



**A Green Transition:  
Making the new  
programmes  
sustainable**

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## PREFACE

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## **Disclaimer**

It should be noted that the content and conclusions of this paper do not necessarily represent the views of individual members of the IQ-Net Consortium.



## LIST OF ABBREVIATIONS

<b>AIR</b>	Annual Implementation Report
<b>CF</b>	Cohesion Fund
<b>CLLD</b>	Community-led Local Development
<b>CPR</b>	Common Provisions Regulation
<b>CRII/+</b>	Coronavirus Response Investment Initiative/Plus
<b>DG</b>	Directorate General
<b>EAFRD</b>	European Agricultural Fund for Rural Development
<b>EC</b>	European Commission
<b>EP</b>	European Parliament
<b>ERDF</b>	European Regional Development Fund
<b>EIA</b>	Environmental Impact Assessment
<b>FNLTC</b>	Financing Not Linked To Costs
<b>ESF</b>	European Social Fund
<b>ESIF</b>	European Structural and Investment Funds
<b>ETC</b>	European Territorial Cooperation
<b>GHG</b>	Greenhouse Gas
<b>IB</b>	Intermediate Body
<b>ITI</b>	Integrated Territorial Investment
<b>JTF</b>	Just Transition Fund
<b>MA</b>	Managing Authority
<b>MFF</b>	Multi-annual Financial Framework
<b>MS</b>	Member State
<b>NCA</b>	National Coordination Authority (CZ)
<b>NGEU</b>	Next Generation EU
<b>OP</b>	Operational Programme
<b>PA</b>	Partnership Agreement
<b>PO</b>	Policy Objective
<b>R&amp;I</b>	Research and Innovation
<b>RTDI</b>	Research, Technological Development and Innovation
<b>REACT-EU</b>	Recovery Assistance for Cohesion and the Territories of Europe
<b>ROP</b>	Regional Operational Programme
<b>RRF</b>	Recovery and Resilience Facility
<b>SDG</b>	Sustainable Development Goals
<b>SEA</b>	Strategic Environmental Assessment
<b>SME</b>	Small and medium sized enterprises
<b>SO</b>	Specific Objective
<b>SUD</b>	Sustainable Urban Development
<b>TA</b>	Technical Assistance
<b>TO</b>	Thematic Objective
<b>UN</b>	United Nations
<b>YEI</b>	Youth Employment Initiative



## COUNTRY/PROGRAMME ABBREVIATIONS

Country	Abbreviation
Austria	AT
Belgium (Vlaanderen)	BE (Vla)
Czechia	CZ
Denmark	DK
Finland	FI
Greece	EL
Ireland	IE
Ireland (Southern Regional Assembly)	IE (SRA)
Ireland (Northern and Western Regional Assembly)	IE (NWRA)
Netherlands	NL
Poland	PL
Poland (Warmińsko-Mazurskie)	PL (W-M)
Portugal	PT
Slovakia	SK
Spain	ES
Spain (Bizkaia, País Vasco)	ES (Biz, PV)
United Kingdom	UK
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## EXECUTIVE SUMMARY

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Cohesion Policy has long provided an important framework for tackling challenges related to climate change and transitioning to a low carbon economy. **The focus of ESIF interventions on environmental sustainability will be further reinforced in 2021-27**, in line with the ambitious climate targets and the Green Deal objectives.

Across the IQ-Net programmes, this will be manifested in an **increased spending** on green activities; **a more cross-cutting focus** and reinforced mainstreaming of sustainable development principles; and **incorporation of new 'green' priorities**.

The planning for delivering sustainability in 2021-27 is still under way. Changes flow from the new architecture of ESIF policy objectives, with the **vast majority of sustainability actions to be delivered under the new PO2** dedicated entirely to 'green' issues. At the same time, a **reinforced mainstreaming of sustainability actions** across programme priorities and delivery instruments (e.g. territorial approaches, RIS3) is also expected.

The additional funding to support green transition under **REACT-EU provides an opportunity to 'test-run' some of the climate priorities** to be implemented in 2021-27, but also creates absorption, capacity and coordination challenges.

