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REGIONAL POLICY CONTRIBUTING TO SUSTAINABLE GROWTH IN EUROPE

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FOREWORD

Investing now in sustainable growth is crucial for Europe and its regions to seize the many opportunities of a low-carbon, resource-efficient and climate-resilient society. This is a strategic investment in times of austerity, which can build on an internationally recognised European competitive advantage, to boost regional development in the Union.

Our ability to preserve nature and its resources, to save energy and boost the take-up of renewable energy sources, and to tap into the potential of eco-innovations, will have a decisive impact on our growth opportunities, the creation of new jobs and the well-being of the EU's citizens. It will also determine whether we can achieve the smart, sustainable and inclusive growth targeted by the Europe 2020 strategy.

Europe needs to re-orientate policy and practice towards sustainable growth, because of both climate change and the growing scarcity of resources. If current trends continue, by 2050, the global population is expected to have grown by 30% to around 9 billion, and developing economies will legitimately aspire to the welfare and consumption levels of developed countries. We have to change our patterns of both consumption and production, and lead the way in developing innovation-driven green economies.

The success in achieving EU goals will be determined to a great extent by decisions made at local and regional levels. Regional policy must serve to mobilise the potential of EU regions and cities to decouple growth from resource overuse.

During the current 2007-13 financial period, regional policy will invest about €105 billion or 30% of the total available funding directly and indirectly in sustainable growth. In order to support managing authorities' efforts to make efficient use of those means and to prepare the next funding period, the European Commission has published the Communication 'Regional policy contributing to sustainable growth in Europe 2020', which supports the broader Communication 'A Resource-Efficient Europe'.

I hope that you will find this document useful. It is a call to action to all those who have a role at local and regional level in driving sustainable growth.

The message is to invest more, and invest better. To speed up the transition towards sustainable growth, regions and cities are encouraged to invest more in areas such as energy efficiency in buildings and new sources of renewable energy, clean urban transport, and increasing nature's buffer role for risk prevention or eco-innovations. They are also advised to mainstream the principles of sustainable development into all kinds of projects. This means establishing a full life-cycle approach to programmes and projects in order to improve the quality and performance of the delivery, including promoting CO_2 neutral programmes, promoting green pubic procurement or understanding water and waste hierarchies.

I am looking forward to working with all Member States and regions, with my fellow Commissioners, the European Parliament, the Committee of the Regions and the European Economic and Social Committee to realise our vision of a resource-efficient and low-carbon society in Europe, enabling each city and region to make the most of its own potential for sustainable growth.

REGIONAL POLICY CONTRIBUTING TO SUSTAINABLE GROWTH IN EUROPE

The idea of sustainable development is not new, but it is taking on increasing significance and gathering momentum. We have recognised for some time the need to decouple growth from our overuse of natural resources, whilst increasing employment and prosperity. Within Europe, our ambitions for sustainable growth are clearly stated in Europe 2020[1]. Our goals are challenging, but are ones which regions are actively addressing.

In June 2010, the European Council stressed the need for regional policy to support Europe 2020 and its aim of putting the EU economy back on the path of sustainable and job-creating growth. Achieving these 2020 goals will be determined largely by decisions made at local and regional level. Regional policy is therefore a vital component in the drive towards investments in sustainable growth and actions designed to tackle climate, energy and environmental issues.

Tackling these issues brings economic growth and employment opportunities to regions, as well as environmental benefits. In fact, a failure to grasp these opportunities may well see regions shut out from future development. The shift towards more sustainable growth paths and a greener economy is as much a priority for our less economically favoured regions as it is for those with the highest levels of GDP per capita. Indeed, it is those regions with lower levels of GDP per capita which have perhaps the most to gain.

This publication stresses the important role of regional policy in delivering the second pillar of the Europe 2020 strategy on 'sustainable growth – promoting a more resource-efficient, greener and more competitive economy', especially in its contribution to the flagship initiative Resource-Efficient Europe. It serves as a guidance tool for authorities and professionals involved in the development of our regions, our towns and cities and our rural areas, providing practical ways of moving forward and examples of current practices. It sets out some of the ways in which the European Commission, notably DG Regional Policy, stands ready to support this work to assist in the transformation of regional policy.

The information contained in this publication focuses on the opportunity for further incorporating the principles of sustainable development into the daily operations of regional policy programmes, in order to maximise their impact on sustainable growth. Local and regional authorities are often the locus of actions designed to support sustainable development, given their role in land-use planning, public transport, environmental infrastructure, education, health, training and social services. Regional policy therefore has a responsibility to engage with these authorities in fostering sustainability in their regions, using the policy's strategies and programmes. Such work underlines not only the environmental and economic pillars of sustainable development[2] but also its human aspects. We should never forget the need for sustainable growth – strategies should be not only environmentally sustainable, but socially sustainable too. Sustainable growth is about integrating different approaches towards a set of common goals.

In the next financial period, 2014-20, the Commission will propose a closer alignment of regional funds with the priorities of the Europe 2020 strategy than is required by

the current regulations. There is an opportunity now to start preparing for this, so that regional programmes are ready to take advantage of the new circumstances. In the current period, there is also considerable scope for local and regional authorities to deploy existing resources more effectively. While the Operational Programmes (OPs) for the current financial period are already set, there is scope to reconsider project priorities and to launch new projects within the OPs. The Commission will look favourably on such actions where they contribute to delivering Europe 2020.

A joint commitment to sustainable growth

This publication helps identify how managing authorities can realign current regional policy programmes to the Europe 2020 sustainable growth objectives. It is a call to national, regional and local authorities to take action now, and to use available funds to promote sustainable growth in every European region.

Member States are encouraged to:

- realign expenditure within existing programme priorities to boost resource efficiency, to examine the need for programme modifications and to build synergies by drawing on other support offered by rural development policy, the LIFE[3] programme, R&D Framework Programme VII and the Competitiveness and Innovation Programme, notably as regards:
  > energy efficiency, renewable energy and de-carbonising transport;
  > ecosystem services, especially biodiversity protection and natural disaster prevention;
  > eco-innovation support through clusters and ICT;
- address climate change in their territorial planning, including local, regional and macro-regional strategies as well as supranational areas linked to sea or river basins in particular;
- carry out specific evaluations and include a special section in 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 publication, with particular reference to the 20/20/20 climate and energy targets as set out in the Europe 2020 vision;
- consider, when drafting national reform programmes, the flexibility offered in the operational programmes to reorient regional policy funding towards Europe 2020 priorities;
- 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 economy (sustainable energy investments, green infrastructure, low-carbon transport, climate change proofing, smart networks) 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.

To support these actions, the Commission is ready to give swift consideration and backing to applications for reprogramming and reallocation of funding designed to meet the Europe 2020 priorities. The Commission will also work with:

- international and national financial institutions to leverage resources and, where appropriate, maximise the use of financial instruments, including 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 Fund regulations;

- relevant authorities in Member States and regions to develop targeted pilot projects and seminars using the proposals outlined in this publication, in areas such as energy efficiency in buildings, clean urban transport, ecosystem protection, adaptation to climate change and eco-innovation clusters.

The Commission services will also:

- assist national and regional authorities with thematic expertise in implementing and monitoring programmes. It can assist Member States in identifying and encouraging further exchange of good practices in areas related to sustainable growth, through initiatives such as Regions for Economic Change or ESPON[4];

- mobilise available resources in existing operational programmes to build up institutional capacity, in particular in 'convergence' regions, to ensure that sustainable development principles are applied throughout the project life-cycle, and to free up bottlenecks, notably using instruments such as JASPERS[5];

- provide further assistance to Member States in mobilising the available technical assistance within their programmes for the design of regional strategies linked to sustainable growth, in particular regional climate adaptation strategies.

