GREENING THE ECONOMY

WITH STRUCTURAL AND COHESION FUNDS:

Results of the IEE PromoSCene project
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Cover photo: inside the Gen Coel tower of the minewater power plant in Heerlen, the Netherlands. © Municipality of Heerlen
GREENING THE ECONOMY WITH STRUCTURAL & COHESION FUNDS:

Results of the IEE PromoSCene project

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Structural & Cohesion Funds and sustainable energy investments

The EU Structural & Cohesion Funds represent a vast amount of money to enhance the social and economic cohesion within the European Union. Can these funds be used for sustainable energy investments in order to achieve a greening of the economy?

A vast amount of money...

More than a third of the budget of the European Union, about 350 billion euro, goes to the European Structural & Cohesion Funds (SCF). Solidarity is the key word for these funds, which represent the main instrument to implement the EU cohesion policy: they help strengthen the economic, social, and territorial cohesion of the Union. More than half of the SCF budget is allocated to the 12 New Member States.

Structural & Cohesion Funds
2007-2013:
€ 347.410.063.883

Photovoltaic electricity production in Saint-Pierre, La Réunion, France. © European Communities, 1995-2009
In the SCF programming period 2007-2013, the cohesion policy of the Union is more than ever linked to the Lisbon Strategy and the Gothenburg goals, placing competitiveness and sustainable development at the top of the priority list.

Division of the Structural & Cohesion Funds 2007-2013 among the 27 EU member states.
Sustainable energy for regional growth, jobs and a clean environment

So basically, the main objective of the Structural & Cohesion Funds is to increase economic growth and employment, especially in lagging regions. Clearly, it is not necessarily about energy. However, sustainable energy investments (including renewable energy and energy efficiency options) can be a very good means to achieve the objectives of Structural & Cohesion Funds.

Energy is the cement of economic growth; a sustained increase in economic activity in lagging regions requires an adequate energy supply. And this, in turn, usually requires extra investments in these regions, not only in production capacity, but also in energy efficiency at the demand side.

Germany as a showcase

The ‘sustainable energy business’ can also create employment, as the German example shows. The German Federal Ministry of Environment estimates that in 2005, a total of 170,000 people were employed in the RE sector. By 2020, the number of jobs in the German renewable energy sector is estimated to exceed 300,000. In line with the findings of the Federal Ministry, renewable energy has been a job motor for the Brandenburg region in Germany: 1,600 new jobs were created in this sector, with considerable spill-over effects to other sectors. Brandenburg now considers the RE technology industries as one of the main innovative industrial sectors of the future, indispensable for sustainable growth.
Using SCF to tap the potential in New Member States

So investments in renewable energy and energy efficiency can boost sustainable regional development; they contribute to a better environment, improve competitiveness, create more jobs, and ultimately foster overall economic growth. Energy investments therefore contribute to the objectives of the cohesion policy as well as to the Lisbon goals of the European Union. On the other hand, Structural & Cohesion Funds offer ample opportunity to tap into the potential for renewable energy and energy efficiency in member states, by providing the so-needed capital for investments. That is why the European Commission explicitly advocates the financing of investments in renewable energy and energy efficiency through Structural & Cohesion Funds. New Members States can use these funds to help implement the EU directives related to sustainable development. The aim of the IEE PromoSCene is to enhance the use of Structural & Cohesion Funds to finance investments in renewable energy and energy efficiency. So how much budget is involved?

‘The energy efficiency potential is especially high in New Member States: up to 50% of total final consumption (depending on the end-use sector)’

- International Energy Agency 2004
How do Structural & Cohesion Funds (SCF) work?

Each member state prepares Operational Programmes (OPs) that specify in detail the priorities and available budget for which the Structural & Cohesion Funds (SCF) can be used. These OPs must be in line with the National Strategic Reference Framework (NSRF) document prepared by each member state, as well as the Community Strategic Guidelines from the European Commission.

The EC transfers money to the member states according to the budgets mentioned in the OPs. The SCF are based on the principle of co-financing: in addition to the EC contribution, national financing is necessary. Each OP is managed by a so-called Managing Authority (MA).
Sustainable energy investments are of strategic importance for regional development, and can be a very good means to achieve the objectives of Structural & Cohesion Funds. So how much budget is available in the Structural & Cohesion Funds to spend on renewable energy and energy efficiency projects?