The **JTF will play an important role in alleviating the socio-economic costs of**

**climate and energy transition**, but some problematic planning issues relate to **territorial eligibility**, justification of the **intervention logic**, the **timeline** of the transition processes and **governance arrangements**, among others.

Some of the key lessons from the delivery of sustainable investments in 2014-20 relate to the **need for greater flexibility** (e.g. in relation to eligibility conditions, forms of financing, or procedural processes incl. public procurement). Other requirements are for **enhanced coordination** between instruments and **ongoing capacity building** for implementing bodies and beneficiaries.

Looking ahead, **compliance with reinforced regulatory requirements** around sustainability (incl. thematic concentration, Fund-specific climate targets and reinforced horizontal principles) and **ensuring complementarities with a wider array of EU instruments supporting green transition** (including the new recovery funds) might prove challenging.

Despite the challenges, **2021-27 presents new opportunities for ESIF to make a meaningful contribution to achieving major EU and global climate objectives**, driving a shift to new production and consumption models in line with sustainability principles.







# 1 INTRODUCTION

***“By using the European Green Deal as our compass, we can turn the crisis of this pandemic into an opportunity to rebuild our economies differently and make them more resilient”***

*Ursula von der Leyen, President of the European Commission, April 2020*

Programme authorities across the EU are facing complex challenges. **The COVID-19 pandemic has demonstrated the fragility of current systems and has highlighted the need for a transformative recovery to “build back better” – aligning economic growth with sustainability and inclusion.** Accompanying this is the pressing challenge of tackling climate change, with ambitious goals and targets at both global and EU levels for the coming years. The 2021-27 period reflects these challenges, making sustainability a pivotal theme underpinning all EU policies, strategies, and actions – as manifested in the European Green Deal.

The European Green Deal is a set of policy initiatives by the European Commission with the overarching aim of making Europe climate neutral by 2050. The Deal has been referred to as a new growth strategy for the EU,<sup>1</sup> establishing a specialisation<sup>2</sup> and a direction for stakeholders at multiple levels. Cohesion Policy will be instrumental in delivering the Green Deal objectives, incl. through funding allocations for climate action, climate proofing of investments, and reinforced mainstreaming of sustainability principles and green interventions across programme activities.

‘Sustainability’ in this paper is defined in accordance with the EU and Cohesion Policy regulations, and specifically the European Green Deal. Sustainable development – as the consideration of environmental and social concerns in economic development – has long been a fundamental objective of the EU, promoting environmental protection requirements as part of the pursuit of economic growth. This is evident in the Europe 2020 pillars of smart, sustainable and inclusive growth, guiding Cohesion Policy intervention areas in 2014-20. The focus on low-carbon investments was emphasised, and was subject of previous IQ-Net research.<sup>3</sup>

**Regulations for the new period reaffirm the framework of sustainable development for Cohesion Policy initiatives. However, they include a more prominent emphasis on environmental sustainability,** namely in the aim of “preserving, protecting and improving the quality of the environment” and the application of the ‘do no significant harm’ principle.<sup>4</sup> The European Green Deal focuses on several policy areas related to environmental sustainability, namely biodiversity, sustainable food systems, circular economy, clean energy and technological innovation, sustainable industry, building and renovating for energy-efficient buildings, sustainable mobility, eliminating pollution and climate action.<sup>5</sup> Many of these areas will be prioritised under the 2021-27 Cohesion Policy programmes, which will be strongly geared towards achieving the EU climate and environmental objectives.

**This paper discusses IQ-Net partner approaches to making the new programmes more sustainable** in the context of the European Green Deal. It examines the planned approaches,



priorities and structures for delivering sustainability actions in 2021-27 under the Cohesion Policy funds, taking the 2014-20 programme period as a basis for comparison to allow for the demarcation of any shifts, challenges, and lessons.

