1. **What lessons can be drawn from the experience of preparing the 2007-2013 programmes?** In this context and in the light of the analysis provided by this report, how far is cohesion policy adapted to the challenges European regions will face in the coming years?

The European Regional Policy Group (ERPG) believe that if cohesion policy is to meet the challenges to be faced by European regions in coming years the policy must adopt six principles. Cohesion policy must:

1. comply with a sustainable development framework with full integration of environmental, social and economic needs;
2. take into account environmental disparities, and give these due weight, if it is to successfully support an effective single market;
3. integrate climate change adaptation actions across all its aspects, to address the increased regional disparities which will arise from climate change;
4. support reductions in carbon dioxide (C02), and greenhouse gas (GHG), emissions across Europe in pursuit of environmental gain in Europe and beyond;
5. improve its environmental performance, demonstrating a clear commitment to the delivery of European environmental policy;
6. deliver through the purchase of “public goods”, including those which protect and enhance the environment, rather than seek to compensate for disadvantage.

These six principles have been developed after drawing out the lessons from our experience with past programmes and considering other evidence sources.

We are particularly concerned that:

1. cohesion policy has not embraced a framework of sustainable development with full integration of environmental, social and economic objectives;
2. European environmental policies have not been fully integrated, the mainstreaming approach for environmental policy has not been delivered;
3. funding for environmental priorities within programmes is low and doesn’t prioritise long term goals through the protection of habitats and ecosystems.

Support for these conclusions can be found in:

1. the mid-term review of the 6th EAP\(^1\) which concluded that “despite the progress made the environmental challenges are also increasing and

\(^1\) European Commission, SEC(2007) 546, 30 April 2007

**The European Regional Policy Group** is a grouping of the United Kingdom statutory countryside and environmental agencies whose membership includes: Countryside Council for Wales, Environment Agency, JNCC, Natural England, Scottish Environment Protection Agency, Scottish Natural Heritage.
Europe is not yet on the path towards a genuinely sustainable development;

2. the report on progress in implementing the Sustainable Development Strategy\(^2\) which identified the challenge as “to work towards convergence of the overarching long-term objective of sustainable development, focussing on quality of life, intergenerational equity and the long term viability of European society and the medium term goal of growth, competitiveness and jobs under the Lisbon Strategy”

3. A recent WWF report\(^3\) found that operational programmes do not put a high priority on NATURA 2000 measures, that investments concerning the Water Framework Directive were almost non-existent and, that energy efficiency and renewable energy priorities were attracting below expected allocations. The report also found evidence for the potential funding of projects which would harm the environment.

We also highlight a recent European Spatial Planning Observatory Network (ESPON)\(^4\) study which considers and compares scenarios based on a “competitiveness” approach and a “cohesion” based approach. It found that “cohesion” based approaches generated significant amounts of added value in relation to environmental sustainability when compared with current trends and a competitiveness based approach.

We believe that the decision to “ring-fence” a substantial proportion of the budget to Lisbon goals part-way through the development of the Structural Fund programme framework diminished the potential environmental outcomes from the UK Structural Fund Programmes. For example, the Regulations provided many opportunities for environmental outcomes; these have not been realised in the regional operational programmes.

We also believe that environmental activity has received a lower priority due to the unequal treatment of the cross cutting themes; only the equality cross cutting theme is subject to a mandatory indicator, (gross jobs created, separated by men and women). An appropriate environmental indicator should be developed.

We believe that cohesion policy should be used in future to address environmental as well as socio-economic disparities across the European Union so that disadvantage in society is not exacerbated by poor quality environment.

1.1. How can the regions react to restructuring pressures from dynamic competitors in low and medium tech sectors?

The ERPG believe that regions should give priority to those responses which give due weight to the environmental component of sustainable development.

Activities which deliver competitive advantage through alignment to a region's environmental characteristics, secure environmental public goods and, respond to the opportunities presented by climate change mitigation and adaptation would help regions to react to restructuring pressures. Such opportunities can be found in the tourism and environmental and ecosystem services\(^5\) sectors where the regions' assets can be used to drive sustainable growth.

The Commission’s current approach to sustainable development prioritises the economy over environmental and social concerns\(^6\). This failure is reflected in the findings of the mid-term review of the 6\(^{th}\) EAP\(^7\) and the Commission’s progress report on implementing the Sustainable Development Strategy\(^8\). We believe that this approach is an inappropriate response to restructuring pressures.