**Directly allocated SCF budget for RE and EE**

Despite the apparent importance of energy investments for regional development and employment, few energy-related projects have so far been financed through Structural & Cohesion Funds. The European Parliament estimated that the financial allocations for sustainable energy in the period 2000-2006 were about 1.16% (of the total budget). The IEE PromoSCene project has analysed the Operational Programmes for the current programming period 2007-2013, which revealed that the share of the budgets allocated to sustainable energy has slightly increased. On average, New Member States have allocated 2.4% of their SCF budget to RE and EE. This low average share of the SCF budget in NMS, however, still represents an absolute amount of € 4.3 billion.
In the current SCF programming period, RE and EE play only a minor role in the OP budgets of NMS.
The budget directly allocated to RE and EE averages 2.4% (2.6% for EU27).
The absolute SCF amount for RE and EE investments in NMS totals 4.3 billion euro (9.0 billion euro for EU27).
Budget needed to reach the 20/20/20 targets of the EU Energy & Climate Change package

The current amount of SCF money directly allocated to RE falls far short of the € 600-700 billion that the European Investment Bank estimates are needed for achieving the 2020 goals of the EU for renewable energy. Note that the EIB estimates even higher investments are required for the energy efficiency objectives of the EU.

The next programming period 2014-2020 offers new opportunities to make a significant change in allocation of SCF budget towards sustainable energy, and let SCF play a more important role in realising the energy policy objectives of the EU. Meanwhile, member states have to make sure the allocated budget in the current programming period is well spent.

The lessons learnt in the previous programming periods give guidance to the EC, the Managing Authorities of the SCF, and the potential beneficiaries of the funds to avoid the obstacles encountered in the past. The aim of the IEE PromoSCene project is to support in this process.

“To reach the 20% RES target in 2020, investments between 600-700 billion Euro are needed in EU27, while the required investments for the 20% EE target are even higher.”
- European Investment Bank 2009

“An estimated 180 billion Euro is needed for renovation of the existing building stock in NMS.”
- Ecofys 2006
The focus of the IEE PromoSCene project is on Managing Authorities (MA) and energy agencies, particularly in Bulgaria, Cyprus, Czech Republic, Poland and Romania. The scope of the project includes the Operational Programmes that contain priorities that are directly or indirectly related to renewable energy and/or energy efficiency.

An important aspect in the project is to improve the communication and information exchange among managing authorities (and intermediaries), and between MA on one side, and beneficiaries and stakeholders on the other (e.g., companies, energy agencies, regional development agencies, banks, etc).

The main objectives of the IEE PromoSCene project include:

- Increased awareness of managing authorities in target countries regarding the importance of energy investments for regional development
- Easy access to information for beneficiaries regarding SCF programmes and related RE and EE projects
- Better promotion and management by managing authorities of energy-related aspects of their operational programmes

This eventually has to lead to a significant increase in SCF-financed projects related to energy efficiency and renewable energy.
The IEE PromoSCene Exchange Platform

By organising national and international events, the IEE PromoSCene project provided national and international platforms for Managing Authorities and other stakeholders to exchange information and experience related to sustainable energy in Structural & Cohesion Funds.

Raising awareness and networking were key elements in each event, which usually had an interactive setup. In addition, interviews were conducted with MA in the 10 countries of the IEE PromoSCene consortium. In particular these interviews and the national seminars in Bulgaria, Cyprus, Czech Republic, Poland, and Romania helped to identify 5 main areas of information needs of Managing Authorities:

i. Promotion: How to reach the right potential beneficiaries and attract more and better energy project proposals?
ii. Proposals: What criteria to use for project appraisal? Guides for applicants?
iii. Management Procedures: defining tasks and responsibilities of bodies involved in contracting and monitoring of projects
iv. Financial Issues: What are eligible costs? Bankable projects? How to deal with State Aid rules?
v. Project Monitoring: How to set up monitoring?

Products of the IEE PromoSCene project

The country reports developed by IEE PromoSCene address the information needs of the Managing Authorities in detail, and also identify the relevant priorities in Operational Programmes related to sustainable energy, as well as the main structure and implementation of SCF management in each country.

These country reports provide the basis for the guidelines and database of the IEE PromoSCene project. In particular, the guidelines use the country specific information to match the information needs of the managing authorities in the five target countries (Bulgaria, Cyprus, Czech Republic, Poland and Romania) with the expertise and lessons learnt of the more experienced countries such as Austria, France, Germany, Greece, and the Netherlands.

The guidelines provide Managing Authorities (and Implementing Bodies), particularly those in the New Member States, information on the efficient use of Structural & Cohesion Funds in the field of sustainable energy. The guidelines are available in English and translated into Bulgarian, Czech, Polish and Romanian.
Where to find the SCF opportunities for sustainable energy investments?