## 2 THE POLICY AND REGULATORY CONTEXT

### 2.1 Sustainability in EU policy discourse



Tackling climate change is one of the key global challenges today, making sustainability and the transition to a carbon-free economy strategic priorities worldwide. At various scales, 'green' or sustainable investments have been promoted, and goals and targets set to support this transition. At a global scale, the United Nations have included such objectives in the Sustainable Development Goals (SDGs), designed as a “*blueprint to achieve a better and more sustainable future for all*”,<sup>6</sup> and key elements of the 2030 Agenda, set to be achieved by the end of this decade. Additionally, the Paris Agreement, set out at the UN's 21st Climate Change Conference in 2015 and agreed by 191 countries, provides a roadmap for climate actions with the aim of reducing emissions, limiting the global temperature rise to 1.5 degrees Celsius, and building climate resilience. The 'Glasgow Climate Pact' agreed during COP26 reaffirmed action on limiting global temperature rise, with even stronger pledges to cut emissions expected at part of a follow-up conference in 2022.

At an EU scale, for over twenty years, there has been an increased focus on low-carbon initiatives and sustainable development, with a specific legal framework and various climate and energy targets set to support this.<sup>7</sup> With the approaching target date for some of the SDGs, the COVID-19 crisis, and the start of a new Cohesion Policy programme period, these targets and long-term goals have become more ambitious (see Table 1), with the aim of reducing greenhouse gas (GHG) emissions, achieving climate neutrality, increasing energy savings, and supporting a transformational recovery. For example, the 2030 Climate and Energy Framework,<sup>8</sup> the 2020 Climate and Energy Package,<sup>9</sup> the 2050 Long-term Climate-neutral Strategy<sup>10</sup> and the European Climate Law<sup>11</sup> all establish targets for a transition to a carbon-neutral economy for the coming decades. This is also emphasised by the Commission's proposal in January 2020 for a 'European Green Deal' investment plan (see Section 2.1.2).



**Table 1: Examples of EU climate and other sustainability targets for the next decades**

Timescale	Target	Policy objectives
Overall objective: limit global temperature increase to 1.5°C (from 1990 levels) and transition to a carbon neutral economy.		
<b>By 2020</b>	<ul style="list-style-type: none"> <li>20% cut in GHG emissions (from 1990 levels)</li> <li>20% of EU energy from renewables</li> <li>20% improvement in energy efficiency</li> </ul>	<ul style="list-style-type: none"> <li>EU ETS sectors to cut emissions by 21% (compared to 2005)</li> <li>Non-ETS sectors to cut emissions by at least 10% (compared to 2005) – translated into individual binding targets for MS</li> </ul>
<b>By 2030</b>	<ul style="list-style-type: none"> <li>55% cuts in GHG emissions (from 1990)</li> <li>40% of EU energy from renewables</li> <li>36% improvement in energy efficiency</li> <li>50% reduction in number of Red List species threatened</li> </ul>	<ul style="list-style-type: none"> <li>EU ETS sectors to cut emissions by 43% (compared to 2005) – the ETS strengthened for 2021-30</li> <li>Non-ETS sectors to cut emissions by 30% – individual binding targets for MSs adopted in May 2018</li> <li>Number of emission allowances will decline at an annual rate of 2.2% from 2021 onwards</li> <li>Protect minimum of 30% of EU land and sea area and integrate ecological corridors</li> <li>Recycling 65% of municipal waste and 75% of packaging waste</li> </ul>
<b>By 2050</b>	Reduce GHG emissions by at least 80-95% (from 1990) and achieve net-zero GHG emissions	<ul style="list-style-type: none"> <li>90% reduction in transport emissions</li> </ul>

Source: Adapted from Dozhdeva, V Bachtler, J and Ogilvie, J (2020) How Should Regional Policy Respond to Climate Change?; [https://ec.europa.eu/clima/eu-action/climate-strategies-targets/2050-long-term-strategy\\_en](https://ec.europa.eu/clima/eu-action/climate-strategies-targets/2050-long-term-strategy_en); [https://ec.europa.eu/regional\\_policy/sources/docgener/studies/pdf/report\\_sust\\_transit\\_en.pdf](https://ec.europa.eu/regional_policy/sources/docgener/studies/pdf/report_sust_transit_en.pdf)

### 2.1.1 Funds for the 'green' transition



To achieve these sustainability targets and objectives, an unprecedented level of resources has been earmarked. In **2014-20**, the EU mainstreamed climate action into the budget, making it a cross-cutting objective for all EU policies, and setting the target share for climate action spending at **20 percent of the Multiannual Financial Framework (MFF) resources** (€213.3 billion in 2020 prices). Increased priority was given to low-carbon, resource efficiency and climate resilient activities, with the great majority of this finance (94 percent) coming from programmes for growth and jobs and natural resources.<sup>12</sup> At this stage, taking consolidated information into account, climate-related spending has amounted to 19.7 percent of the 2014-20 MFF budget (€209.8 billion in current prices)<sup>13</sup> – meaning the target has nearly been reached.

