINABLE GROWTH IN THE CURRENT PROGRAMMING PERIOD

This Communication proposes a two-pillar approach to increase the contribution of Regional Policy to sustainable growth during the current programming period:

(1) **Investing more in sustainable growth**: encouraging greater strategic focus in investments on sustainable growth with an emphasis on resource efficient and low-carbon economy; and

(2) **Investing better in sustainable growth**: improving policy delivery mechanisms by reinforcing the application of sustainable development principles in the operational programmes.

3.1. Pillar one: Investing more in sustainable growth

To contribute to the sustainable growth objectives and targets of Europe 2020, three priorities have been identified: a low-carbon economy, ecosystem services and biodiversity, and eco-innovation.

Transition to a low-carbon economy: focus on investments in energy efficiency, buildings, renewables and clean transport

Over the recent years a number of major new EU policy measures have been adopted, including the 2008 climate and energy package, its technology pillar the Strategic Energy Technology Plan and the recast of the Energy Building Performance Directive.

- Regions and cities should seize the new opportunities in energy investments in buildings.

Buildings account for 41% of energy consumption, making this a key area for investment[11] to achieve EU 2020 targets. Such investment can contribute by enhancing resource efficiency and creating local jobs.

Amendments to the European Regional Development Fund (ERDF) Regulation[12] have expanded its scope for sustainable energy investments in buildings.

Whereas Regional Policy has traditionally financed energy efficiency investments only in public and commercial buildings, it is now possible to use these funds in the residential sector in all Member States. Up to 4% of the national ERDF allocations may now be used for energy investments in housing that supports social cohesion. If Member States decide to re-programme accordingly a potential €8 billion could be reallocated during the current programmes.

In addition, to encourage greater use of market instruments, another regulatory amendment[13] extended the use of financial engineering instruments to energy efficiency and renewable energy in buildings, including existing housing. Managing authorities should quickly tap into these new opportunities bearing in mind the role that local authorities play in this investment area.

- Regions and cities should accelerate investments in renewable energies and energy efficiency, according to their local energy potential.

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EU biodiversity strategy. At international level the EU has committed to the results of the recent conference of the CBD[17], including starting working on a resource mobilisation process to implement the Strategic Plan for Biodiversity 2011-2020.

- Managing authorities should invest in natural capital as a source of economic development.

Air, water, land, species, soil and seas are amongst the natural resources that are crucial to our well-being and also to our economic prospects. The term 'ecosystem services', coined in the United Nations 2004 Millennium Ecosystem Assessment, refers to these naturally occurring benefits, and the losses that can be suffered if they are not preserved. Preserving ecosystems leads to sustainable jobs and socio-economic development. About 16.8% of European jobs are indirectly linked to natural assets[18]. For instance, the estimated value of insect pollination for European agriculture is € 22 billion per year[19].

- Managing authorities should use Regional Policy funding for natural risk prevention as an element of preservation of natural resources and adaptation to climate change.

Risk prevention can be an efficient investment since the costs of preventive measures are many times less than the potential costs of rehabilitation. Well designed risk prevention projects can preserve ecosystem-services, such as water quality and quantity and benefit biodiversity, agriculture and coastal zones. By strengthening nature's buffer role it also reinforces adaptation to climate change which will make natural disasters more frequent and severe.

- Managing authorities should prioritise "green infrastructure".

"Green infrastructure" refers to forests, rivers, coastal zones, parks, eco-corridors and other natural or semi-natural features which constitute key elements for the provision of ecosystem services. Developing green infrastructure is key to maintaining a sustainable environment in which our economy and society can prosper. In particular it helps to adapt to climate change and contributes to the creation and proper management of ecological networks. Thus, managing authorities should ensure that the impact on natural areas and land use is fully examined in their appraisal of all infrastructural projects. The use of appropriate instruments such as integrated coastal and river basin management should be reinforced in particular where Natura 2000 areas are likely to be affected.

Towards integrated management of ecosystem services

- Restoring flood plains to adapt to climate change while preserving other valuable ecosystems services such as clean water availability (HU).
- Developing green infrastructures such as eco-corridors to ensure the functioning of Natura 2000 networks (PL).