Opportunities for sustainable energy investments in Structural & Cohesion Funds turn out to be very country specific. Finding the opportunities means analysing each of the 355 sectoral or regional Operational Programmes separately.

335 Operational Programmes to analyse...

In the current programming period 2007-2013, the budget for SCF is divided among a total of 335 Operational Programmes (OPs). Many of these Operational Programmes offer direct and indirect opportunities for sustainable energy investments. The priorities in each of these OPs determine what type of action is eligible for funding, and how much money is available. Each OP is different and has its own conditions, which makes it difficult to give advice about the specific SCF opportunities for sustainable energy investments. Each of the 335 OPs has to be analysed separately to find the energy related priorities. The IEE PromoSCene project...
has done this for 5 countries: Bulgaria, Cyprus, Czech Republic, Poland and Romania. The country reports of IEE PromoSCene contain an overview of the opportunities in each of these 5 countries, which are also available on the IEE PromoSCene website.

**Keywords: Competitiveness, innovation, environment, urban development**

As a general advice, the best chance of finding the energy related priorities is in OPs dealing with competitiveness, SME, or innovation, and in OPs dealing with the environment. Often, the OPs for regional development also contain priorities on sustainable urban development (EE in buildings or transport) or decentral RE production. This does not imply that other OPs are irrelevant; sustainable energy can play a role in those as well, either directly (e.g., biofuels in OP Transport) or indirectly (e.g., energy management training in OP Employment).

Where sustainable energy is not a direct priority in an OP, extra awareness is required to seize the opportunities, not only of the applicants who submit proposals, but also of the managing authorities and other stakeholders such as banks.
Identified barriers using SCF for sustainable energy investments

The IEE PromoSCene project has identified several barriers that prevent a more widespread use of Structural & Cohesion Funds for sustainable energy investments. Tackling these barriers is the key to a greening of the economy with Structural & Cohesion Funds.

Barriers in budget allocation during OP development

As the shares of renewable energy and energy efficiency in the current SCF budgets show, the first barrier to overcome is the limited budget that is directly allocated to sustainable energy during the development of the Operational Programmes (OPs). Despite the fact that sustainable energy is mentioned in the EC Community Strategic Guidelines, most Operational Programmes pay little attention to this topic. This is also a result of the lack of national coordination in many New Member States, resulting in National Strategic Reference Framework
documents that fail to highlight the importance of sustainable energy. Underlying problem of the lack of priority in allocating budgets and in the lack of coordination is the lack of awareness regarding sustainable energy investments as essential and beneficial investments for regional development.

**Barriers during the implementation of OPs**

In addition to the barriers related to the development of the Operational Programmes, IEE PromoSCene also identified several barriers related to the implementation phase of the OPs, when the allocated budget actually needs to be spent.

The barriers are divided into two categories; barriers related to the Managing Authorities, and barriers related to the beneficiaries that propose and implement the projects financed through SCF.

**Barriers related to Managing Authorities of SCF:**

- Lack of awareness and expertise to acknowledge the strategic importance of sustainable energy for the SCF objectives
- Lack of targeted promotion: potential beneficiaries are not reached, nor triggered to submit proposals
- Lack of transparency in procedures, and bureaucracy
- Changing framework conditions of the Operational Programmes, creating more uncertainty
- Lack of coordinated monitoring of Structural Funds projects (also for benchmarking purposes and dissemination of good practices)
- Lack of platforms for exchange and dissemination of experiences and good practices

Solar heating plant which provides hot water for local communities, Güssing, Burgenland, Austria © European Communities, 1995-2009
Wood fired electrical generating plant, Güssing, Burgenland in Austria. © European Communities, 1995-2009
Barriers related to beneficiaries of SCF:

- Beneficiaries of smaller projects often lack project development skills and capacity
- Difficulties in making energy projects eligible under priorities of Structural Funds
- Problems in making projects bankable, getting financing (pre-financing/ co-financing)
- Lack of commitment when creating a consortium for bundling smaller projects

Connecting networks?

As a general conclusion, the ‘networks’ of Structural Funds on the one hand and sustainable energy on the other do not seem to connect very well. The barriers encountered during the implementation phase can hamper the spending of the SCF funds. In fact, the actual spending (absorption) of SCF budget proved to be a point of concern in the previous programming period, where especially the New Member States showed a low absorption capacity of SCF funds in the early years.