**For the 2021-27 period**, the European Commission has set the **EU expenditure on climate-related actions to 30 percent of the MFF budget** (€363.3 billion in current prices). Under the **Next Generation EU** (NGEU) recovery plan (€806.9 billion) there is a 30 percent green bond target, and a 37 percent green target for the Recovery and Resilience Facility plans. Investment here



should support 'green' industries and technologies that help reduce emissions. Cohesion Policy will be instrumental in delivering sustainable investment under both frameworks (Section 2.2).

### Box 1: Impact of COVID-19 on rethinking sustainability



A 'green' or sustainable transition has become more pressing with the unfolding of the COVID-19 pandemic and crisis. It has demonstrated structural failings of current economic and societal systems, therefore highlighting the need for a systemic approach to policy and governance frameworks. It has also underlined the need for a more comprehensive restructuring of current systems for an economic recovery that makes society more resilient to emerging challenges, both in the short-term and long-term.

The pandemic has also evidenced some positive environmental changes in its immediate impact on the economy (e.g. reduction in air pollution and GHG emissions, return of wildlife). Additionally, changes in behaviours have been enforced (e.g. teleworking) that have further enhanced these effects. While these changes are likely to be reversed as economies rebound, there is an opportunity for policy intervention to attempt to make some of these permanent and to promote sustainable behaviours and systems in the future.

*Source: European Commission (2020) Supporting sustainability transitions under the European Green Deal with Cohesion Policy;<sup>14</sup> Dozhdeva V and Fonseca L (2021) Chain REACTion: Shifting Cohesion Policy Priorities in a New Reality*

The new **Just Transition Mechanism** (JTM) (€55 billion in current prices for 2021-27)<sup>15</sup> provides targeted financial support to Member States to reduce the carbon-intensity of their economies. One of the pillars of the JTM, the **Just Transition Fund** (Section 6), is expected to mobilise over €19 billion (in current prices) to provide support under dedicated specific objectives seeking to alleviate the socio-economic costs related to the climate and energy transition. Part of this amount (around €8 billion) will be financed under the 2021-27 MMF budget, and another part (€11 billion) through Next Generation EU between 2021 and 2023.<sup>16</sup> There is also a continued focus by the EU on sustainable finance and unlocking private investment for the transition.

Climate mainstreaming is also planned under the **Common Agricultural Policy** and the **European Maritime and Fisheries Fund**. The latter will continue to support clean ocean energy and a sustainable EU fisheries sector and the coastal communities dependent on it. Beyond Cohesion Policy, the European Commission will also continue to support the **LIFE** programme for the environment and climate action, namely with measures for energy efficiency and clean energy. The new **InvestEU** instrument will also play a major part in catalysing private low-carbon investment for the 2021-27 period,<sup>17</sup> and both **Horizon Europe** and the **Connecting Europe Facility** can promote a low-carbon transition with investment in related innovations and sectors (e.g. energy, transport, digital networks).



**Table 2: Comparison of the approximate EU budget for climate actions between the 2014-20 and 2021-27 periods (€ billion in current prices)**

	2014-20	2021-27
MFF	209.8	363.3
Next Generation EU		298.5
<b>Total</b>	<b>209.8</b>	<b>661.8</b>

Source: [https://ec.europa.eu/clima/policies/budget/mainstreaming\\_en](https://ec.europa.eu/clima/policies/budget/mainstreaming_en); Multiannual Financial Framework 2021-27; [https://ec.europa.eu/info/strategy/recovery-plan-europe\\_en](https://ec.europa.eu/info/strategy/recovery-plan-europe_en).

Note: The values on this table are approximate figures and may not encompass the whole budget devoted to sustainable actions. NGEU calculated based on 37 percent of total budget and MFF based on 30 percent climate target.