1.2. **Given the wide differences in birth rates, death rates and migratory flows at regional level, what is the role of cohesion policy in responding to demographic change?**

We have no response to make to this question.

1.3. **To what extent is climate change a challenge for cohesion policy?**

ERPG believe that climate change presents two clear and linked challenges for cohesion policy:
1. to reduce greenhouse gas emissions in order to minimise the risk of dangerous climate change and;
2. to take action to adapt to unavoidable climate change impacts. These challenges should be prioritised and fully integrated within cohesion policy.

Cohesion policy is highly relevant to meeting the challenges presented by climate change within Europe. The EU Treaty requires the Community to pursue actions which strengthen its economic and social cohesion, to be expanded to include territorial cohesion if the Treaty of Lisbon (EU Reform Treaty) is ratified by Member States. Climate change is expected to magnify regional differences in Europe’s natural resources and assets\(^9\).

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\(^5\) Environmental and ecosystem services could include activity to secure carbon sequestration through coastal wetland creation and deliver sustainable water supplies through the restoration of upland peat systems.

\(^6\) “we need a dynamic economy to fuel our wider social and environmental conditions” – President Barossa, Working together for growth and jobs: a new start for the Lisbon Strategy, February 2005.

\(^7\) European Commission, SEC(2007)546, 30 April 2007 – concluded that “despite the progress made the magnitude of many environmental challenges is also increasing and Europe is not yet on the path towards a genuinely sustainable development”

\(^8\) European Commission, SEC(2007)1416, 22 October 2007

The Stern Review\textsuperscript{10} estimates that if we don’t act, the overall costs of climate change will be equivalent to losing 5% of global GDP each year. In contrast, the costs of action can be limited to around 1% of global GDP. The Commission already recognise that the environment is a structural factor impacting on European competitiveness\textsuperscript{11} and there is extensive evidence detailing how the environment underpins economic activity and delivers on European priorities for jobs and growth\textsuperscript{12}. We conclude that Cohesion policy is well designed to tackle climate change, the policy tackles disparities and climate change will increase disparities.

ERPG believe that action on climate change, both adaptation and mitigation, is essential if the aims of cohesion policy are to be met.

Climate change will impact on all aspects of European life; the environment, social issues and the economy. Adaptation measures will be required. Considering environmental issues; ecosystems need to be resilient to climate change impacts to maintain the supply of goods and services essential for European society and the economy. Measures to secure a resilient natural environment also contribute to social and economic adaptation. Examples include “soft engineering” schemes to reduce flood risk and mitigating the urban heat island effect and heat-wave stress.

In the EU 15 emissions of GHG are off target for achieving an 8% reduction by 2008-2012 and the trend has been moving away from the target path since 2000\textsuperscript{13}. ERPG believe that cohesion policy should support CO2 and GHG emission reductions across Europe and beyond.

The 2007 Spring European Council made the commitment to transform Europe into a low carbon economy, delivering on this is identified as the challenge for the next cycle of the Lisbon Strategy\textsuperscript{14}. A study of the draft Yorkshire and Humberside draft ERDF Programme\textsuperscript{15} found that the majority of the indicative actions were unlikely to reduce carbon impacts on their own.

ERPG believe that programmes must be “low carbon” and that programmes should support the reduction of CO2 and GHG emissions across Europe.

\textsuperscript{10} The Economics of Climate Change, Stern Review.
\textsuperscript{11} Commissioner Danuta Hubner, Speech, 28th September 2007
\textsuperscript{12} ERPG, The environment, economic growth and competitiveness, January 2006.
\textsuperscript{15} Yorkshire Futures, Carbon assessment of the draft ERDF Operational Programme, final report, March 2007.
2. How can cohesion policy further develop an integrated and more flexible approach to development/growth and jobs in this new context?

2.1. How can cohesion policy better promote harmonious, balanced and sustainable development taking into account the diversity of EU territories, such as least favoured areas, islands, rural and coastal areas but also cities, declining industrial regions, other areas with particular geographic characteristics?