Member states with a low absorption capacity risk becoming a net contributor to the EU. Alternately, when the deadline of spending SCF money (according to the ‘n + 2’ rule) is approaching, budgets are often reshifted away from sustainable energy projects to more conventional large-scale projects to which the ‘n + 2’ rule does not apply.
Greening the economy with the management of Structural & Cohesion Funds

What needs to be done to overcome the current barriers and work towards a greening of the economy with Structural & Cohesion Funds?

Matching information needs with experience and lessons learnt

The IEE PromoSCene project puts forward several considerations that need to be taken into account to overcome the current barriers of using SCF for sustainable energy investments.

The considerations focus on the management aspects of SCF and are the result of matching the information needs of Managing Authorities in New Member States with the experiences, lessons learnt, and good practices of more experienced countries (mostly those of the IEE PromoSCene consortium, which include Austria, France, Germany, Greece, and the Netherlands).
The SCF management cycle

The set of considerations are addressed following the general phases in the management cycle of the Structural & Cohesion Funds. In the development phase, the SCF management cycle is linked to the cohesion policy cycle, in which the EC Community Strategic Guidelines (CSG) provide the framework for the National Strategic Reference Framework (NSRF) of the member states, which in turn provide the framework for setting the priorities in the Operational Programmes (OPs).

In the implementation phase, when SCF projects are appraised and selected, contracted, and consequently monitored, the SCF management cycle is linked to the project management cycle.
The first phase in the SCF management cycle involves the development of the Operational Programmes (OPs) within the framework of the Community Strategic Guidelines and the National Strategic Reference Framework.

Coordinated action for increased awareness

Increased awareness is a prerequisite for a more prominent role of sustainable energy in OPs; national governments and MA need to acknowledge the strategic importance of energy for economic development. Awareness can be increased through exchange of good practices, lessons learnt, or other experiences, preferably at both a national and an international level. This will not happen automatically; coordination at a national level is needed, while designated exchange platforms can be created that give active support to MA.

Linking SCF to the EU 20/20/20 targets

If sustainable energy needs to play a more prominent role in OPs, the first step is to create more steering from the top level. For instance, for the upcoming period 2014-2020, the EC Community Strategic Guidelines can be linked to the 20/20/20 targets in the energy & climate package of the EU, similar to the link with the Lisbon Strategy of the current SCF programmes. This will encourage the member states to put more emphasis on sustainable energy in their National Strategic Reference Framework. Consequently, this will trigger the MA to pay more attention to the topic when defining the priorities and budgets in their OPs.

Transparency and simplicity in procedures

During the development of the OPs, an efficient and transparent management structure needs to be set up, which includes the development of subsidy schemes, procedures, selection criteria,
requirements for the guidelines or manuals, and formats for application forms, as well as requirements for monitoring. It has to be clear to the potential beneficiaries how the project cycle will function and what is expected from them.

Make sure procedures are as simple and transparent as possible. Address beforehand questions such as: how will projects be identified, formulated, implemented and evaluated? What are the project selection criteria? The cost-effectiveness of potential projects is an important indicator. A Cost Benefit Analyses (CBA) tool, such as the one developed by the EIB can help the staff to assess the cost-effectiveness of projects.

Also make sure that calls for proposals or tenders are kept open long enough for applicants to obtain the necessary documents such as permits or guarantees. Avoid constantly changing the procedures and budgets associated with the OP; this creates bureaucracy and uncertainty, which shies away potential beneficiaries.

**Staff requirements**

Although the regulations make only limited references to human resources, the staffing of MAs is perhaps one of the most central issues in the Management of the Funds. The number of staff varies widely from one MA to the other, depending on the type of programmes and the delegation of tasks. The management of the national programmes under the SCF tends to be less laborious compared to the management of cross-border initiatives, which leads to relatively high staffing requirements. Perhaps more important than the quantity is the quality of the staff. Managing authority staff typically has a background in finance, engineering, law and/or economics. The ability to recruit and retain good personnel is vital for good SCF management.

Make sure you have enough capacity and specific expertise to be able to answer questions of potential beneficiaries, give information about the energy opportunities of the OP, and clarify application requirements to potential beneficiaries. Minimal staff requirements include that they are up-to-date with new regulations and with useful practices. This implies that staff is trained continuously, and that facilities exist to exchange information and experiences. There are various training programmes and structures developed in order to have the right people at the right place for the sound management of operational programmes.