## 2.1.2 The European Green Deal

The ambitious objectives and resources set out by the EU to tackle climate change and guide a sustainable transition have been framed, since December 2019, under a new agenda. The European Green Deal is one of six European Commission strategic political priorities for 2019-24, demonstrating EU alignment and commitment to the implementation of the UN's 2030 Agenda and the SDGs. The Deal seeks to achieve a climate neutral Europe where growth is decoupled from resource use by 2050. It is an agenda designed to guide systemic change and realise a long-term vision for the EU as a climate-resilient society, thus formulating **a growth strategy based on a transformative, sustainable and climate adaptive framework**. The policy approach of the Deal is therefore based on the concept of sustainability transitions – as the “long-term transformation of societal systems towards more sustainable modes of production and consumption”<sup>18</sup> – which has been promoted in EU discourse for several years. The Deal sets out policy initiatives across all sectors to support the EU transition to a carbon-free economy, setting a blueprint for transformational change. It has three main goals:

<b>Net-zero green house gas (GHG) emissions by 2050</b>	<b>Decouple economic growth from resource exploitation</b>	<b>A just and inclusive green transition</b>
<ul style="list-style-type: none"> <li>• Specific strategies across all sectors.</li> <li>• Special focus on energy, which makes up over 75 percent of total EU-27's GHG emissions.</li> <li>• Increase the share of renewable energy use.</li> </ul>	<ul style="list-style-type: none"> <li>• Reducing resource consumption.</li> <li>• Boosting technological advancements.</li> <li>• Rethinking lifestyles and communities.</li> </ul>	<ul style="list-style-type: none"> <li>• Leaving no one behind.</li> <li>• Supported through the Just Transition Mechanism.</li> </ul>

Source: [https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal\\_en](https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_en)

The Deal focuses on different policy or action areas to achieve these goals over the coming decades. The policy areas directly related to environmental sustainability are illustrated below:



Figure 1: Environmental sustainability policy areas under the European Green Deal



Source: Authors' illustration based on [https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal\\_en](https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_en)

To successfully deliver on these objectives, a **European Green Deal Investment Plan** was created. Also known as the Sustainable Europe Investment Plan, it aims to contribute to the financing of sustainable transition, while supporting the regions and communities most exposed to its impact. By combining legislative and non-legislative initiatives, the plan addresses three aspects:



**Funding.** Mobilisation of at least €1 trillion of sustainable investment from the EU budget and other public and private sources over the next decade for climate action. About one third of the EU's seven-year budget and the NGEU will finance the European Green Deal.



**Enabling framework.** Use of a mix of regulation and incentives to put sustainability at the heart of investment decisions across all sectors.



**Support for implementation.** Advisory and technical support to public administrations and project promoters to create a robust pipeline of sustainable projects.

These aspects emphasise not only the strategic priorities driving the European Green Deal, but also the operational needs necessary for its successful realisation. In addition to the definition of investment priorities and objectives, implementation and capacity-building are essential elements of the transition to a greener economy.