[17] Tenth meeting of the Conference of the Parties to the Convention on Biological Diversity (CBD COP10), Nagoya, October 2010

[18] TEEB: 'The Economics of Ecosystems and Biodiversity': 'TEEB for Local and Regional Policy Makers'

[19] Gallai et al. 2009

Eco-innovation: focus on mobilising innovation partnerships and information technology

Eco-innovation is an essential tool in the pursuit of resource efficiency, competitiveness and job creation.

- Managing authorities should give greater support to eco-innovation.

Eco-innovation can bring improved resource efficiency and new jobs in all economic sectors. For instance the eco-industry is now one of Europe's biggest industrial sectors employing around 3.4 million people. In recent years it has grown by around 8% annually and 600,000 additional jobs were created between 2004-08[20].

- Managing authorities should support clusters in the green technology field through partnerships with enterprises.

The geographical concentration of interdependent groups of firms, research institutions and other innovation stakeholders, often referred to as "clusters" are important regional assets. Managing authorities are invited to support environmental and energy clusters based on partnerships amongst public-private players as a means to accelerate investments in eco-innovation.

- Managing authorities should use Regional funding to promote Information Communication and Technology (ICT) for the green economy.

Networked ICT infrastructure[21], along with innovative services and applications are a key enabler for the deployment of green technologies and eco-innovation. Therefore the respective investments should be coordinated and leveraged to be mutually beneficial. Smart electricity grids, renewable energies and intelligent transport systems are examples where ICT brings significant added-value and supports emission reductions while offering new market opportunities for eco-innovations.

Regions tapping into the potential of green technologies and eco-innovations

- Developing a cross-cutting strategy to foster eco-innovation in regional clusters (AT).
- Investing in a comprehensive business support programme to help SMEs improve resource efficiency (UK).

Investing in human capital and ensuring that people have the right skills will be key to building a resource efficiency society. The European Social Fund can provide help to unlock the skills, creativity, entrepreneurship and capacity of the workforce to innovate, in line with the Europe 2020 flagship initiative "An Agenda for new skills and jobs".

It is essential that Regional Policy actions are designed in synergy with other EU policies in all the above fields. Managing authorities are strongly encouraged to draw on the

[20] "*The most competitive industries are the most resource efficient and the other way round*" in study funded by the European Commission, Project ENV.G.1/ETU/2007/0041

[21] COM(2010) 245 final/2, the 'Digital Agenda for Europe' underlines a range of actions in this respect

complementary support offered by the Rural Development policy, the LIFE+ programme, the 7th R&D Framework Programme and the Competitiveness and Innovation Programme.

3.2. Pillar two: Investing better

Mainstreaming sustainable development principles[22] in the implementation of the Regional fund's programmes will enhance their impacts on the sustainability of the regions, without the need for other mitigating measures or instruments.

Integrating sustainability throughout the project life-cycle

- Sustainable Development considerations have to be an integral part of every plan from design to delivery and monitoring.

While well established as a concept in the minds of most policy-makers and programme managers, sustainable development is not sufficiently mainstreamed into the conception, implementation and evaluation of all actions. Consistent attention throughout the project life-cycle is key to improving the effectiveness of regional funds[23]. Managing authorities should also take a longer-term perspective when 'life-cycle' costs of alternative methods of investment are compared, for example by including the preservation of ecosystems and biodiversity in their calculations.

- Regions and cities should make much more use of green public procurement.

Green public procurement (GPP) can improve the competitiveness of European suppliers of goods and services. European Public Procurement directives allow public authorities to take climate, environmental and social considerations into account in their purchasing procedures. A range of techniques and methods are already available[24] to encourage the use of GPP. Regional Policy can help tackle the challenge of training and informing officials in charge of public purchasing at all levels of local and regional authorities.

- Establishing proper indicators for monitoring and evaluation.

Eurostat has developed a set of sustainable development indicators that can help national and regional authorities establish their own sustainable development scoreboards. Through its technical assistance Regional Policy can support the development of evaluation and monitoring tools[25] to help policy makers decide on the types of investments that can best contribute to the reduction of the CO_2 emissions of the programmes.