The Challenge

EU regions face a number of key challenges such as globalisation, demographic change, energy security and climate change[6]. On energy and climate change, the EU has committed to meeting the 20/20/20 objectives, through:

- a 20% minimum reduction in greenhouse gas emissions by 2020 (compared to 1990);

- a 20% saving in the EU's energy consumption (compared to projections for 2020);

- a 20% share of renewable energies in overall EU energy consumption.

Beyond mitigating climate change by tackling greenhouse gas emissions, regions also need to 'adapt' to climate change. It is anticipated that most European regions will be negatively affected by climate change, posing challenges to the environment and certain economic sectors and also triggering social fallout (e.g. damage to homes due to increased flooding or increased morbidity due to extreme heat waves). The extent of these impacts will vary across European regions as outlined in a number of papers, including the recent White Paper on adaptation to climate change. Such evolution needs to be taken into account rapidly if the EU is to meet its 2020 targets. Regional policy's contribution must be aligned with this new framework and the Europe 2020 strategy.

Working towards these targets and adapting to climate change need not be at the expense of economic growth. Indeed, some of the most exciting initiatives within Europe's regions are currently addressing this very challenge. Stimulating eco-innovation, as envisaged in the Communication on Smart Growth[7], will be a crucial aspect of future economic development strategies across the EU's regions. This paper further underlines the key challenge of green technologies. This is the importance of focusing on sustainable, or green, growth.

Of course, not all regions are the same. Climate change, sustainable energy and the protection of ecosystems and biodiversity present different challenges for each region. However, all regions rely on the crucial services provided by nature, which needs therefore to be adequately protected and managed. Equally, some geographical areas have greater potential for renewable energy sources or 'green jobs' than others. Policies therefore need to be designed so that they reflect the particular needs and opportunities of each region. It is not enough to simply see what another region is doing and try to copy it. We have learnt this lesson too often. It is for regions and cities to design policies and projects which suit their needs, supported and facilitated by national governments and the European Union. However, these policies and projects should contribute to the wider policy commitments established by Member States in the European Union.

Similarly, in designing appropriate polices, it is important that they are developed and introduced in partnership with the business and non-profit sectors. To achieve policy success, we need to mobilise and empower regions and cities to implement and deliver on this vision of a low-carbon and resource-efficient economy. The aim should be to reduce threats to long-term social well-being and to seize opportunities to develop innovations for sustainable economic development.

Rising to the challenge

Much good work is already underway. Many regions, local authorities, communities and businesses are already working hard building positive approaches to sustainable growth. The European Commission is supporting this process wherever possible, both through the work of the Structural Funds, and through a wide range of other programmes. But we need to do more, and we need to adopt different approaches. To date, European regional policy has helped regions tackle their infrastructure deficit, address their innovation deficit and meet their employment deficits. It is now time to combine these aspects and work together to tackle our sustainability deficits.

For many city and regional authorities, European Structural Funds play an important role in helping to meet this challenge. The European Commission is keen to further support this, both now and in the future programmes. During the 2007-13 period, almost a quarter of regional policy funding – totalling some €105 billion – will co-finance projects which can support sustainable growth objectives, as highlighted in Table 1 below.

Table 1: Regional policy 2007-13 allocations contributing to sustainable growth

	Amount of adopted Operational Programmes	Amount allocated to selected operations by end 2009	%
	Bn € (rounding)	Bn € (rounding)	
DIRECT	**45**	**9.9**	**21.8%**
Water supply	8	1.7	20.6%
Waste water	14	3.8	27.5%
Waste	7	1.1	15.6%
Nature protection	5	1.0	18.7%
Climate change adaptation	8	1.8	23.0%
Eco-innovation in SMEs	2	0.5	19.6%
INDIRECT	**59**	**13.4**	**22.5%**
Rail	24	5.4	22.5%
Urban transport	8	2.2	28.4%
Other sustainable transport	5	1.0	21.7%
Electricity	1	0.02	4.0%
Sustainable energy	9	1.4	15.4%
Urban and rural regeneration	14	3.4	25.0%
TOTAL	**105**	**23.3**	**22.2%**

Source: Member States Strategic Reports, September 2009

But some regional programmes have proven more able to commit available funds to sustainable growth objectives than others. Some have found it easier to adopt new emerging priorities such as renewable energy and climate change. We all need to examine where improvements in our actions can occur if we are to boost our performance in these economically difficult times. What is certain is that a failure to act now will bring major repercussions in the future, not just for our environment but also for our own regional economies and the jobs and well-being of our people.

Also, we still need to reap the full benefits of investments being made. The *ex post* evaluation of several programmes supported in 2000-06 indicates that there is room for improvement in developing sector-based synergies. For example, while environmental investments financed by cohesion policy have greatly contributed to meeting the requirements set out in the environmental *acquis*, they were often not designed to deliver direct economic impacts. The evaluation concluded that, in many cases, environmental investments were not part of the general socio-economic development strategies, or that when environmental investments were intended for economic impact, the accompanying measures were not apparent and their coordination with other operations for regional economic development was limited. We can also learn from the many examples of good practice which are being developed by authorities across the EU.

It is crucial that we use these findings to improve the delivery of our regional policies now, rather than wait for the development and delivery of the new programmes from 2013 onwards. Regions and other authorities which wish to do so will find much support for this within the European Commission. There is an opportunity here to begin to prepare the ground for the realignment of our strategies in the future programming period, as well as room to support new projects which deliver on the objectives set out in Europe 2020. We encourage all regional programmes to take advantage of their flexibility to support these new directions and to encourage the development of new approaches to regional problems.

Making the transition to a sustainable low-carbon economy will require cities and regions to grasp new models of development and embrace concepts such as open innovation through new partnerships and means of engagement. It will also require public authorities to act as leaders, facilitators and enablers, champion resource efficiency and promote innovation and green growth. The European Commission can assist in this process through promoting the key priorities of Europe 2020 – smart, sustainable and inclusive growth, through its funding of these priorities, and by helping cities and regions to engage in knowledge-sharing networks beyond national borders. It is for urban and regional actors to take advantage of the opportunities available.

In doing so, authorities are urged to consider how their programmes:

- make the transition to a low-carbon economy;
- promote ecosystem services;
- support eco-innovation;
- use public procurement to stimulate the green economy;
- integrate sustainability into project life-cycles;
- check investments against climate resilience;
- facilitate and engage with new coalitions, partnerships and stakeholder groups.

How can regional policy contribute to sustainable growth?

This Brochure aims to highlight ways in which regional policy's contribution to sustainable growth can be enhanced in both the current programming period and the future. We want to particularly emphasise the opportunities available now as these will lay the foundations for more successful actions later. Those that take advantage of the opportunity to boost actions promoting sustainable growth strategies in the current programming period will reap further rewards later.

In the current programming period, regional policy can contribute to sustainable growth in two main ways. Put simply, we can invest more and we can invest better.

1. **Investing more in sustainable growth** is self-explanatory. We must encourage a greater strategic investment focus on sustainable growth, with an emphasis on resource efficiency.

2. **Investing better in sustainable growth** is all about improving policy delivery mechanisms through the more effective integration of sustainable development principles in operational programmes and in the design, selection and implementation of projects.

The following section explores what this means in practice, looking at examples of existing practice and providing ideas which managing authorities, regional and urban authorities and other interested parties might wish to consider developing when tackling the challenge of sustainable growth within their own regional context. It highlights a number of priorities and themes which are felt to be central to promoting sustainable growth through regional policy.

Investing more in sustainable growth

- Transition to a low-carbon economy: focus on energy investments in energy-efficient buildings, renewables and clean transport;
- Ecosystem services: preserving and maximising the potential of the natural environment;
- Eco-innovations: focus on mobilising innovation partnerships and information technology.