## 2.2 Delivering sustainability through Cohesion Policy



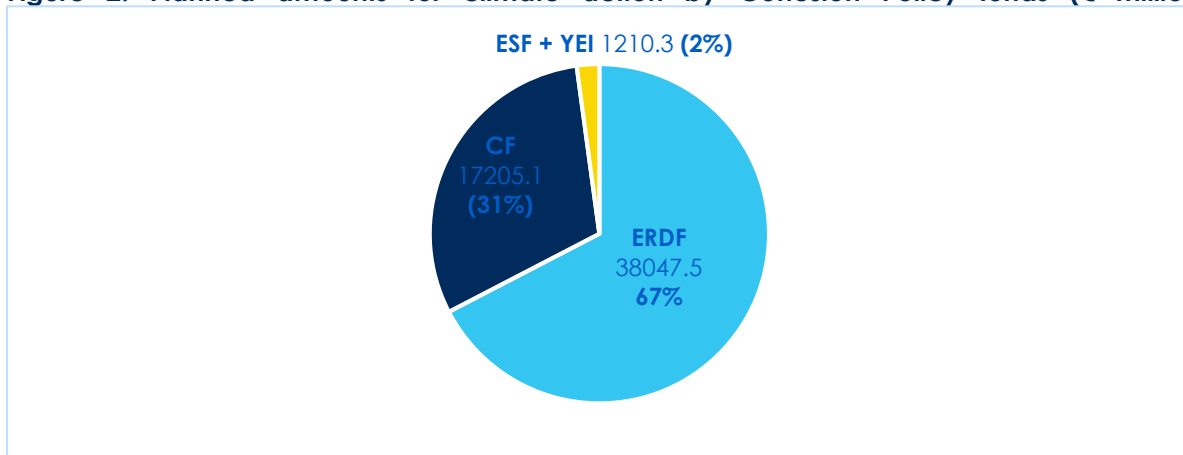
**Cohesion Policy (especially ERDF and CF) has been supporting the transition to a carbon-free economy over several programme periods.** In 2007-13, this is exemplified by investments in areas such as renewable energy, energy efficiency, clean urban transport, and cycle paths. There has been a significant increase in commitment in 2014-20, not least as a result of the earmarking of funding for low-carbon. In the 2021-27 programme period, Cohesion Policy is expected to place even more emphasis on climate and environmental sustainability, in line with the objectives of the European Green Deal and as the recovery from the COVID-19 crisis is planned and delivered. While the new ESIF regulatory provisions do not explicitly refer to the European Green Deal, Cohesion Policy contributions to its objectives will be ensured through various regulatory mechanisms, including the budgetary targets for climate spending and enhanced mainstreaming of green priorities.

### 2.2.1 Cohesion Policy funding for sustainable investments

**In 2014-20, the EU mainstreamed climate action into the budget**, with a target share of 20 percent of the MFF resources. Under Cohesion Policy, there was a significant increase in commitment compared to the previous period, not least due to the earmarking of funding for low-carbon (12 to 20 percent depending on regional status). About €56.5 billion in current prices (c. 15.9 percent of total Cohesion Policy funds) was dedicated to climate action under the ERDF, CF and ESF interventions.<sup>19</sup> Against total available resources, amounts planned for climate action constituted ca 16 percent of total planned Cohesion Policy funds.<sup>20</sup> However, the allocation and expenditure to climate objectives varied significantly by individual Fund. ERDF has been the largest contributor to climate action (ca 67 percent), followed by Cohesion Fund (31 percent) (Figure 2).

