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COMMUNICATION FROM THE COMMISSION

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

COHESION POLICY AND THE ENVIRONMENT

I. Context: Cohesion Policy and the horizontal character of the environmental dimension

The Treaty on European Union provides that both the environmental and the Cohesion dimension should be taken into account when formulating and implementing all policies and furthermore that environmental policy should take account of the diversity of situations in the various regions of the Community.

The Community Programme on the Environment - Towards Sustainability - (1992) further articulates and specifies a strategy for achieving sustainability and identifies integration - both in economic and physical terms - as key to this goal. However, the broad goals of this Community Programme have to be given operational meaning and have to relate adequately to the various processes of both policy formulation and implementation. This is especially true for the Structural Funds and the Cohesion Fund which are the principal instruments of Community Cohesion policy.

The revised Structural Funds Regulations, introduced in 1993, have provided a basis for integration of the environmental dimension within the Funds' programming process and resulted in better structured programmes with environmental objectives and safeguards.

The establishment of the Cohesion Fund has added further impetus to the environmental dimension of the Community's Cohesion Policy. This Fund constitutes for the Member States concerned the most important instrument to address their needs, particularly in the field of protection and management of water resources, as well as the collection, treatment and recycling of waste.

Notwithstanding the fact that the primary responsibility for implementing environmental and cohesion policy rests with the Member States, the Commission has for several years been receiving complaints concerning infringements of environmental legislation in the implementation of projects assisted by Community funds. The Commission views this situation seriously in that it damages public perception of Community Activity.

The European Parliament has in its resolution no. A4-0064/95 of 5 April 1995 and subsequently in the course of the preparations for the '96 budget expressed concern about the need to make the execution of the budget more sensitive to environmental issues. The Commission takes this concern seriously and regards this Communication as a response as far as Cohesion Policy is concerned.

The continuing challenge is to ensure that the implementation of these programmes is consistent with sustainable development and Community environmental rules.

This Communication examines the developing relationship between Cohesion and Environmental Policies and illustrates options for achieving greater synergy between them during the implementation of Structural Funds programmes and Cohesion Fund projects.

II. Regional Development and the Environment

In the past, environmental protection and economic development had often been perceived as conflicting objectives. However, there is now an increasing awareness that environment and regional development are of *complementary character*.

A good example in this context is the importance of the Cohesion Fund and the Structural Funds for the funding of transport infrastructures as part of the Transeuropean Networks (TEN). On the one hand, transport investment is a significant determinant of economic activity within the region or in cooperation with other regions. On the other hand, transport can also affect a region's environmental performance and the sustainability of its development. To minimise environmental damage such as air pollution and negative impact on protected areas from likely increases in road traffic (freight and passenger transport), there is a need to address the issue of balance between different modes of transport. Investment in rail infrastructure and public transport is a central key to this problem. In addition, appropriate examination of alternatives and appropriate mitigation measures should be included in transport corridor assessments and/or within individual transport schemes.

The fact that *the environment itself is a major factor for regional development* is often underestimated. As the regions' situations vary considerably, the application of local development and employment initiatives gains increased importance in this context.

Natural resources (water, air, soils, etc.) are of major environmental and socio-economic importance in that they are the basic support elements for man and ecosystems. The quality of the environment determines regional attractiveness and as such is a location factor for investment. Over-exploitation as well as degradation of the natural resource base can have severe consequences not just for the environment but for economic activity. For example, water resources management is now a major pre-occupation within the Community. Whether it is questions of flooding, pollution or over-exploitation of water supplies, it is clear that greater efforts have to be made to improve the management of the Community's freshwater resources if they are to continue as a basis for economic activity.