**State Aid Rules**

The state aid rules from the European Commission proved to cause difficulties for many MA in New Member States. Check with the national contact point on state aid regarding requirements on (pre-) notifications, and which state aid guidelines apply when setting up schemes under SCF. Although the conditions that determine whether state aid is involved are very specific country, creating (national) platforms for exchange of experiences can help, as well as an international support structure related to this topic, e.g. through TAIEX workshops.
Promotion is essential for generating new SCF projects. The goal is to encourage people, businesses and institutes to apply for Structural & Cohesion Funds based on a clear understanding of the goals and requirements of SCF programmes. So the promotion phase involves everything to trigger the potential beneficiaries to submit good project proposals for their sustainable energy projects.

Promotion material

In order to reach the right target groups and help them to write good project proposals, MA have to develop targeted information material and organise events during the entire SCF management cycle. Especially during the early stages of the programme, potential beneficiaries must be informed about the funding possibilities and procedures of SCF programmes. This includes specific material such as a guide for applicants or a checklist.

More general promotion to a larger public can be used to inform about the overall objectives of Operational Programmes and the benefits that are brought to a sector, region, or local communities. Standard promotion material includes brochures, detailed reports, and websites.

A website is an excellent and relatively cheap tool to provide easy access to information for a large number of people. Websites should provide information about Operational Programmes and contact details of MA. The information can be structured to address different potential beneficiaries. Typically, information about application procedures should be available, including the possibility to download documents for the submission of proposals.

However, potential beneficiaries will not automatically search and find the website of the MA by themselves. So websites need to be supplemented with e.g., newsletters; public events such as workshops, info days and seminars; or short promotional films (distributed as a bonus DVD with a magazine), advertisements and documentaries.
Networking

In order to reach the right potential beneficiaries, MA need to create networks within the energy sector. Intermediaries, such as energy agencies, regional development agencies, or consultancy companies, can help by acting as a ‘bridge’ between MA and potential beneficiaries, either formally or informally. In order to facilitate relations between managing authorities and beneficiaries, it is important to have a clear contact point, preferably with the same people throughout the implementation of the OP. Managing Authorities sometimes organise sessions with ‘Frequently Asked Questions’ and publish the results on their website. Also, a telephone ‘Hotline’ can be used as a support for beneficiaries, which is the case in the Czech Republic within the Operational Programme ‘Environment’.

Easy access to information and support

The rules surrounding Structural funds are complex at first sight. The role of the Managing Authority is to offer further assistance to the applicants to explain and clarify the rules and requirements. MAs should have capacity available to provide assistance to the applicants, for example to clarify forms, explain documents, answer questions about requirements of a specific programme or subsidy, or the maximum period for project implementation. This assistance will be requested in particular for smaller projects, for which the administrative costs are relatively high, while the budget for hiring a consultant to assist in the application procedures is usually lacking. However, MA need to make sure that they treat all applicants equal, and provide the same level of support to everyone.

A checklist of required documents is helpful, and all essential documents (formats, selection criteria, good practice examples, etc.) should be easily accessible, e.g. through the internet. Nevertheless, it should always remain clear to everyone that the sole responsibility of the application lies with the applicant.
Co-financing for SCF projects

The SCF contribution is limited to a maximum percentage of the total eligible costs, while not all costs are eligible. Sometimes, national governments provide additional funding, but there will always be a share left for the potential beneficiary to finance. In addition, SCF are based on ex-post financing of projects, which usually results in the need for additional pre-financing. So the beneficiary has to arrange co-financing and/or pre-financing for his project, and this appears to be one of the major difficulties that potential beneficiaries face in submitting SCF project proposals related to sustainable energy.

Managing Authorities can help the potential beneficiaries by clearly indicating and explaining the conditions related to financial support. Not all costs are eligible for SCF funding, so make sure the beneficiary understands which expenses are directly eligible, indirectly eligible, and which ones are not eligible at all. Also explain what percentage of the eligible expenses is funded.

In addition, Managing Authorities can help the beneficiary by making prepayments possible through special financing schemes, which is often done for governments and NGOs. Also, Managing Authorities can point beneficiaries towards possible private sources for loans. Most commercial banks in NMS have special financing programmes for projects using SCF.

Additional (financial) support for SCF projects

In addition to national support, the European Investment Bank (EIB) in cooperation with EBRD and others has introduced several additional financial support mechanisms for SCF:

JASPERS The JASPERS (Joint Assistance to Support Projects in European RegionS) programme is a technical assistance programme providing technical expertise to the Member States, in order to support the development of large-scale, high-quality infrastructure projects, mainly in the transport and environmental sectors. The programme is a partnership between the European Commission’s DG-Regio, the EIB and the European Bank for Reconstruction and Development (EBRD). The EIB and EBRD provide the technical assistance.