Investing better in sustainable growth

- Integrating sustainability throughout the project life-cycle;
- Checking investments against climate resilience and resource efficiency;
- Better governance.

Authorities should not see these as the only options. Now is the time to come forward with new examples of effective practical actions that might be tested and supported through the present programmes and considered in the development of the new programmes post-2013.

I) Investing more in sustainable growth

Three areas for action will make a particular contribution to Europe 2020's sustainable growth ambitions: actions which promote a low-carbon economy, those which promote ecosystem services and biodiversity, and actions encouraging eco-innovation. The types of actions in each case are similar to things that authorities do now, the key is to do these actions with sustainable growth objectives in mind. Of course, undertaking projects in these areas in isolation from each other will not achieve very much at a regional level or across a city. The key is to identify how each can reinforce the other: to create sustainable local economies which are able to realise their full potential.

A) Transition to a low-carbon economy: focusing on energy investments in energy-efficient buildings, supporting renewable energy provision and investing in sustainable transport technologies

- Regions and cities should seize the new opportunities offered by energy investments in buildings;
- Regions and cities should accelerate investments in renewable energies and energy efficiency, according to their local energy potential;
- Managing authorities should give priority to projects that increase the resource efficiency of transport systems overall.

In each of these areas, managing authorities should explore the opportunities for introducing suitable legal conditions and financial incentives to help develop leading markets for low-carbon technologies and sustainable transport solutions with the help of regional policy. By doing so, the conditions for future economic growth will be strengthened.

Sustainable Cities

About 75% of CO_2 emissions are generated in cities[8]. As such, cities have a key role to play in developing a low-carbon and resource-efficient economy. Whether through sector-based projects, such as clean public transport and energy-efficient buildings, or more holistic projects, including measures to address urban sprawl or curb overall CO_2 emissions, it is essential that those in charge of planning urban development examine the best ways to use the instruments and funds available to foster sustainable growth. Over recent years, major new measures have been adopted by EU policy, including the 2008 Climate and Energy Package and the recasting of the Energy Building Performance Directive which is expected to create between 280 000 and 450 000 new jobs by 2020.

Investing in energy-efficient buildings

Buildings account for 41% of energy consumption, making this a key area of investment to achieve the 2020 targets. The scope for sustainable energy investments in buildings has been widened through amendments made to the ERDF regulation on the eligibility of energy efficiency and renewable energy investments in housing. Traditionally, regional policy has financed energy efficiency investments only in public and commercial buildings, however it is now possible to use these funds to improve resource efficiency in the residential sector. Up to 4% of the national ERDF allocations are now available for energy investments in housing, thus adding a potential €8 billion throughout the EU.

By investing in energy-efficient buildings, cities and regions can reap real benefits. Not only can energy bills be reduced, freeing up resources for other uses, but income streams can also be realised. This can provide resources for community development or for assisting the actions of public authorities. Local infrastructure can also have a decisive impact on local economic development by encouraging the development of new employment opportunities and market development for local companies. Whilst attention is often focused on the carbon savings possible, it is wrong to undervalue the social and economic benefits that can also be realised.

To encourage greater use of financial instruments, the use of financial engineering instruments has been extended to investments in energy efficiency and renewable energy in buildings, including existing housing. Managing authorities should tap into these new opportunities as soon as possible, paying due attention to the role of local authorities and fostering implementation programmes developed jointly by managing authorities and local administrations.

Building on the Covenant of Mayors approach

Within the Covenant of Mayors, the Province of Barcelona launched an ambitious sustainable energy plan in 105 municipalities covering 4.5 million people. The Province is providing technical assistance to help prepare action plans, coordination to ensure public and private financial support is available, and technical support for joint calls for tender for small municipalities. Further technical assistance will be provided to municipalities to help with preparing concrete investment projects. CO_2 emission reductions of over 3.8 million tonnes/year are expected. The plan focuses mainly on energy efficiency in public buildings, solar roofs and district heating and cooling. The funding needs total €500 million and will be met partially by the European Investment Bank (EIB). The ERDF is seen as one way of enabling housing providers and their local partners to make investments.

Investing in renewable energy provision

It is estimated that achieving the EU target of renewable energy contributing 20% of final energy consumption by 2020 could provide about 410 000 additional jobs. Many of these will be close to where the investments are made. Whilst attention

is focused on large-scale energy provision, such as offshore wind farms and major biomass generation facilities, many regions are seeing an upsurge in smaller scale investments in micro-hydro schemes and local photovoltaic provision. These can all provide opportunities for local firms and stimulate local employment. As the examples below illustrate, smart use of investments in renewable energy provision can have a place in viable economic development strategies.

Recovering from economic downturn with renewables:

Bremerhaven, Germany

Bremerhaven city's economy, based on shipping, shipbuilding and a commercial fishery, faced a heavy economic downturn in the 1990s. In the early 2000s, local authorities looked into possible ways of diversifying the economy. Offshore wind energy was chosen as an alternative development, since the strengths of the region included expertise in maritime technology and a skilled workforce. To date, Bremerhaven has attracted four major manufacturers of wind turbines as well as companies specialised in offshore wind energy construction. Half of the €500 million invested in offshore wind power development along Germany's North Sea coastal region in recent years has gone to this city alone. The success of Bremerhaven is due largely to a clear and integrated industrial strategy, public ownership of land, and clustering of expertise. Bremerhaven's companies have already created some 700 new jobs, with another 1 000 to 1 200 expected in the near future. To ensure continued growth, special training schemes were introduced in the companies themselves, with the support of local schools and universities. Since summer 2008, the ERDF has supported the 'POWER Cluster' project, through an INTERREG IVB project which aims to build a northern European skills centre for offshore wind energy based on the learning and experience of 18 partners, notably those in Bremerhaven.

Güssing, Austria

In 15 years, the town of Güssing has been transformed from a state of economic decline to a thriving, forward looking town, based on renewable energy. It used targets based on renewable energy sources as a genuine opportunity for strong local development, rather than a constraint. Through the comprehensive use of renewable energies, especially biomass, it has created 50 new companies and 1 000 jobs in 15 years. The total reliance on local raw materials ensures a high level of value added for local producers, as well as sustainable woodland management. The town became self-sufficient in terms of heat and electricity and can earn additional revenue by selling any surplus. During the 2000-06 period, the ERDF supported those developments with €15.8 million of investments. Cutting-edge technology and the commitment of the local authorities have driven the pace of change and now made a name for Güssing around the world.

Managing authorities should see renewable energy, as well as energy efficiency, as drivers of local and regional development, especially in rural areas, outermost regions and islands. Regional policy can assist in boosting renewables and energy efficiency in heating and cooling, district heating and co-generation, and also in fostering renewable electricity. Equally important is investment in local Information and Communication Technology (ICT) grids, smart electricity grids as well as smart electricity distribution as part of the Trans-European Energy Network (TEN-E). Taken together, these can stimulate local economies, generate economic growth and help secure our targets for reducing energy consumption and increasing the proportion sourced from renewable resources.

Investing in sustainable transport technologies

Although the transport sector benefits from the high levels of regional funding, much more can be done to back investments in clean public transport and sustainable transport technologies. In line with the latest EU recommendations, regions and cities are encouraged to allocate regional funding to support a shift to more resource-efficient modes of

transport. Clean urban public transport and mechanisms for encouraging the optimal use of clean and energy-efficient vehicles and non-motorised transport are priorities, as is investment in rail infrastructures, where special attention should be paid to speeding up investment of the €19 billion earmarked by regional policy for the TEN-T.