The environment is an *important area of new employment*. Besides the jobs generated by the construction and maintenance of environmentally-friendly infrastructures mentioned above, more and more attention is given to the employment potential offered by the so-called eco-business, where SMEs play an important role. Eco-business produce goods and services for measuring, preventing, limiting or correcting damage to water, air and soil and include activities related to waste and noise reduction and treatment. Such services include eco-auditing and advice to mainstream industries. The development of such environmental industries, mostly technology, application and innovation oriented (i.e. production of goods linked to pollution control, telematics applications for better integrated approaches to local and regional environmental management for prevention of natural and man-made risks and for natural resource management, energy saving technologies or renewable energy), offers a promising potential for lasting employment.

Moreover environmental services including development and maintenance of the necessary infrastructure (i.e. waste management, pollution control, water management, maintenance of natural areas, even activities beyond the environment sector, which also contribute substantially to a higher quality of life for citizens, such as conservation of national heritage, urban renewal, etc.) are very labour intensive and thus contribute significantly to employment. The Commission's Communication on a "European Strategy for encouraging Local Development and Employment Initiatives" of June 1995, gives many examples of job creation potentialities in the environment sector.

The Communication of the Commission on the future of rural life already emphasised in 1988 the importance of a reinforced protection of the environment. The increased demand for "natural" agricultural products or "green" tourism opens new regional perspectives in rural areas. Furthermore, other economic activities relying on a "clean" environment (e.g. technological research) can contribute considerably to the diversification of revenues and thus to the maintenance of the rural population.

Environmental training and an adequate human resources policy, closely linked to the employment effect of the environment, are of twofold importance for sustainable regional development:

On the one hand, they can help the labour force to adapt to changed skill demands and at the same time assist the regions' conversion towards more environmentally sustainable industries and sectors. On the other hand, they increase public awareness of environmental protection issues and thus raise public support for sustainable development. Innovative telematics platforms based on advanced information and telecommunications technologies offer new possibilities for public environmental information services and hence also contribute to an increased public awareness on environment issues.

It is estimated that 80% of the people currently employed in eco-business are relatively low-skilled. However, 20% of the workforce involved in the management and technical activities are highly skilled and extensively trained. With changing technology, and as pollution control and energy efficiency become an integral part of productive processes, there will be a need for proper technical specialists, managers, engineers, and those involved in urban planning, landscaping, managing nature reserves, forests, etc.

2. ***The positive effect of Cohesion Policy on the environment*** can be seen as a twofold one:

On the one hand the financial transfer effect of Cohesion policy puts administrations, as well as enterprises of the least favoured regions in a better situation to cope with environmental problems (by strengthening their investment capacity), and thus gives opportunities to improve environmental standards and quality.

On the other hand direct financial assistance to environmental projects as well as the indirect positive environmental effect of productive investment help to improve the environmental quality. The following section describes these effects in detail.

III. Cohesion policy as an opportunity to operationalise "sustainable development"

As Cohesion policy represents a cross-section of different policies within a spatial dimension, it can be used as a tool to make various Community policies more sensitive to environmental issues. The Structural Funds contribute significantly to support environmental investments both directly and indirectly. In addition, the creation of the Cohesion Fund, aimed directly at assisting environmental (and transport) projects, underlines the increased importance of the environment within Cohesion policy.

During the first round of Structural Funds programming (1989-1993) the European Parliament, but also the Court of Auditors and environmental non-governmental organisations expressed criticism on the lack of systematic environmental appraisal procedures in the programming, as well as on cofinancing of projects allegedly damaging the environment. As a result, the Commission overhauled the Structural Funds Regulations taking account of the broader issue of sustainable development and the necessity to integrate the environmental dimension into all stages of programme preparation and implementation.

Four aspects of the integration of environmental issues into Cohesion policy illustrate practical ways in which sustainable development is being supported and promoted.

1. Improvement of the environment by direct investment in environmental projects (c.f. table at annex)

The Cohesion Fund and the Structural Funds directly support environmental infrastructure within the eligible Member States or regions. Measures include the **protection and management of water resources**, the **collection, treatment and recycling of waste** as well as actions to **clean up coastal areas and river basins**. Activities also comprise the **treatment and rehabilitation of industrial sites** (particularly in Objective 2 areas) as well as the **upgrading of deprived urban areas**. Moreover, various measures under the FIFG contribute to the reduction of negative effects of the fisheries sectors on the environment in general and on fisheries resources in particular. All these investments are mainly oriented towards curative actions.