JEREMIE (Joint European Resources for Micro to Medium Enterprises) is an initiative of the EC and the European Investment Fund (EIF). It offers EU Member States the opportunity, through their national or regional Managing Authorities, to use part of their Structural Funds to support SMEs by means of equity, loans or guarantees, through a revolving Holding fund (which acts as an umbrella fund).

JESSICA (Joint European Support for Sustainable Investment in City Areas) is an initiative of the EC, the EIB, and the Council of Europe Development Bank (CEB). Under new procedures, Member States are being given the option of using some of their Structural Funds to make repayable investments in projects forming part of an integrated plan for sustainable urban development. These investments, which may take the form of equity, loans and/or guarantees, are delivered to projects via Urban Development Funds and, if required, Holding funds.
The appraisal phase includes verification of all submitted proposals for administrative compliance; subsequently it involves a check on the eligibility of the applicants and the proposals; and finally a check on technical and financial aspects according to preset selection criteria. Project proposals are then prioritised, and a selection is made of the projects that will receive funding.

A number of techniques can be used for project appraisal, such as financial analysis; economic appraisal (including cost-benefit analysis and cost-effectiveness); scoring, weighting and rating systems (including multi-criteria analysis); and environmental impact assessments. These techniques can be combined to add up to the feasibility study of a project. The most commonly used types of appraisal are financial analysis and technical assessment.

**Using experts, preset selection criteria and procedures for appraisal**

In order to evaluate the project proposals adequately, the staff doing the evaluations has to have enough capacity and specific expertise to evaluate sustainable energy project proposals. In practice, staff undertaking project appraisal has not always been trained in the application of advanced techniques. Also, guidelines in relation to advanced appraisal techniques (e.g. cost benefit analysis) often lack sufficient detail. If capacity and/or expertise of the staff is insufficient, training courses or technical assistance can be arranged, or external experts can be used. Either way, the selection criteria and procedures for appraisal need to be developed before calls are opened.
Minimum requirements for project proposals

Project proposals submitted for SCF funding will at least have to answer the following general questions:

- **Why?** Why is this project needed? How does it contribute to European, national, regional and/or local policies? Is the potential impact of the project significant?
- **Who?** Who is the target group? Who will benefit from the project and how many people will be affected by this project? Who will participate in the project and in what (legal) form?
- **What?** What are the project objectives? What are the expected results? What activities will be implemented (action plan) to reach these objectives? What are the main phases of the project? What is the time schedule for the implementation of the activities?
- **Where?** Where (in which city, region, country) will the project be implemented? When does the project start and end?
- **When?** How much money is needed? How is the project financed? How can it be made bankable?

Support tools for project appraisal

‘Scoring, weighting and ranking’ (SWR) techniques are valuable appraisal tools to help Managing Authorities to choose between individual eligible projects. These are complementary to good project selection procedures, such as clear project selection stages and transparency in the selection process. SWR systems do not cover eligibility criteria as all projects reaching this point in the process should already have been labelled eligible for funding in a previous phase.

Transparent procedures and clear selection criteria

As Managing Authority, you have to be transparent with respect to the selection criteria that will be applied for project appraisal. This means information on selection criteria and the procedures that will be followed needs to be given to beneficiaries beforehand. This will increase the quality of the project proposals.
Clear conditions and performance indicators

Organise: Start with a platform, an advisory committee, and a steering group. At the start of the process, all relevant parties are brought together in one steering group (round table). This steering group should include people from various disciplines (not only technical experts). The platform develops a roadmap (including timetable) for the appraisal process. All applications need to fit within this roadmap. An advisory committee is also established for the technical assessment of the applications.

Check applications: All submitted proposals are evaluated by independent advisers. The first check is a formal eligibility check, checking the completeness and other formal issues, such as compliance to the deadline and procedures. The advisers then use a framework of questions to make an initial assessment of the project proposal, which is subsequently sent to the advisory committee for a technical assessment.

Score projects: The Advisory Committee evaluates all submitted projects using a balanced scorecard. Members of the committee individually appraise each project, and then discuss their scores for each individual project, to determine whether there are large differences. A mutually acceptable score is determined before the next project is discussed. When all projects are scored, a ranking is made. At this point, no further discussion is possible.

Contracting

The contracting phase starts as soon as the projects have been selected. It includes negotiations and setting conditions for the implementation of projects.