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22 The Brundtland Commission (1987) defined it as meeting the needs of current generations without compromising the ability of future generations to meet their own needs

23 European Court of Auditors, Special Report No 3/2009

24 http://ec.europa.eu/environment/gpp/index_en.htm

25 See carbon budgeting tool 'NECATER' (FR) as good practice example in SEC(2011) 92

Good practice in life cycle project design

- Developing a specific environmental guide to support project promoters in preparing and selecting projects (SE);
- Promoting Green Public Procurement in the Hradec Králové region (CZ) with a competition of towns and other institutions on good practices;
- Defining concrete climate change, biodiversity and desertification indicators to monitor progress (BG)

Checking investments against climate resilience and resource efficiency

- Managing authorities should screen operational programmes and projects for their climate resilience.

Screening programmes and projects not only for their environmental impact, but their likely vulnerability in the face of climate change is an important part of increasing a region's adaptive capacity. The White Paper on adaptation to climate change encourages regions to develop 'Regional Adaptation Strategies' by 2012. Member States and regions should use current regional policy funds to finance these new strategies and their implementation.

- Managing authorities should steer their investments towards the most resource efficient options.

When investing in major environmental infrastructures full consideration should be given to options according to the so-called waste and water hierarchies embodied in EU legislation[26]. This means that preference should be given first to waste prevention, then reuse, followed by recycling, recovery such as energy recovery. Disposal is the option of last resort. Waste management plans have to give a clear priority to waste prevention and recycling over other options.

For water, managing authorities should give priority to projects on water savings, increased efficiency in water utilisation, water pricing policy or cost-effective measures on demand management. Concrete examples are reducing leakages in pipes, installing rain-water collectors or re-use of recycled water.

These methodological approaches can be extended to other areas, assessing the investment options in terms of resource efficiency.

Good practice in screening operational programmes in terms of climate resilience and resource efficiency

- Climate screening of a project for the regeneration of a coastal area leading to a decision to displace a coastal road (FR);
- Integration of recycling, composting and a biogas power plant in the municipal waste management plant in Sant'Antnin (MT).

[26] Water Framework Directive 2000/60/EC and Waste Framework Directive 2008/98/EC

Better governance

Regional Policy is uniquely placed to contribute to the delivery of the EU's sustainable growth objectives as a 'place-based policy' which promotes multi-level governance and public-private partnerships within integrated strategies.

- The public administration and policy makers in Member States need to insert the objectives of sustainable growth in the general framework of policy making.

Europe 2020's objectives will be achieved more effectively if use of regional policy funds is part of a broader policy framework providing the necessary legal certainty and appropriate incentives. In practice this means that the programmes and projects should be accompanied by changes in the regulatory and administrative framework.

- Managing authorities need to broaden partnerships and reinforce the strategic content of the monitoring committee of programmes.

Better governance is essential to achieve sustainability as confirmed in recent ex-post evaluations of the 2000-2006 cohesion policy. It is a crucial building block for creating ownership and consensus over a common vision among the stakeholders that drive the strategy and programme implementation. The involvement of socio-economic partners and civil society needs to start early and be carried on during the whole programming cycle. Monitoring committees need to revise periodically the progress in meeting the agreed strategy and programmes objectives, as well as the possible need for any major reorientation. Developing nation wide thematic networks with the relevant authorities can also boost the sustainability of programmes.

Good practices in governance strengthening sustainability

- Networks of national and regional environmental authorities (ES, IT, PL, UK, DE, HE) in link with the management of Structural and Cohesion Funds;
- Develop capacities of non governmental organisations to act as policy partners (SI).

- Encouraging greater leverage in the use of EU financing and exploring innovative approaches to financing.

With the economic crisis, Member States may no longer have the possibility of relying solely on public sector funding. Private companies can and should become more involved such as, for example, in the design, building and operation of infrastructures. The application of the 'polluter pays' principle needs to be stepped up and seen as a crucial element in project sustainability.
As a further step, financial engineering instruments should be considered to achieve better leverage of the limited resources available. Much greater use should be made within regional policy of JEREMIE and JESSICA as well as learning from other instruments such as Risk-Sharing Finance Facility used in the EU framework research programmes.