Sustainable transport in Ireland

Ireland introduced a new transport policy for 2009-20 (Smarter Travel – a Sustainable Transport Future) reflecting the Irish government's vision of sustainability in transport, with an action plan supported by the ERDF that includes:

- reducing distances travelled by private car and encouraging smarter travel, including via pricing mechanisms or fiscal measures to encourage behavioural change;
- ensuring that alternatives to the car are more widely available, mainly through a radically improved public transport service and investment in clean and energy-efficient vehicle technologies;
- improving the fuel efficiency of motorised transport through improved fleet structure, energy-efficient driving and alternative technologies.

To accelerate investments in the TEN-T, regional policy funds should be part of a consistent EU funding strategy, pooling together EU and national, public and private funding. This should apply to priority projects with high EU added value aimed at removing critical bottlenecks, notably in cross-border areas, connecting inter-modal nodes (cities, ports, airports, logistic and multi-modal platforms) and promoting interoperability.

B) Ecosystem services: preserving and maximising the potential of the natural environment

Our surrounding natural environment is crucial not only for our well-being but also for our economic prospects. The term 'ecosystem services', coined in the United Nations 2004 Millennium Ecosystem Assessment, refers to these naturally occurring assets and the losses that can be suffered if they are not maintained. Maintaining (and enhancing) ecosystems creates both jobs and socio-economic development opportunities. In fact, it is estimated that approaching a fifth of European jobs are indirectly linked to natural assets[9]. To illustrate this, the estimated value of insect pollination for European agriculture is €22 billion per year[10]. Furthermore, ecosystem-based investments can save money, e.g. through restoring natural flood plains to increase flood protection rather than building dykes. Yet, we undervalue this crucial resource. The EU has missed its 2010 target of halting biodiversity decline[11]. To reinforce efforts, the Member States[12] agreed on a new target for 2020 which will underpin the forthcoming new EU biodiversity strategy: to halt the loss of biodiversity and the degradation of ecosystem services in the EU by 2020 and to restore them in so far as feasible.

In order to reap the potential benefits of these ecosystem services:

- Managing authorities should invest in natural capital and green infrastructure as a source of economic development;
- Managing authorities should use regional policy funding for natural risk prevention as an element of adaptation to climate change.

Investing in natural capital and green infrastructure

Green infrastructure refers to forests, rivers, coastal zones, parks, green bridges and other natural features which are key elements in preserving ecosystem services. Developing these and avoiding the fragmentation of landscapes by creating ecological networks and corridors is key to maintaining a sustainable environment in which our economy and society can prosper.

As a way forward, the development of protected regional areas and nature parks can form part of a 'green infrastructure' approach to sustainable growth. Nature parks are instruments and motors of regional sustainable growth in two ways. First, they can offer a basis for regional development through tourism, conservation activities, the marketing of high-quality regional goods and the development of regional value-added chains. They also strengthen regional identity, improve the image of the region and contribute to education. Second, they conserve regional biodiversity and secure crucial ecosystem services such as carbon sequestration, biomass production and climate change adaptation. Investing in protected areas and parks is a truly smart investment in a region's environmental, social and economic assets.

ERDF funding for ecological corridors in Poland

Within the Operational Programme 'Infrastructure and Environment', the 5th priority is focused on environmental protection and the promotion of ecological habits with a budget of €89 million for 2007-13. In this framework, projects on green infrastructure are currently implemented. The Coordination Centre for Environmental Projects (CKPS) coordinates the implementation of nature projects in Poland co-financed by the ERDF and supports projects such as the construction of animal passages, elimination of barriers for animal migration as well as small 'promotion' infrastructures (educational paths, touristic trail infrastructure). Natura 2000 is given priority, since projects that focus on facilitating the integrity of Natura 2000 sites and the overall coherence of the network in Poland get higher scores during the selection process. Today, the CKPS supports actions related to green infrastructure in about 100 projects with an overall budget of about €50 million. One key role of those projects is about demonstration and feasibility, making the case for integrated approaches to grey infrastructure, nature conservation and water management.

Managing authorities should ensure that when they assess the impact of regional policy financed projects on natural areas, their assessments take full account of urban planning and land use, including integrated coastal and river basin management. This is especially the case for heavy and long-lasting infrastructure such as roads, motorways, railway lines and changes to water courses.

Investing in risk prevention and mitigation

Disaster prevention can also be an efficient investment, since the costs of preventive measures are many times less than the potential costs of rehabilitation. Well designed disaster prevention projects can preserve ecosystem services, such as water quality and quantity, and benefit biodiversity, agriculture and coastal zones. It also enhances the ability to adapt to climate change which threatens to make natural disasters more frequent and severe, including by strengthening nature's buffer role. Moreover, such investments can also have a positive effect on the potential for local economic development, creating local jobs and services.

Flood management along the Tisza river in Hungary

The Tisza river in eastern Hungary is flood prone. To tackle this threat, a decision was made to build reservoirs on some of the original flood plains of the river that over time have seen dykes used to control such threats. This decision was also made to help the region cope with climate change impacts. To construct six reservoirs and relocate some of the dykes, the ERDF and Cohesion Fund are investing €290 million out of a total of €400 million allocated. These investments started in 2000-06 and are continuing over 2007-13, reflecting the long-term nature of the project. It was clear that a broad, cross-sector approach was needed, involving several ministries, the research and scientific community, local authorities and citizens. The first reservoir was finished in 2008. In addition to helping adapt to climate change, natural flood reservoirs have several co-benefits and represent a win-win investment. The reservoirs:

- are an efficient solution for significantly reducing flood risks (buffer role of nature);
- provide water storage for irrigation, thus offer a solution for easing droughts;
- give space back to the river and nature, thus protect biodiversity (creation of wetlands);
- address the problem of decreasing groundwater levels (regular flooding of reservoirs);
- offer a new potential for eco-friendly agriculture, nature tourism and leisure activities.

C) Eco-innovations: focus on mobilising innovation partnerships and information technology

Eco-innovations are a natural stage of the journey towards resource efficiency, competitiveness and job creation. The Europe 2020 strategy stresses the need to drive investments towards a knowledge-based and resource-efficient economy. For several years already, the EU has been committed to stimulating eco-innovation and the take-up of environmental technologies through a range of policies such as the Sustainable Consumption and Production Action Plan, the Strategic Energy Technology Plan and the Environmental Technologies Action Plan. Building on this, a new EU Eco-Innovation Action Plan is currently in the making.

- Managing authorities should promote eco-innovation though supporting clusters in the 'green technology' field;
- Managing authorities should use regional funding to promote Information and Communication Technology (ICT) for the green economy.

Promoting eco-innovation

Eco-innovations bring not only improved resource efficiency, but also new jobs. 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 between 2004 and 2008[13] 600 000 additional jobs were created.

Clusters, where interdependent groups of firms, research institutions and other innovation professionals come together, are important regional policy assets. Managing authorities are being asked to support environmental and energy clusters based on public-private partnerships as a way of further investing in eco-innovations.

Public-private partnership for the fuel cell hub in West Denmark

'Hydrogen Link West Denmark'[14] is a public-private partnership project between more than 20 different actors on the development and pilot testing of hydrogen filling stations and fuel cell hybrid vehicles in a number of cities in West Denmark and has a total budget of more than €1.8 million. The project was initiated in April 2006. The aim of the project is to develop and test fuel cell hybrid vehicles. As part of the project, research, development and pilot testing of smaller fuel cell hybrid vehicles and hydrogen filling stations will be implemented in several cities. The hydrogen for the project is based on inexpensive wind power electricity from an electrolytic hydrogen generator at a local energy company and distributed to a number of hydrogen filling stations. Seven different fuel cell hybrid vehicles will be put into operation in the cities of the various end-users. This project is co-financed by the ERDF.

Eco-innovation support through clusters in Lower Austria

The region of Lower Austria developed a 'Networks & Clusters' programme co-financed by the ERDF. This initiative is managed under one umbrella by the regional business agency Ecoplus[15]. It helps different clusters learn from each other and grow, and offers cross-cutting strategies such as fostering eco-innovation in all clusters. The cluster initiatives are part of the Regional Innovation System.