Clear conditions and performance indicators

Make sure that beneficiaries understand the contract conditions, including the eligibility of costs, the monitoring requirements such as the use of performance indicators, and the (intermediate) deadlines. This will help to avoid unpleasant surprises during the implementation process. From the start of the project, indicators should be clear, specific to the project and measurable, and deadlines should be specified.
This phase involves the monitoring of the portfolio of projects that are being implemented. The Managing Authorities have to check the project progress, the eligibility of costs and the coherence of projects, in order to make sure that the funds are used in an appropriate manner.

Monitoring the progress of projects

Projects should be properly monitored during their implementation. Good monitoring requires that Managing Authorities are familiar with all projects, conduct regular on-site visits, and get regular reports and updates on the progress as well as on the financial status of the projects. Authorities must be particularly aware of potentially difficult or risky projects and follow them closely. In order to avoid randomness, the monitoring procedures can be developed upfront during the development of the OP.

Based on the project progress, intermediate payments can be made. Since project financing is one of the issues of concern for beneficiaries, it is important to ensure that transfer of payments are done without delay in order to avoid cash flow problems of the beneficiaries, which could jeopardize the success of the project and thereby the absorption capacity of the Structural & Cohesion Funds.

Monitoring the implementation of an Operational Programme

Managing Authorities themselves are also subject to different types of control, to make sure that Community rules and principles of sound financial management are applied. These rules aim at preventing, detecting and correcting irregularities, as well as recovering budgets if so required. The European Court of Auditors regularly checks SCF spending and concludes that irregularities occur in many cases (43% of the sample survey in 2008), usually related to the eligibility of costs or
Monitor procedures. As a result of these irregularities, SCF money has to be returned from the member states to Brussels.

**Monitoring the management of all Operational Programmes**

Monitoring should also be done at a national level to follow the overall progress of the management of the OPs and their budgets. This requires coordination and a designated monitoring body at the national level. It is essential to assign responsibilities for monitoring (and evaluation), including institutional and individual assignments for day-to-day monitoring. Building a Monitoring Committee and selecting its members can be a time-consuming process, and an early start with this is recommended.

**OP Evaluation**

The Evaluation phase involves the ex-post evaluation of all the projects, as well as the evaluation of (the management of) the entire Operational Programme.

A proper evaluation of the project and programmes results in practical recommendations that can be implemented in the Cohesion Policy Cycle of the new programming period, either through the Community Strategic Guidelines, through the National Strategic Reference Framework, or through the development of the Operational Programmes.

And then the SCF management cycle starts again....
The IEE PromoSCene project has created substantial added value through the activities and products developed during the project period:

- Through interviews and events, the IEE PromoSCene project has articulated the information needs of Managing Authorities in new member states, and consequently linked these needs to the experience and lessons learnt of other new member states. This information is compiled in guidelines and country reports, as well as in an online database, for the benefit of Managing Authorities. Other institutions such as the EIB can also benefit from this information when providing bilateral technical assistance to either Managing Authorities or beneficiaries.

- The barriers that the IEE PromoSCene project identified in using Structural & Cohesion Funds for sustainable energy investments give clear insight in the areas that require close attention. This information is relevant for all parties involved in the optimisation of the management of Structural & Cohesion Funds.

- As one of the few European projects, IEE PromoSCene was able to set up national and international platforms to exchange practices and lessons learnt between Managing Authorities, thereby linking the information needs with existing experiences. By focusing each time on different specific needs of the Managing Authorities, these (inter)national exchange platforms of IEE PromoSCene created true added value with a European wide outreach. The evaluation surveys affirm that these public events proved to serve a real need, especially for the Managing Authorities in the early phases of their programme management.

- The international events of IEE PromoSCene also provided an excellent opportunity for DGREGIO to inform Managing Authorities about recent changes in SCF regulation, such as those regarding the use of SCF for energy efficiency measures in the existing building stock.

- The final event of the IEE PromoSCene project provided an opportunity for the Managing Authorities to give feedback to the European Commission about
the obstacles encountered during the practical implementation of EU Cohesion Policy. This has resulted in recommendations for the upcoming SCF programming period.

- The evaluation surveys show that the IEE PromoSCene project was able to increase the awareness among Managing Authorities regarding the importance of energy for economic development, and the opportunities for financing sustainable energy measures with Structural & Cohesion Funds.

- The energy agencies involved in the IEE project gained a lot of new information about how Structural & Cohesion Funds can support the sustainable energy policies and targets in their country, which enabled them to better connect the Managing Authorities to the energy sector in order to reach the right potential beneficiaries.