Between 1989 and 1993 circa 7% (2.751 billion ECU) of the Structural Funds budget in Objectives 1, 2 and 5b areas was spent on direct environmental measures.

The programme documents adopted for the Objective 1 areas between 1994 and 1999 anticipate about 8,9% (8.328 billion ECU) of the total Structural Funds budget in these areas (93.810 billion ECU(*)) explicitly for environmental investment.

In the Objective 2 programmes adopted for the period 1994-1996 approximately 5,7% (397 million ECU) of the budget available in the eligible areas (6.977 billion ECU(*)) is proposed for directly environmental measures.

For Objective 5b areas, about 11,7% (more than 720 million ECU) of the total Structural Fund budget foreseen in the programmes for the period 1994-99 will be devoted to the protection and the promotion of the environment. For example, the measures envisage the setting up of educational facilities and structures relating to the environment (development of discovery trails, creation of education and welcome centres) or measures aimed at the protection of aquatic biotopes (plan for the re-introduction of the salmon, ecological engineering works for the regeneration of degraded sites).

In addition, Community initiatives such as LEADER and SME, emphasise especially innovative measures.

The Cohesion Fund will disburse about 16 billion ECU between 1993 and 1999. During the first two years of its operation (93 and 94) the balance between environment and transport projects was about 45/55%. The Commission considers the environment share should be improved and that a 50/50 division as an allocation target must be aimed at (see section IV.1.).

2. *Investment in projects with a positive impact on the environment*

Besides the financial aid directly addressed towards the environment, support of productive investment can also have significant indirect positive effects on the environment. These measures by their distinct **preventive nature** are particularly valuable in terms of sustainability and are often ignored in current analyses of the the impact of the Funds.

The Structural Funds' incentives for the promotion of **environmentally friendly products and technology, especially in SMEs**, illustrate an approach to economic development which is "sustainable". The same is true for the promotion of **renewable energy** and the use of **energy and water-saving technologies**. Also, the support to appropriate information infrastructure networks can support activities such as teletraining and telecounselling for improving environmental management of SMEs.

(*) 1994 prices

The aid to investment in **public transport** via the Cohesion Fund and the Structural Funds strengthens the basis for indigenous regional development and at the same time improves the competitive situation of public transport against other less environmentally friendly transport systems.

The promotion of productive activities relying directly on a high quality of environment such as **services relating to R&D, health and "green tourism", as well as organic farming and nature conservation** by the Structural Funds gives rural areas especially the opportunity to capitalise on their natural assets while at the same time protecting them.

The pursuit of an **environmentally oriented human resources policy** by the Structural Funds (for example environmental training courses) increases public and business awareness of environmental issues while at the same time improving the quality of workers' skills and hence their capacity to adapt to changed labour demands.

Finally, all **technical rules for the protection of fish resources and of the marine ecosystem in general under the Common Fisheries Policy as well as measures for the adjustment of agricultural structures under Objective 5a and the accompanying measures for the CAP (i.e. the agri-environmental measures)** can contribute in effect to the protection of the environment.

3. Intensified environmental monitoring and evaluation

A major impact of the revised Structural Funds regulations is the increased consideration of environmental aspects on all levels of programming and implementation of Cohesion policy. The intensification of ex-ante and ex-post evaluation with special regard to environmental impact is central in this new approach. The consideration of environmental objectives in the programming documents (i.e. within the Community support frameworks and Single Programming documents) is now compulsory. Moreover the definition of certain environmental impact indicators has been improved. Environmental authorities have to be involved in the development and monitoring of the programmes as required by the revised regulations.

Although important progress has been made in this field for the new programming period, there remains scope for the improvement of environmental assessment and monitoring at the programme level. Proposals for action in this area are set out below in section IV.