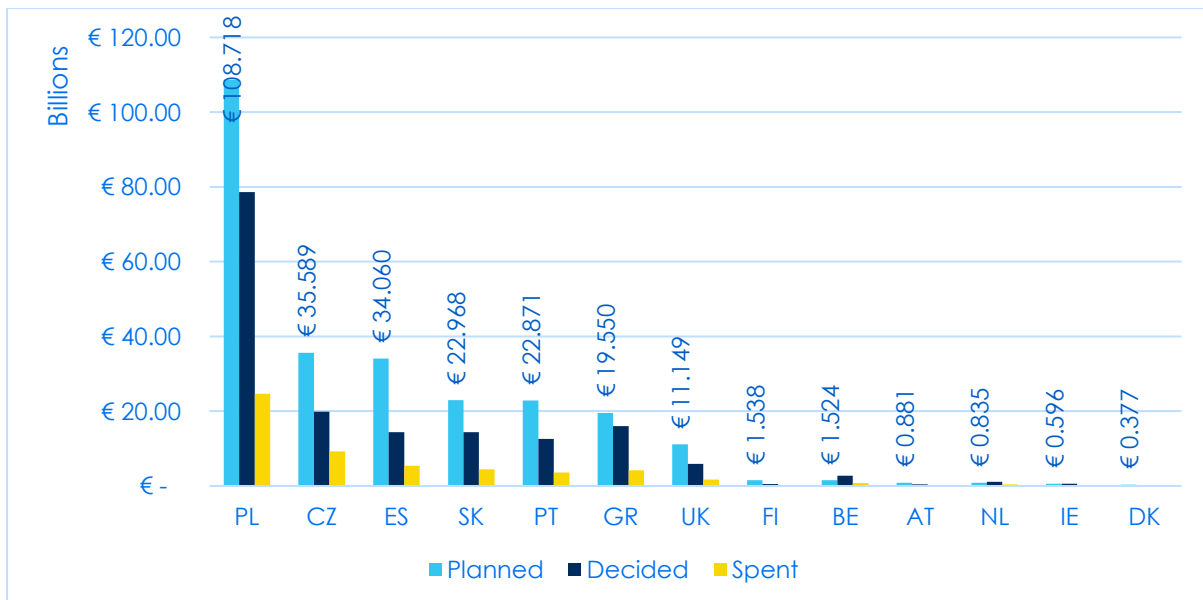


**Figure 2: Planned amounts for climate action by Cohesion Policy funds (€ million)**



Source: [https://www.europarl.europa.eu/RegData/etudes/STUD/2021/652247/IPOL\\_STU\(2021\)652247\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2021/652247/IPOL_STU(2021)652247_EN.pdf)

**Figure 3: 2014-20 climate tracking breakdown by MS (IQ-Net partner countries) – ESIF planned, decided and spent amounts on climate action, biodiversity and clean air**