The Green Building Cluster of Lower Austria brought together expertise in energy-efficient construction and restoration of old buildings, helping public authorities to establish new technical standards and requirements. As a result, the present annual refurbishment rate has risen dramatically to approximately 2%. Within two years, it should be up at around 3%. This acts as a catalyst for technology, job creation and added value for Lower Austrian companies, with an estimated 6 000 to 9 000 new or safeguarded permanent jobs and a building output volume of approximately €750 million to €1 billion per year.

The Plastics Cluster focuses on renewable resources: three years ago, the cluster management team started to bring together companies from right along the plastics value chain – they are now collaborating in R&D projects. The results achieved are being turned into new products, e.g. PLA packaging films for food, in cooperation with the Food Cluster. These successes are also linked to the close cooperation between Lower Austrian companies, R&D and public authorities in combining ecological challenges and business opportunities.

Investments in the most resource-efficient options can be specifically designed as business support programmes, particularly for SMEs, as in the following example.

The Enworks programme of North-West England (UK)[16]

Enworks is a business support programme set up in 2001 and co-financed by the ERDF. It coordinates environmental advice, training and support for businesses and ensures that high-quality environmental support is available to all businesses (especially SMEs) and delivered in a coordinated way, increasing synergy and allowing good practices to be shared. Through Enworks, companies can access on-site support and an on-line toolkit for improving their resource efficiency. One Enworks project specifically helped companies to improve resource efficiency and reduce waste, thus increasing productivity and profitability. Since 2001, Enworks has helped:

- over 3 600 businesses make £75 million of cost savings;
- save 190 000 tonnes of CO_2 and 3 000 000 m^3 of water;
- save 180 000 tonnes of raw materials per annum;
- provide more than 700 people with skills development.

Given its success, Enworks recently received £9.9 million of new investment (including £3.5 million from the ERDF) to extend its existing service, with the following objectives, *inter alia*:

- deliver 255 000 tonnes of CO_2 savings;
- create an additional 240 jobs in the region and safeguard a further 500.

Investing in appropriate ICT infrastructures

Appropriate ICT infrastructure can help to enable the use of 'green technologies' and eco-innovations. Smart electricity grids, renewable energy and intelligent transport systems are examples where ICT can bring added value and support emission reductions, while offering new market opportunities for eco-innovations.

The management of natural resources (water, biodiversity, etc.) and natural risks can also be improved through the implementation of ICT tools such as electronic maps, remote sensing, GIS (Geographic Information System) or EWS (Early Warning System).

Overall, the rapid deployment of broadband networks and access to modern ICT, even in remote areas such as on islands or mountains, is central to the implementation and reinforcement of eco-innovative solutions.

II) Investing better in sustainable growth

Mainstreaming the principles of sustainable development at each stage of the decision-making process can lead to the more efficient use of the regional funds available. Similarly, learning from the experience of others – through EU-wide transfers of good practice and joint learning initiatives – can all assist in achieving better investments of available resources. Better investment requires adopting a comprehensive approach that, at every step along the decision-making, checks for opportunities to increase the impact of the investment on regional sustainability. Four areas are suggested for specific action:

- integrating sustainability throughout the project cycle;
- checking investments against climate resilience and resource efficiency;
- empowering multilevel governance;
- new models for sustainable growth.

A) Integrating sustainability throughout the life-cycle of programmes and projects

Sustainable development considerations have to be an integral part of every plan, from design through delivery to monitoring. While well established as a concept in the minds of most policy-makers and programme managers, sustainable development is not yet sufficiently incorporated into the design of programmes, their delivery or the evaluation of actions. Consistent monitoring throughout the project life-cycle is key to improving the effectiveness of regional funds invested in sustainable growth measures. Managing authorities should also take a longer-term view when life-cycle costs of alternative methods of investment are compared, including the preservation of ecosystems and biodiversity.

Crucial to delivering better investments are:

- Embedding sustainable development selection of projects;
- Establishing proper indicators for monitoring and evaluation.

Embedding sustainable development selection of projects

In terms of implementation, the project selection phase is the first step. By embedding sustainable development criteria in the selection of projects, managing authorities ensure that project promoters give this full consideration in the development of their projects, and avoid supporting projects that fail to meet these criteria. The procedure, assessment criteria and evaluation play a key role in ensuring that the projects sufficiently address sustainable development issues.

In each call for proposal, managing authorities can explicitly set out sustainable development requirements that must be met by project beneficiaries. Application forms can be adapted to include, in addition to traditional economic criteria, social and environmental criteria that contribute to a more balanced proposal.

Managing authorities can also set up concrete evaluation systems for sustainable development to assess the project applications. They can use scoring systems to award project applications that integrate sustainable development. Checklists – with stringent conditions – can also help to ensure that sustainable development is included.

Managing authorities may also wish to develop a guide or similar information tools to help project promoters enhance the sustainable development aspect of project applications and assist civil servants in the selection process.

The checklist for environmental impact assessments (EIA) of project proposals in Finland

To strengthen authorities' commitment to carrying out EIAs of project proposals eligible for ERDF support, six regions in Finland have formed EIA panels. The role of the panel is to take part in and develop the EIA processes through information dissemination and capacity-building activities. By giving EIA managers the task of developing the assessment procedure, quality assurance is enhanced. A checklist for project proposal assessments has been standardised for the 2007-13 period. The potential impacts are marked using the symbols ++/+/0/-. The assessment concerns all projects and should indicate whether a project is environmentally neutral, beneficial or harmful. The main sections of the assessment table are:

1. Impacts on climate change
2. Impacts on emissions
3. Impacts on production and consumption
4. Impacts on the natural and built environment
5. Impacts on people
6. Impacts on traffic
7. Impacts on research and training

Guide for ensuring integration of the priority 'environment' (Sweden)

A guide to support project promoters and desk officers in selecting and enhancing environmental aspects of projects backed by cohesion policy has been developed by the Swedish Environmental Protection Agency on behalf of the national managing authority. It asks concrete questions designed to result in clear answers, thus enabling effective evaluations. The guide aims to raise greater environmental awareness among project applicants, managing authorities and selection committees. The guide has been widely accepted and is now used by the majority of project applicants. They are obliged to describe the project's impact on the environment in the application form, responding to four compulsory questions:

- What are the environmental objectives of the project?
- What activities are planned in order to achieve the environmental objectives of the project?
- What effect do the result and impacts of the project have on the environment?
- Does the project have any impact on Natura 2000 areas?

The information provided in the application is followed up in progress reports during the actual project.

Managing authorities can also develop tender specifications for specific projects linked to the regional strategy, in order to facilitate synergies between different sectors and individual projects, thus building on each other's strengths and weaknesses in terms of sustainable development. Together, the package of 'free standing investments' is bigger than the sum of its parts and makes for a better long-term strategic impact on sustainable development.

Establishing proper indicators for monitoring and evaluation

Only by appropriate monitoring and evaluation can we determine whether programmes are working as we intended. This is just as true for programmes promoting sustainable growth. Identifying appropriate indicators can sometimes prove challenging for managing authorities. Technical Assistance monies can be used to assist here. Regional policy is willing to support the development of management tools to help policy-makers decide on the best type of investments contributing to CO_2-reducing programmes or on the mitigation measures required to avoid greenhouse gas emissions.

The first step is to set up a national and regional set of indicators providing general information on sustainable development, even though not exclusively linked to the regional policy programmes. Efforts are being made by Member States and international organisations to develop representative headline indicators that can be made available and assist in measuring progress achieved along the sustainable development path. For example, Eurostat has developed a set of indicators that can help national and regional authorities establish their own sustainable development scoreboards.