4. Environmental concerns within project selection and implementation

Improvement in terms of the environmental quality of projects will greatly contribute to sustainability and Cohesion. Currently, for example, the Council Directive 85/337/EEC on Environmental Impact Assessment (EIA), as well as the "Habitat" and "Bird" Directives, have to be complied with. In regard to the former, experience has demonstrated the often poor quality of the environmental assessments and the lack of public transparency. The current revision of the EIA-Directive intends to tackle these problems. Moreover, there is a need to develop project eligibility and selection criteria which go beyond the basic environmental compliance dimension to reflect both economic and environmental sustainability.

In line with the principle of subsidiarity both monitoring and evaluation, as well as project selection and implementation, are the remit of the monitoring committees. The monitoring committees have a central role to play as the forum for developing and improving environmental impact assessment and selection criteria to promote sustainable development. However, these committees do not always have the necessary means and capacity to influence the implementing authorities (national and regional) towards an increased consideration of environmental concerns within project selection. This needs to be addressed in both short term and long term.

IV. Options for the future

In keeping with the principle of subsidiarity (in cohesion policy as well as in environmental policy) the success of a further integration of cohesion policy and the environment will to a great extent depend on the cooperation of the Member States and, where appropriate, the regions concerned.

Within the existing legal framework of the Structural Funds and the Cohesion Fund, the Commission has an important role to play in the encouragement, screening, and coordination of national practices which will be managed in a climate of partnership rather than obligation. Practical application of this would comprise the following set of options:

1. The **Cohesion Fund** illustrates the close link between Environmental Policy, Transeuropean Networks and Cohesion Policy. The Cohesion Fund Regulation provides that a suitable balance shall be struck between transport infrastructure and environmental projects.

The Commission considers that for the future a 50/50 distribution between transport and environment should be an allocation target which must be aimed at.

As regards the implementation of this target, the Commission will, in partnership with the Member States concerned, adopt a flexible approach particularly as regards timing, the characteristics of individual projects and development needs. According to the different needs of the Cohesion countries, e. g. in relation to water management, water treatment and waste disposal, the Commission will ensure, in partnership with the Member States concerned, the highest environmental quality of Cohesion Fund projects. Moreover, the fact that many transport projects, for example investment in public transport, can be the answer to an environmental problem needs to be taken into account. The Commission will ensure that projects funded by the Cohesion Fund will comply with environmental legislation and standards.

Moreover the Commission will analyse further the possibilities for better coordination between the Cohesion Fund and the Structural Funds with regard to environmental monitoring and assessment (e.g. common objectives, common reporting system) and the use of objective eligibility criteria.

2. On the **programming level** those programmes already approved or shortly to be approved contain a substantial share of measures contributing directly or indirectly to the protection and improvement of the environment.

However, the Commission will intensify work towards a better understanding of the nature and impact of those **measures** which have (or could have) indirect effects on the environment as described above (III.2.). Because of their distinct **preventive character** these actions are most important to achieve sustainable development. The preventive approach also includes a supportive human resources policy to respond to changed labour market demands and increased environmental requirements. A critical review of all programming documents will be undertaken aimed at the identification of those project types of preventive character that should be emphasised in the future.

The forthcoming review of programmes (interim assessment of 6-year programmes, new Objective-2-programmes for 1997-1999) as well as the anticipated extension of the INTERREG Community Initiative will be used as an opportunity to strengthen further the (preventive) environmental dimension of the Structural Funds. Experience from LIFE could be usefully applied also in this context.

The Commission will consider further options for environmental pilot projects available under Art. 10 of the ERDF regulation, Art.6 of the ESF regulation, Art.8 of the EAGGF regulation and Art.4 of the FIFG regulation to add impetus to sustainable development. These could include for example projects assisting exchange of best practice on sustainable development as well as regional or local development projects that create environmentally "sustainable" jobs. In this respect, the European Observatory for Rural Innovation and Development set up within the framework of the LEADER II Initiative, shall contribute to identifying and to transferring successful innovative actions.