ERPG believe that a strong environmental dimension within cohesion policy can best promote balanced and sustainable development. Action on climate change adaptation and mitigation would reinforce balanced development. However climate change should not become a proxy for all environmental issues. The EU still has outstanding environmental issues to tackle such as improving land air and water quality, preventing loss of habitats and species and, reducing resource use and waste.

ERPG supports the European approach of “mainstreaming” environmental policy through the integration of its environmental priorities into other EU policies and programmes. To date, we do not believe that this approach has been successfully implemented within cohesion policy. The Commissions own study considering the effectiveness of the “Cardiff process”16 and a recent WWF report17, support this view.

ERPG believe that Cohesion Policy has the potential to deliver harmonious, balanced and sustainable development but that to do so environmental objectives must be more effectively integrated within the policy. The concept of “territorial cohesion” presents opportunities to deliver improved integration within coherent areas but only if “territorial cohesion” is orientated towards environmental factors. Such an approach would align cohesion policy to a sustainable development framework with clear environmental, economic and social objectives.

We note that the 4th Cohesion report considers “territorial cohesion” however, this is largely repetition of economic and social issues discussed under “economic cohesion” and “social cohesion”. ERPG does not believe that this approach to “territorial cohesion” adds innovation to cohesion policy. Instead we recommend that “territorial cohesion” encompasses environmental factors.

We see cohesion policy as having a role in rural areas. The nature of this role will in part be determined by the forthcoming debate on territorial cohesion and the CAP debate. We note that the Commission intend to publish a Green Paper on territorial cohesion in the autumn of 2008. We

16 Integrating environmental considerations into other policy areas – a stocktaking of the Cardiff process, COM/2004/0394 final.
look forward to contributing our view on the role of cohesion policy in rural areas in the subsequent debate.

2.2. **What are the impacts of the challenges identified in the report for key elements of social cohesion such as inclusion, integration and opportunity for all? Are further efforts needed to anticipate and counteract these impacts?**

We have no response to make to this question.

2.3. **What are the key future skills that are essential for our citizens in facing new challenges?**

ERPG believe that improved environmental skills will be necessary as Europe comes up against increasing environmental constraints and as it deals with climate change. Environmental factors are of increasing importance to a region’s competitiveness and the environmental economy is growing, spurred in part by environmental regulation and emissions trading. Ensuring that Europeans have the necessary skills, to comprehend and implement sustainable development and climate change adaptation and mitigation in a range of operational activities, is a prerequisite to grasping these opportunities.

2.4. **What are the critical competencies that should be developed at the regional level to make regions globally competitive?**

Regions are increasingly facing environmental limits as they pursue economic development agendas. Environmental resources – quality of water land and air, biodiversity and landscape - are under increasing pressure in many regions. Regional economic development strategies are increasingly recognising this issue and are setting targets to reduce their region’s ecological footprint. For example, in the South East Region of England, one of the UK’s most competitive regions, the Regional Economic Strategy includes the headline target to reduce the growth rate in the regions ecological footprint and then to stabilise and reduce it by 2016\(^\text{18}\).

ERPG supports such targets to reduce a regions ecological footprint and believe that increased environmental competency will be necessary if the targets are to be achieved and competitiveness maintained and increased.

3. Following the appraisal of the previous questions, what is the assessment of the policy management system for the period 2007-2013?

3.1. Given the need for efficient management of cohesion policy programmes, what is the optimum allocation of responsibility between the Community, national and regional levels within a multi-level governance system?

ERPG believe that future EU expenditure must meet the principles proposed by the UK Treasury: clear additional benefits of collective EU action, proportionate and flexible action and high standards of financial control and independent audit. We believe that clear programme objectives, backed by effective monitoring are essential to achieve high standards of financial control. The programmes should then purchase public goods, helping to ensure transparency of expenditure.

To ensure proportionate and flexible action the Community should set out the high-level objectives to be delivered by the Programme and then put in place the necessary monitoring arrangements to ensure the objectives are delivered. Management responsibility should be devolved to the lowest appropriate level. This would help to ensure that the programme is tailored to local needs and could purchase the required public goods.

The Community approach of mainstreaming its environmental objectives presents a challenge within this multi-level governance system. Spend on environmental activity is “concealed” and it is difficult to ensure that environmental priorities are adequately reflected in programmes designed to deliver other objectives and not monitored for those objectives. Research\(^\text{19}\) has revealed wide variation in the environmental performance of the 2000-2006 English Structural Fund Programmes both as direct spend on environmental activity and in relation to the environmental sustainability cross cutting theme. There is no apparent environmental justification for such variation. A recent WWF report\(^\text{20}\) concluded that "environmental integration remains a theoretical construct in most Member States”.