Monitoring and evaluating environmental issues in regional development: an example from Bulgaria

The project 'Integrating global environmental issues into Bulgaria's regional development process' supports the integration of three UN conventions (on biodiversity, climate change and combating desertification) into regional development and spatial planning processes in Bulgaria. The project is a joint initiative of the United Nations Development Programme (UNDP), the Bulgarian Ministry of Regional Development and Public Works (MRDPW) and Ministry of Environment and Water (MoEW), and is financed by the Global Environmental Facility (GEF). The objective is to build the capacities of the MRDPW and MoEW to incorporate the global environment into regional and local development and spatial planning policies. Specific indicators, training courses and a prototype application for a Geographic Information System (GIS) were developed. Seven strategic indicators were put to the MoEW for approval as part of the MRDPW monitoring system to assess the impact of regional development plans on climate change, biodiversity and land desertification. These indicators were also officially included by the MRDPW in guidelines for use by district and municipal administrations. In the first semester of 2010, the monitoring system developed was to be tested and then ready for use in projects, including those co-funded by cohesion policy.

B) Checking investments against climate resilience and resource efficiency

- Managing authorities should screen operational programmes and projects for their climate resilience;
- Managing authorities should steer their investments towards the most resource-efficient options.

Check projects and programmes for their climate resilience

A vital task for increasing a region's adaptive capacity is to screen programmes and projects for both their environmental impact and their likely vulnerability in the face of climate change. Since regional policy supports investments which will have an influence on local and regional development for decades to come, their climate resilience needs to be looked at. The White Paper on adaptation to climate change encourages EU 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.

Adapting infrastructure to climate impacts in coastal areas, France

On the French Mediterranean coast, the 'lido de Sète' is an 11 km long coastal zone with high environmental value, several key socio-economic activities and important transport infrastructures (rail and road). It has to cope with severe coastal erosion and high tourism pressure threatening the sustainability of the entire area, including the coastal road which has regularly suffered damaged. National and regional authorities therefore decided to invest €60 million, with support from the ERDF, to undertake a major shift in how the area is managed, taking into account adaptation to climate change and sustainable development:

- the existing road will be dug up and rebuilt further away from the beach;
- the beach and existing natural areas will be restored and better protected (dunes, dykes);
- car parking spaces will be developed close to the beach;
- soft transport modes to the beach will be introduced (bus shuttles to cities, bike lanes, etc.);
- three types of beaches (all accessible by disabled people) will be created: a central 'natural beach', two 'semi-natural beaches' with basic facilities, and two 'urban beaches';
- businesses (research laboratory, SME, wine-grower, camping ground) will remain, despite the new coastal development.

This integrated redevelopment of the coast achieves social, economic and environmental goals.

Another helpful approach is to develop management tools to assist policy-makers with decisions on the investments that contribute most to the sustainable development targets. An interesting example is offered by modelling systems which assess the carbon emissions of certain types of investments, based on the information collected from selected indicators in previous periods. These models help in the decision-making for either the proposed investments for avoiding CO_2 emissions or the mitigation investments for compensating for emissions of other projects. The aim is to reach a neutral position in terms of CO_2 emissions at programme level. The NECATER tool explained below is one such example.

French software NECATER as a carbon management tool

The National Strategic Reference Framework (NSRF) of France for the 2007-13 regional policy supported programmes states that *"all State-region project contracts and operational programmes should aim to be carbon-neutral. A monitoring system will be put in place to ensure this."* A private company was commissioned to provide an IT system called NECATER, which enables regional authorities to conduct *ex-ante* evaluations on the carbon impact of the regional development plans and monitor the carbon impact (*ex post* evaluations) of programmes. Based on national and regional statistics available, the system turns the planned investments from euro into CO_2 quantities and in doing so plays its role of decision support tool. The CO_2 emissions are calculated during the operational programme period, the project period and the operating period following project completion. Once projects are implemented, the values or parameters can replace the funding amounts to fine-tune the monitoring. The tool also plays an educational role, developing a 'carbon culture' among planning authorities. Most regions have good or very good track records in using this instrument and the provider is developing a new system which is also suitable for use in such projects.

Invest in the most resource-efficient options

When investing in major environmental infrastructures, full consideration should be given to different options, bearing in mind the waste and water 'hierarchies' embodied in EU legislation, such as the water and waste framework directives. This means that preference should be given first to waste prevention, then reuse, followed by recycling and 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 such as land-filling.

Integrated recycling, composting and biogas plant in Sant'Antnin, Malta

The Sant'Antnin waste treatment plant received €16.7 million from the EU's Cohesion Fund to help upgrade the plant and purchase modern technology, including:

- a Material Recovery Facility for manually sorting dry recyclable waste recovered by separation at source, including products received from the Bring-in Sites;
- a Mechanical Treatment Plant (MTP) for mechanically separating municipal waste received in order to prepare the organic part for further processing;
- a Composting Plant for treating source-separated biodegradable waste and mechanically sorted biodegradable waste from the MTP in order to produce biogas and digested material for use as compost;
- a Combined Heat and Power Plant, which will run on the biogas produced and provide enough electrical power for 1 400 households of four people, in addition to the heat required to run the plant.

With this upgrade, the plant processes and treats 36 000 tonnes of dry recyclables and 35 000 tonnes of organic waste annually, most of which comes from municipal waste produced by local residents.

Approaching investments in terms of 'preference of options' enables co-funded projects to maximise their added-value as it looks for the most efficient balance between the economic, social and environmental objectives. For example, in the case of water investments, managing authorities should give priority to projects on water savings, more efficient use and distribution of water, water pricing policy and cost-effective measures for managing demand. Concrete examples include reducing pipe leaks, installing rainwater collectors and re-using recycled water. In addition, in water scarce regions it is paramount to engage in a wider systemic reflexion on the overall sustainability of regional water systems.

C) Empowering governance

The 'place-based' nature of regional policy means it is a crucial part of our efforts to support sustainable growth. Europe begins in its regions and cities[17], and so too does sustainable growth. The implementation of regional policies is a partnership of local, regional, national and European stakeholders. Each must share the responsibility for investing regional policy funds better in order to increase the impact of this instrument on sustainable growth objectives. This is backed by the *ex post* evaluation of the governance systems for regional policy during the 2000-06 period. The evaluation highlighted the fact that initiatives across the EU were being taken to incorporate sustainable development concerns into the design and management of programmes.

Rather than treating the different aspects of sustainability as separate, some Member States looked at how they interact with and benefit from each other, and also how they potentially compromise one another. Programme and project activities therefore integrated economic growth, employment generation, social cohesion and environmental improvement. Involving different sectors in partnerships featured prominently in the approach, where diverse expertise, interactions and shared decision-making helped encourage learning and organisational change. Where we can continue to develop and strengthen our governance models, we will manage to reap the full benefits of our investments in sustainable growth strategies. Where we do not, we will fall short of our objectives.

Key considerations here include:

- Public administrations and policy-makers in Member States need to incorporate the objectives of sustainable growth into the general framework of policy-making;
- Managing authorities should broaden partnerships and improve the strategic aspect of programme monitoring committees.

Embedding sustainable growth objectives

An effective Europe 2020 strategy requires that Structural and Cohesion Funds – ERDF, ESF and Cohesion Fund – be used within a broader policy framework providing legal certainty and incentives. In practice, this means that regional policy programmes and projects should be accompanied by changes in relevant regulations and administration. For example, projects to improve energy efficiency in buildings will reach their full potential only when appropriate regulations, standards and market-based instruments, such as taxation, subsidies and procurement related to energy performance in buildings, are set in place. Similarly, projects for developing waste water treatment facilities will be more effective if there is a specific waste water policy in place, whilst ICT rollout requires competitive markets and effective planning policies (e.g. access to ducts).