To encourage environmentally sustainable investment, the Commission plans to give more effect to the opportunity for a preferential environmental differentiation of the Community's rate of assistance under the Structural Funds (Art. 13 Framework Regulation).

3. The Commission stresses the importance of including systematically the environmental dimension in programme **monitoring and evaluation (ex-ante/ex-post)**.

As the implementation of the programmes is under the competence of the Member States, it is important to note that the necessary improvement of monitoring and evaluation of environmental impacts can only be achieved in close cooperation with them and where appropriate the regions concerned.

The Commission will therefore intensify discussions with the Member States and where appropriate regions concerned towards a further improvement of environmental objectives and impact indicators. A critical analysis of the nature and the quality of environmental objectives and impact indicators contained in the existing programming documents could be a starting point for further dicussions and research on broader, quantifiable sustainability indicators to improve environmental evaluation. The Commission itself will increase its efforts within the framework of "Technical Assistance" towards the further development and improvement of environmental evaluation methods and assessment indicators.

The role attributed to the designated environmental authorities as foreseen in the new programming documents is an important issue in this context. The Regulations require that the designated competent environmental authorities be involved in the definition and implementation of the programming documents. To increase the effectiveness of their input into programming and implementation, the Commission will seek in partnership with the Member States and regions concerned to develop a clearer role for them in the implementation of programmes.

In addition the Commission will encourage contacts and increased networking of environmental authorities both within Member States and between the Member States and the regions giving them the opportunity to exchange experience and clarify their role within monitoring and evaluation. Finally, more attention should be given to capacity building within the administrations for environmental programme management and monitoring. Technical assistance could provide help in this regard also.

4. While the operation of the Cohesion Fund is project-based and hence involves the Commission directly in the decision-making-process, the programme approach of the Structural Funds considerably diminishes the involvement of the Commission within **project selection**.

In general the Commission insists on good quality assessment of the environmental consequences of proposed actions and in this regard, better application of the Environmental Impact Assessment Directive 85/337EEC as well as of other environmental rules such as the "Habitat" and "Bird" directives. The monitoring committees should ensure that the procedures for the selection of projects give more effect to existing provisions preventing the Community from co-financing projects damaging to the environment.

However, the Commission stresses the necessity of further development of project eligibility and selection criteria which not only reflect the need of compliance with environmental rules but also reflect economic, social and environmental sustainability (i.e. in the field of waste minimisation, energy saving). Technical assistance could be used to promote exchange of experiences and to develop guidelines on best practice in this area. The Commission will reinforce its negotiations in this context with the Member States and where appropriate regions, in particular in the Monitoring Committees.

In future the Commission will seek to play a more active role in the **prevention of infringements of environmental rules** within Structural Funds' and Cohesion Fund operations. A prompt and critical analysis of the signals and warnings expressed through updated state-of-the-environment reports in the regions concerned as well as evaluations made by environmental authorities and environmental organisations will be important in this context. If, nevertheless an infringement occurs, the Commission will make use of strict sanctions as envisaged in the provisions in force, including the reimbursement of Community Funds.

- 5 As anticipated in the revised Structural Funds regulations the role of the competent environmental authorities has been increased considerably since 1993. To increase transparency the Commission supports the necessity of dialogue, as appropriate and respecting the provisions of Article 4.1 of the framework Regulation with various parties most concerned to a project, including representative **non-governmental environmental organisations** in partnership with the Member States. In addition, the responsible authorities in the Member States will be encouraged to improve the publicity of the programming documents and their implementation.
- 6 The European Parliament adopted in its first reading of the draft budget for 1996 the introduction of additional measures to make its execution more sensitive to environmental issues.

The Commission acknowledges the aim underlying this proposal to increase the **environmental dimension of budgetary execution**. This Communication underlines the importance the Commission attributes to the environmental aspects of Cohesion Policy.

The Communication illustrates that the revision of the Structural Funds Regulations as well as the creation of the Cohesion Fund have already led to a clear strengthening of environmental aspects in the programming and implementation of Cohesion Policy. Intensified efforts on environmental evaluation are central to this approach, in which the Member States play an important role.