ERPG believe that the current multi-level governance system is weak and has allowed Programmes to give insufficient priority to Community environmental policies. The Community’s approach for environmental integration, known as the Cardiff process, has not been a success in cohesion policy. This conclusion is supported by a Commission study\(^\text{21}\)

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\(^{19}\) The effectiveness of EU Structural Funds in delivering the Governments environmental objectives, Fraser Associates, Defra, October 2005


\(^{21}\) European Commission, Integrating environmental considerations into other policy areas – a stocktaking of the Cardiff process, COM/2004/0394 final.
ERPG believe that this failure of mainstreaming needs to be addressed by means of the Community setting clear environmental objectives for the cohesion programmes, drawn from its Environmental Action Programme, for the Cohesion Programmes and for these objectives to be tracked by appropriate indicators.

3.2. **How can cohesion policy become more effective in supporting public policies in Member States and regions? What mechanisms of delivery could make the policy more performance-based and more user friendly?**

We have no response to this question.

3.3. **How can we further strengthen the relationship between cohesion policy and other national and community policies to achieve more and better synergies and complementarities?**

ERPG believe that to achieve clear, additional benefits of collective EU action there must be alignment between the Community, national and regional policies. The policies, at all levels, should embrace a common framework, and understanding, of sustainable development with full integration of environmental, social and economic objectives. Failure to align policies at all levels has resulted in blockages to the implementation of environmental policy.\(^{22}\)

Considering environment policy, the review of the 6th EAP identified that the integration of environmental concerns has not always been successful. It draws the conclusion that “The Cardiff process – which was set up to institutionalise this type of integration – has not lived up to expectations”\(^{23}\), and concluded that Europe is not yet on a path of sustainable development. We see this as a failing of the Commission’s current interpretation of sustainable development and a failure to successfully mainstream environmental objectives. This must be rectified if a sustainable development framework is to support the achievement of more and better synergies and complementarities between other national and community policies.

ERPG believe that this failing could be addressed through the use of environmental indicators which flow through all levels of programme governance, and including environmental criteria for funding allocations. For example, considering the Structural Funds, the only mandatory indicator required by the European Commission at Programme level is to have an indicator for gross jobs created, separated for men and women and; allocation criteria is based on GDP and unemployment rate. We therefore have a situation where delivery of the Community’s environmental policies are dependant other policies whose funding does nor reflect environmental need and there is no mandatory requirement for

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\(^{22}\) How Green is your Region, CPRE, FoE, WWF, July 2007.

an environmental indicator. It is perhaps not surprising if those managing the Programmes do not prioritise environmental issues. This situation could raise questions as to the effectiveness of EU spend.

The issue of indicators is being debated and was the subject of a recent high level conference – “Beyond GDP”. ERPG believe that this debate must be concluded and that environmental indicators must be developed and used to monitor the delivery environmental objectives within cohesion policy. Environmental funding criteria should be used to help ensure that policy delivery is adequately resourced.

ERPG believe that synergies and complementarities between policies could also be improved if they all worked towards the delivery of clearly identified public goods, including those that protect and enhance the environment. We note that Commissioner Hubner has indicated a wish to move cohesion policy towards the provision of public goods24. ERPG would support such a move, which would align the approaches taken by rural development policy and cohesion policy. This would help bring increased transparency of the benefits delivered by rural development policy and cohesion policy and help to bring clarity to demarcation issues between the policies.

3.4 What are the new opportunities for co-operation between regions, both within and outside the EU?

ERPG have identified three opportunities which should be prioritised:

1. addressing environmental disparities between regions, these disparities addressed within a framework of territorial cohesion;
2. climate change adaptation and;
3. reduction of CO2 and GHG emissions across Europe.

We believe that these three opportunities are well suited to co-operation between regions, both within and outside the EU.

Experiences from INTERREG programmes suggest that environmental activity is well suited to a co-operative approach and; the global nature of climate change requires co-operative approaches, especially where activity includes the purchase of public goods outside the EU to the benefit of Europe’s environment and citizens.