Stressing inter-departmental governance in sustainable development

In June 2003, new governance for sustainable development was introduced in France with the creation of an Inter-ministerial Committee for Sustainable Development. It manages the sustainable development policy of the French government and also looks at how coherent the actions of different ministries are. This Committee is run by the Inter-ministerial delegate who reports directly to the Prime Minister. It adopted the national strategy on sustainable development in June 2003 (updated in 2007) which was developed in coordination with the National Council on Sustainable Development whose members include 90 representatives from socio-economic fields, civil society and territorial authorities. To further engage regional and local authorities in sustainable development efforts, the relevant Ministry launched calls to acknowledge territorial sustainable development strategies in 2006. Local and regional authorities are encouraged to submit their sustainable development strategies, or Agenda 21[18], to the Ministry to obtain official acknowledgment of their quality. To boost sustainable development in France, a wide national initiative[19] was launched in July 2007. Five types of stakeholders were involved in a large consultation process revolved around six thematic working groups. The conclusions of the working groups were taken up by operational committees, including one on the territorial aspect of sustainable development. They came up with concrete proposals that were turned into a new law adopted by the French Parliament in August 2009.

Widening and deepening partnerships

Better governance is vital if we want to achieve sustainability as confirmed in recent *ex post* evaluations of regional policy. In terms of a common vision, it is crucial to increase grassroots ownership and achieve consensus among stakeholders in the building of the strategy, implementation of the programmes and selection of projects. The involvement of socio-economic partners and civil society needs to start early and continue throughout the entire programming cycle. Developing nationwide thematic networks of relevant managing authorities can also boost the sustainability of programmes and projects. These soft investments fostering better use of knowledge, dialogue between stakeholders, data and good practice exchange can lead to substantial gains in terms of energy efficiency and sustainable development. Regional policy monitoring committees can benefit from the more active involvement of socio-economic partners directly involved in sustainable development considerations.

Increasing the capacity-building of socio-economic partners

The lack of capacity amongst NGOs in Slovenia was seen as a barrier to developing the full potential of the partnership principle over the 2004-06 period. To help NGOs, a specific priority was therefore introduced into the ESF Operational Programme 'Human Resource Development' in Slovenia. Around €13 million has now been allocated to improving the management, organisation and development capacities of NGOs working with vulnerable groups. This led to the Centre for Information Service, Cooperation and Development of NGOs (CNVOS) being selected to support NGOs in the Structural Funds' programmes. The CNVOS was originally set up in 2001: the aim of its 27 founding organisations is to empower NGOs in Slovenia and to promote their role as an important part of civil society. Over 200 organisations have since joined the CNVOS. Currently the CNVOS supports the NGOs in their commitment to cohesion policy and selects NGO representatives to sit on monitoring committees of the Structural and Cohesion Funds.

Another approach improving governance is the use of networks and platforms through ERDF Technical Assistance. The creation of cross-cutting networks to promote environmental policy integration and more widely sustainability is an efficient way of engaging with a broad range of stakeholders. It also offers an opportunity to address the issue of vertical integration. Through better involvement of sub-national authorities, national strategies on adapting to climate change and sustainable development can be supported. For instance, many Member States have set up sub-national councils,

committees, commissions and working groups on sustainable development. Local Agenda 21 initiatives also represent a concrete and powerful way of moving towards the use of platforms as building blocks of improved governance.

Networking of environmental authorities

Over the period 2000-06, the Italian Network (Rete) brought together representatives from the environmental sector and regional policy managing authorities. The network was intended to be a place where public sector experts could work together. The experts were the national environmental authority (Ministry of Environment), national managing authorities (Ministry of Economic Development, now Ministry of Economy and Finance), other central and regional managing authorities, environmental authorities, the statistical agency and the two main environmental agencies (Apat and ARPA). Environmental NGOs were present in all steering committees of the operational programmes, and in the monitoring committee of the NSRF, playing a consultative role. In the current period (2007-13), NGOs are taken into account in the socio-economic partnership and are explicitly mentioned together with other stakeholders (business associations, trade unions, third-sector associations, charities and non-profit bodies, and equal opportunities organisations). Spain also developed a national network with the managing authorities in order to deal with the environmental sector.

Investing in sustainable skills

Ensuring that people have the right skills for the new, greener jobs of today and tomorrow is crucial to securing sustainable growth. Investment in human capital to build the relevant skill sets is needed. The European Social Fund (ESF) can provide help to unlock the skills, creativity, entrepreneurialism and capacity of the workforce to innovate, in line with the Europe 2020 flagship initiative 'An Agenda for new skills and jobs'. Such investment can provide the link between actions supported under the headline of 'Investing more' and the headline of 'Investing better'.

When assessing skill needs, it is crucial that regional authorities consider the full range of expertise required to realise the opportunities provided by sustainable growth strategies. Examples of professional skills required, and potentially in short supply, include those of planners, surveyors, landscape architects as well as sustainability specialists. There may also be general skill shortages in technical areas as noted by employer surveys and reports from public and professional bodies. Some regions, seeking to develop renewable energy systems, specifically mention trained maintenance technicians and accredited installers of small-scale renewable energy systems[20].

Appropriate skills are required not just amongst the wider labour force of course. Managing authorities may also want to consider whether the skills needed to design and implement sustainable growth strategies are fully present within their own workforce and other public authorities. Many cities and regions have acknowledged that they have their own skill gaps to address and that regional policy funds can be used to support these efforts.

D) New models for sustainable growth

- Regions and cities should make much more use of Green Public Procurement (GPP);
- Encouraging new financing mechanisms and social innovation;
- Reaping the full benefits of action across borders.

The power of green public procurement

Applied strategically[21], GPP can improve the competitiveness of regional suppliers of goods and services. A range of techniques and methods is already available and European public procurement directives allow authorities to take environmental and social considerations into account in their purchasing procedures. 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.

The GPP action plan of the Basque Country, Spain

The regional government initiated a GPP Regional Action Plan (GPP RAP) following an agreement in April 2008. In addition to boosting GPP, the aim is to use real results to show how to fight climate change and to promote local economy competitiveness, thus helping other regions, provinces and supra-municipal organisations develop their own strategies. Ihobe[22], the publicly-owned environmental management company, is responsible for the development and implementation of the plan. The GPP RAP is especially innovative as it contributes to:

- highlighting the role and importance of regional governments in promoting GPP;
- developing a coordinated strategy with the demand and supply side of the market;
- showing the relation between procurement activities and climate change;
- presenting real results/indicators (in CO_2 and euro) of environmental relief through GPP.

The successful elements of the GPP RAP are:

- central coordination of the programme and one clear message conveyed from all regional public authorities;
- best practices within the region and direct exchanges in working groups, training sessions, etc;
- training courses and support in greening tender documents;
- publication of experiences to gain internal support and political commitment;
- support and preparation of the region's producer companies (supply side).

While regional action plans on GPP can represent a practical way forward to foster GPP, the initiative can also be taken at the local level of public authorities, i.e. at municipal level. The most common entry into GPP is therefore often through the procurement of office equipment which can be quickly extended to other categories of products such as energy or cleaning-related products. The following example shows how there is room for initiative to support GPP at regional and local level: a soft incentive in the form of an open competition at regional level can trigger practical implementation at municipal level.