Within the existing legal framework, the Commission will use the various options described in this Communication to further improve the environmental dimension, as requested by the European Parliament. These options are the furthest possible under the Structural Funds Regulations in their present form. However, new ideas based on further experience could influence the general revision of the Regulations relating to the Structural Funds due for 1999.

Annex

Contribution of Cohesion Policy to direct environmental measures in the respective programming periods

The following table contains figures on environmental expenditure of the Cohesion instruments programmed or realised in the respective programming periods.

Figures are only available for Cohesion Fund and Structural Fund expenditure under Objectives 1, 2 and 5b.

Under Objective 3, environmental actions are included in employment aid to local authorities. These actions generally deal with environmental enhancement and clean-up activities, e.g. cleaning up of industrial sites, river and beach cleaning, coastal protection, nature conservation and enhancement, ...

Under Objective 4, vocational and job-market training, counselling and guidance of workers will take place on the basis of industrial change and changes in production systems. One of the main changes in the introduction and adjustment to environmentally sound and sustainable ways of production.

Under Objective 5(a), the EAGGF (Guidance Section) may, in particular, support investments in agricultural holdings aimed at the protection and improvement of the environment. It may also contribute to the financing of investments in the agricultural products processing industry which help facilitate the adoption of new technologies centred on the protection of the environment. In this regard, the selection criteria established by the Commission decision of 22 March 1994 give priority, amongst others, to investments linked to the protection of the environment, to the prevention of pollution and the elimination of waste, including that related to the products of biological agriculture.

Under Objective 5(a), the FIFG may participate in material investments in the fields of aquaculture, the protection and development of fisheries resources in coastal maritime regions, facilities at fishing ports and the processing and marketing of fishery and aquaculture products; certain of these investments are intended to reduce harm to the environment.

Contribution of Cohesion Policy to direct environmental measures in the respective programming periods (in MECU 1994 prices)

| | Belgique | Danmark | Deutschland | Ellada | España | France | Ireland | Italia | Luxembourg | Nederland | Portugal | United Kingdom | EUR 12 |
|--|----------|---------|-------------|--------|--------|--------|---------|--------|------------|-----------|----------|----------------|----------------|
| STRUCTURAL FUNDS | | | | | | | | | | | | | |
| Obj. 1 (94-99) Total Environment | 730 | - | 13640 | 13980 | 26300 | 2190 | 5620 | 14860 | - | 150 | 13980 | 2360 | 93810 100,0 % |
| | 92 | - | 1106 | 624 | 3034 | 323 | 74 | 1867 | - | 5 | 1056 | 146 | 8328 8,9 % |
| Obj. 2 (94-96) Total Environment | 160 | 56 | 733 | - | 1130 | 1765 | - | 684 | 7 | 300 | - | 2142 | 6977 100,0 % |
| | 8 | p.m* | 52 | - | 40 | 103 | - | 48 | 2 | 5 | - | 138 | 397 5,7 % |
| Obj. 5b (94-99) Total Environment | 77 | 54 | 1227 | - | 664 | 2238 | - | 901 | 6 | 150 | - | 817 | 6134 100,0 % |
| | 7 | p.m* | 207 | - | 67 | 245 | - | 94 | 0,5 | 36 | - | 64 | 720,5 11,7% |
| COHESION FUND | | | | | | | | | | | | | |
| 1993 Total Environment | | | | | 280 | 858 | | 142 | | | 284 | | 1565** 100,0 % |
| | | | | | 175 | 252 | | 56 | | | 123 | | 606 38,7 % |
| 1994 Total Environment | | | | | 332 | 1018 | | 168 | | | 334 | | 1853 100,0 % |
| | | | | | 198 | 519 | | 72 | | | 134 | | 923 49,8 % |

* exact figures cannot be given, as environmental measures are to a large extent integrated within other categories of expenditure

** 1993 prices

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