- The website of the IEE PromoSCene project provides easy access to information related to the sustainable energy opportunities (and obstacles) under SCF, as well as the lessons learnt and good practices. This makes the IEE PromoSCene website a unique source of detailed information when aiming to use SCF for a greening of the economy.
Recommendations for the new SCF programming period 2014–2020

For a further greening of the economy with Structural & Cohesion Funds in the new programming period 2014–202, the IEE PromoSCene project has several recommendations.

How to get Managing Authorities to pay more attention to energy when developing their Operational Programmes for 2014–2020?

- Create more steering from the top level. For instance, the EC Community Strategic Guidelines can be linked to the 20/20/20 targets of the European energy & climate package, similar to the link of the current SCF programmes with the Lisbon Strategy. This will encourage the member states to put more emphasis on sustainable energy in their National Strategic Reference Framework.
Consequently, this will trigger the Managing Authorities to pay more attention to the topic when defining the priorities and budgets in their OPs.

- Set up a help desk for Managing Authorities on how to deal with State Aid rules when setting up subsidy schemes under their Operational Programmes.
- Create national and international platforms to exchange practices and experiences in order to increase awareness and knowledge on using SCF for sustainable energy investments.

How to create the necessary capacity and expertise for Managing Authorities to attract, appraise and select good sustainable energy projects?

- Use Technical Assistance support from institutions such as the EIB (JASPERS).
- Create national and international platforms in order to increase awareness and to exchange experiences and good practices on selection criteria, checklists for application, procedures, guides for applicants etc.
- Build on the IEE PromoSCene database.
- Create a database of experts on SCF & sustainable energy.

How to effectively “connect” the Managing Authorities with the energy sector (make sure that Managing Authorities reach the right beneficiaries and trigger them to apply?)

- Use targeted promotion by plugging into the networks of energy agencies, regional development agencies, consultants, EIB/ JASPERS etc.
- Create a national or regional One-Stop Shop that can assist with all aspects of Structural Funds, and/or a hotline for general support to potential beneficiaries.
- Establishing a framework and common language between Member States in order to streamline the treatment of energy efficiency and renewable energy in the Operational Programmes.

How to simplify procedures, reduce bureaucracy?

- Encourage potential beneficiaries with smaller projects to bundle their efforts into consortia
- Provide special assistance to bundles of projects
- Create national and international platforms to exchange practices and experiences
IEE PromoSCene Guidelines and Country Reports

The guidelines provide Managing Authorities (and Implementing Bodies) of particularly the New Member States in the EU information on the efficient use of Structural & Cohesion Funds in the field of sustainable energy.

The integrated guidelines are available in English and translated into Bulgarian, Czech, Polish and Romanian. As annexes to the guide, 9 country reports are available in English presenting more detailed information on SCF in each country.

IEE PromoSCene database

IEE PromoSCene database provides information on renewable energy and energy efficiency projects funded through Structural & Cohesion Funds in different member states.

In total 76 best practice projects are included from: Austria (24), Czech Republic (7), France (7), Germany (13), Greece (2), Latvia (2), Lithuania (2), the Netherlands (4), Romania (12) and Slovakia (3).

The database also gives background on general conditions of the management of Structural & Cohesion Funds. Various documents including factsheets/best practise examples, country reports, and guidelines are available for download for interested Managing Authorities and other stakeholders.

The database is available online on the PromoSCene website: www.promoscene.eu
An old landfill transformed into a solar power plant, Sainte Suzanne, La Réunion, France. © European Communities, 1995-2009

Useful links for further information

IEE PromoSCene project: http://www.promoscene.eu
JASPERS: http://www.jaspers-europa-info.org/
Want to know more?

Please use the CD-rom with the full guidelines and country reports of the IEE PromoSCene project

[SPACE FOR CD-ROM ENVELOPE]
IEE PromoSCene

The IEE PromoSCene project promotes the use of Structural & Cohesion Funds to finance investments in renewable energy and energy efficiency. The project has investigated the benefits and drawbacks of using Structural & Cohesion Funds for sustainable energy investments in New Member States, and has specified the conditions for fully taking advantage of the opportunities of these funds. The IEE PromoSCene project started in January 2007 and was completed in August 2009. In total 11 organisations from 10 countries participated in the consortium, which included 5 new member states.

If you would like to receive more information about the IEE PromoSCene project, please contact the project coordinator.

PromoSCene Partners:

SenterNovem, the Netherlands (CO)
CRES, Greece
Dena, Germany
AEA, Austria
ADEME, France
KAPE, Poland *
SEVEN, Czech Republic *
EEA, Bulgaria *
CIE, Cyprus *
ARCE, Romania *
ISPE, Romania *

* Target country; CO = Coordinator

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