Using GPP in municipal offices an example from the Czech Republic

A regional competition was organised in 2008 by the Hradec Králové region for the environment-friendly operations of administrative offices and organisations. Around 350 entities from towns, municipalities and institutions in the Hradec Králové region were invited to enter the competition. Using a questionnaire, they had three months to answer questions on introducing environment-friendly operations within their organisations. A total of 62 institutions entered the competition, 34 of which were municipal and city offices. Returned questionnaires were evaluated and physical inspections carried out on the premises of the 20 best institutions. The municipalities of Městys Nový Hrádek and Kopidlno finished first and second in this competition. Assessments were conducted on the use of ecological resources and this was the basis for purchasing and installing new, efficient lamps and for adopting other environment-friendly measures. For instance, office products with ecolabels were purchased, specifically office items made from recycled materials, cleaning detergents, energy-saving fluorescent lamps, and recycled toners for printers. These achievements are part of the project Buy Smart[23], funded by the European programme Intelligent Energy Europe, which provides free consultation and information material on green procurement.

Encouraging new financing mechanisms and social innovation: embracing others

With the economic crisis, Member States may no longer be able to rely solely on public sector funding. Private companies can and should become more involved. For example, the design, building and operation of waste infrastructures can benefit from the technical and management expertise of private enterprise. The 'polluter pays' principle should further stimulate businesses to recoup their investments by integrating clean production processes and proper pricing.

As a further step, financial instruments other than grants should be considered as part of efforts to achieve better leverage of available resources. Much greater use should be made of JEREMIE[24] and JESSICA[25] and the new financial engineering instruments for sustainable energy within regional policy, and professionals should learn from the successes of other instruments such as the Risk-Sharing Finance Facility used in EU research programmes.

Promoting sustainable development through partnerships – Newquay Cornwall Airport project, UK

To ensure that environmental sustainability remains a core part of the Newquay Cornwall Airport development project, co-funded by the ERDF, the Cornwall Council has prepared various planning documents that have helped shape the airport's commitment to carbon neutrality: the aim is to deliver carbon neutrality for the entire terminal and ground operations by 2015 and be carbon-neutral in terms of aviation and surface access by 2030. The plan includes initiatives such as converting all ground vehicles to run on electricity, installing wind turbines, energy-saving initiatives and better recycling, a bio-diesel taxi fleet and improved public transport, etc. The managing authority felt it best to work with the Cornwall Council in establishing a 'World-class Newquay Cornwall Airport Environmental Steering Group', which would provide expertise and help design practical ways of achieving the airport's strategic environmental goals. This Steering Group will ensure that there is ongoing input and challenge from the environmental sector (via the Steering Group) to ensure and help Newquay Cornwall Airport deliver the highest possible standards of environmental sustainability.

Social innovation is no longer the poor relation of regional policy, as its role is fully recognised in the Europe 2020 strategies, especially in the Innovation Union flagship initiative. By harnessing the energies of the social business sector – in the form of cooperatives, mutuals and social enterprises – regional policy can begin to engage people and places that the public and private sectors have been unable to reach. Far from being a wholly separate sector, the social business sector operates best in partnership with the public and private sectors. The social business sector is an ideal vehicle for promoting social innovation because, though it is often funded by the public purse, it is less risk-averse than the state sector because it works at arm's length from the bureaucracy and its demanding compliance culture. Being involved in, but not fully belonging to the public sector, the social business sector should be seen as a means of engaging groups prone to high unemployment, like the under-25 year old group for example, and helping them to break into the formal labour market. Social innovation involves novel forms of enterprise, like collective entrepreneurship for example, and these require smarter and more customised business support policies from the public sector[26].

Reaping the full benefits of action across borders

Regions should invest in sustainable growth by integrating policies affecting EU territories and seas, especially coastal zones and river basins with high biodiversity potential. Cooperation between Member States and regions on coherent sets of actions and within specific territorial or maritime areas, such as sea and river basins, would bring additional added value.

In particular, managing authorities should take full advantage of the opportunities offered by cross-border, interregional and transnational cooperation in line with the new territorial cohesion objective introduced by the Lisbon Treaty. The Baltic Sea strategy illustrates the value of action in a macro-region.

It is essential that regional policy actions be designed in synergy with other EU policies in the above-mentioned fields under the two pillars. Managing authorities are strongly encouraged to draw on the support offered notably by the rural development policy, LIFE programme, R&D Framework Programme VII, and Competitiveness and Innovation Programme.

CONCLUSIONS

A more competitive and sustainable economy, based on combating climate change and increasing the use of clean energy and resource efficiency, is a way of boosting jobs and market opportunities. Such an approach can help pull our economies out of the crisis, at the same time preventing environmental degradation and protecting biodiversity. It should also underpin all economic, social and territorial cohesion efforts. Securing this 'green growth' is both a major challenge and a big opportunity for all Member States and regions in the EU.

To meet the challenges and realise the opportunities, national and sub-national levels of government will need to overcome stubborn barriers. Some of the most stubborn barriers are to be found in the policy and practice of green public procurement, where the power of purchase has been stymied by two problems in particular – the lack of appropriate skill sets and fragmented governance. Green public procurement can secure real value for money only if it is based on whole life-cycle, and these skills are often lacking in our less favoured regions. Fragmented governance is also a major barrier because public bodies do not collaborate as much as they should do – for example to share costs, pool ideas and find joint solutions to common problems – and this means that good practice is a bad traveller because it does not disseminate as rapidly as it should. Overcoming skill shortages and fragmented governance would do much to unlock the potential of 'green growth'.

Since 2006, and the adoption of the regulations on cohesion policy and the related Community Strategic Guidelines, a number of key policy developments and socio-economic changes have profoundly changed how regional development is structured. Most significantly, Europe 2020 has introduced a new overarching focus on 'resource efficiency', including the preservation of natural resources and biodiversity, and the role of Structural Funds receives special attention in the flagship initiative Resource-Efficient Europe. At the same time, the Structural Funds should continue to promote the development of innovative and competitive regional economies, as set out in the Communication on how regional policy can contribute to smart growth in Europe. Marrying these objectives underpins our emphasis on promoting sustainable growth strategies and provides the opportunity for new approaches to be supported through the Structural Fund programmes.

Regional policy must adjust its priorities for emerging challenges and policy developments, respond to socio-economic needs and complement the pro-active work already undertaken in the regions. To assist Member States in their mission, this publication has set out a number of options still open to them for seizing the enormous potential of these funds for boosting sustainable growth.

Over the coming financial period 2014-20, the Commission will look to align regional funds more closely with the priorities of Europe 2020 than is currently required. In the meantime, there is still considerable scope for local and regional authorities, which co-manage programmes with the Commission, to make more effective use of existing resources. Even though the operational programmes for the current period have already been established, there are still opportunities for achieving greater sustainable growth,

on the one hand by fully mainstreaming the sustainable development principles into the day-to-day operation of the programmes supported by regional policy and, on the other hand, by reviewing and further investing in the priority sectors that contribute to the sustainable growth of EU regions.

The funding still available in different categories represents genuine opportunities for bolstering sustainable growth. Policy-makers in the Member States are called on to act without delay, invest more in sustainable growth, and more effectively mobilise funds. As we have seen through the examples above, some regions are already in the process of shifting towards more sustainability. They have taken steps to invest in mitigation measures and are looking to restructure their economies to make the most of the opportunities offered by 'green technologies' and their use in new products and services. Many regions have started putting in place sustainable development strategies such as the UN's Agenda 21[27] and other strategies on climate change. Regions are also organising themselves into networks to exchange good practices and to represent their interests at the EU and UN in respect of the challenges they face. Regional policy must actively support and bolster such action now, and not wait until post-2013.

GLOSSARY

CP: Cohesion Policy
EE: Energy Efficiency
ERDF: European Regional Development Fund
ESF: European Social Fund
GHG: Greenhouse Gas
GPP: Green Public Procurement
MA: Managing Authority
MS: Member States
NGO: Non-Governmental Organisation
OP: Operational Programme
RES: Renewable Energy Sources
R&D: Research & Development
SD: Sustainable Development
SME: Small and Medium-sized Enterprise

FOOTNOTES

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