- Reaping the full benefits of action across borders.

Regions should invest in sustainable growth through the integration of policies affecting EU territories and seas, especially coastal zones, forests and river basins with high biodiversity

potential. Co-operation between Member States and regions on coherent sets of actions and within specific territorial or maritime areas, such as sea basins, would bring additional value added.

In particular, managing authorities should take full advantage of the opportunities offered by cross-border, interregional and transnational co-operation in line with the new territorial cohesion objective introduced by the Lisbon Treaty. The Baltic Sea and the Danube Strategies illustrate the value of action at macro regional level.

4. POLICY CONCLUSIONS

While major changes in the way Regional Policy operates can only be envisaged in the next multiannual financial framework, this Communication sets out how managing authorities can realign current Regional Policy programmes to Europe 2020 sustainable growth objectives. It is a call to national, regional and local authorities, to take action now, and to make better use of the available funds to promote sustainable growth in every European region. These actions should be seen in the context of and are complementary to the "Resource Efficient Europe" flagship initiative and the climate and energy targets of Europe 2020[27].

[27] European Council Conclusions of 17.06.2010

Annex 1 - Actions to attain the Europe 2020 sustainable growth objectives through Regional Policy and its funding.

Member States and regions are encouraged:

- To realign expenditure within existing programmes priorities to boost the transition to resource efficient and low-carbon economy and examine the need for programme modifications, drawing on complementary support offered by Rural Development Policy, the LIFE+ programme, 7th R&D Framework Programme and the Competitiveness and Innovation Programme as regards:

    - Energy efficiency, renewable energy and de-carbonising transport;

    - Ecosystem services, in particular protection of biodiversity, adaptation to climate change and natural disaster prevention;

    - Eco-innovation support through clusters and ICT services and applications.

- To ensure the systemic integration of the sustainability principles in each step of the project life-cycle with particular attention to increase resource efficiency;

- To address climate change in their territorial planning, including local, regional and macro-regional strategies involving supranational areas linked to sea or river basins in particular.

- To carry out specific evaluations and to include a dedicated section within the Annual Implementation Reports of their Operational Programmes to assess the extent to which Regional Policy supported programmes match the guidelines set out in this Communication;

- To consider, in the context of the National Reform Programmes, the flexibility being offered within the Operational Programmes to reorient regional policy funding towards Europe 2020 priorities;

- To begin preparation for the next generation of programmes in terms of:

    - A greater thematic focus on green investment and a shift to a low carbon and climate resilient economy while ensuring an integrated approach to sustainable urban and/or rural development, and fully taking into account the territorial context and opportunities;

    - Capacity building, using technical assistance budgets, to involve local, regional and NGO actors in regional climate change adaptation and mitigation strategies.

Annex 2 - Actions to attain the Europe 2020 sustainable growth objectives through Regional Policy and its funding.

The Commission commits to swift consideration and support to any request for reprogramming for funding towards Europe 2020 priorities and will work:

- With International and national financial institutions to leverage resources and, as appropriate, maximise the use of financial instruments, including a more intensive use of JEREMIE and JESSICA. There will be a particular focus on sustainable energy in residential buildings to build on the recent amendments to Structural Funds regulations;

- With the relevant authorities in the Member States and regions to develop targeted pilot initiatives and seminars to deploy proposals outlined in this Communication;

- To assist national and regional authorities with thematic expertise in the implementation and monitoring of programmes;

- To mobilise the available resources in existing Operational programmes to build up institutional capacity in order to ensure the application of the sustainable development principles, and unblock bottlenecks, especially with JASPERS;

- To further assist Member States in mobilising the available Technical Assistance of their programmes for boosting regional sustainable growth and to facilitate at all administrative levels the preparation of the pipeline of projects;

- To identify and encourage further exchange of good practice between Member States in areas related to sustainable growth through initiatives such as Regions for Economic Change or ESPON.