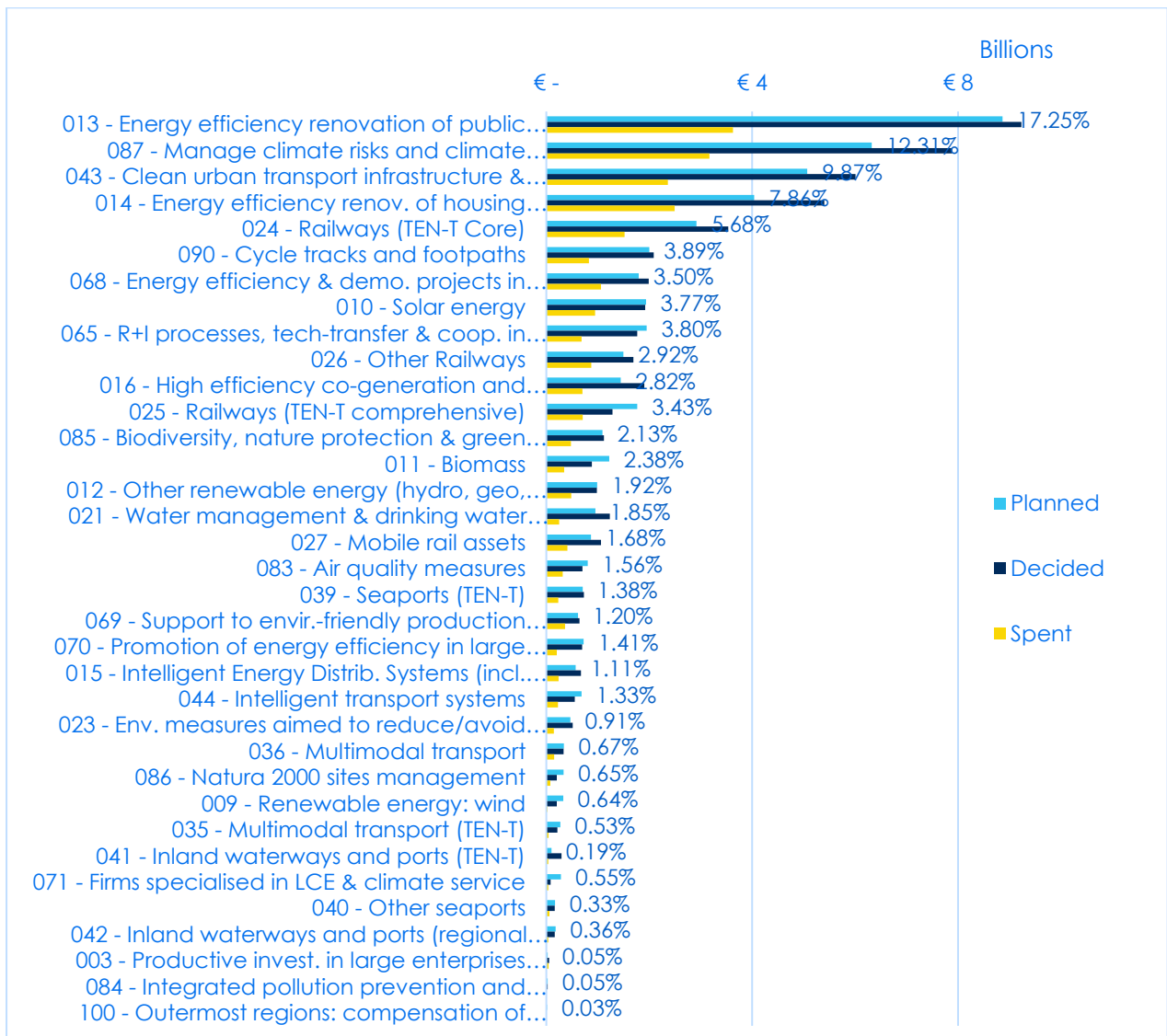


Source: <https://cohesiondata.ec.europa.eu/2014-2020/2014-2020-Climate-tracking-Cohesion-policy-funds-w/uze2-ufv/>

A breakdown of planned, decided and spent amounts by Member State (IQ-Net partner countries) in **Figure 3** demonstrates a great variation, with Poland leading the chart on overall allocations for sustainable actions, followed by Czechia and Spain. The share of ERDF-CF interventions for climate and sustainable development by main intervention fields can be seen in **Figure 4**. Most climate-related resources were allocated to energy efficiency renovation of public infrastructure (17 percent), climate change adaptation and risk prevention (12 percent), clean urban transport (10 percent) and energy efficiency in existing housing stock (8 percent).<sup>21</sup> Poland, Czechia, Greece and Portugal have prioritised allocations to clean urban transport (043); the UK, the Netherlands and Finland have made more allocations to R&I processes, technology transfer and cooperation in firms (065); Belgium, Austria and Denmark to energy efficiency in SMEs (068); Spain to railways (024); and Ireland greatly prioritised energy efficiency for renovation of the housing stock (014).



**Figure 4: 2014-20 ERDF and CF main intervention fields by financial allocations**



Source: <https://cohesiondata.ec.europa.eu/stories/s/Tracking-climate-related-investments/a8jn-38y8/>

**In the 2021-27 period**, Cohesion Policy funding is to be delivered through the ERDF, CF, ESF+ and the JTF, with total resources for this amounting to c. €369 billion in current prices. The EU is continuing its commitment to climate mainstreaming, evidenced by **raising the MFF commitment target for sustainability initiatives**. The framework for Cohesion Policy in the new period is strongly geared towards achieving EU climate and environment-related objectives. Overall, increased priority for sustainable actions is expected to be given to **carbon-neutral** activities, rather than to **low-carbon** activities which was the focus in 2014-20 period. The resources for sustainable transition in the form of the JTF also indicate the reinforcement of support to sustainability objectives. In addition to the 30 percent minimum climate target for Cohesion Policy allocation 2021-27 for all programmes (Table 4), specific climate spending quotas have been established for the ERDF and Cohesion Fund (Table 3).



**Table 3: 2021-27 Cohesion Policy Funds and JTF planned allocations to climate objectives**

Expected (minimum) allocation to climate action (%)	
<b>Cohesion Fund</b>	37
<b>ERDF</b>	30
<b>Just Transition Fund</b>	100

Source: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32021R1058> and <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32021R1056>

The amount planned for climate change under Cohesion Policy (ERDF, CF and ESF+) has overall increased (approximately) to €87.1 billion, corresponding to c. 24 percent of total Cohesion Policy resources.<sup>22</sup> This goes up to over €93 billion if REACT-EU is counted and to over €100 billion with the total from the JTF.<sup>23</sup>

While data is still limited regarding the planned interventions, the heightened focus on sustainable and climate-related actions in 2021-27 is evident (see Table 4). The comparison between the two programme periods demonstrates the increase in the climate allocations under the ERDF & ESF+ and the addition of the JTF. The new thematic concentration thresholds and minimum Fund allocations illustrate the intensified attempts in climate mainstreaming.

**Table 4: Comparison of Cohesion Policy commitment amounts (€ billion) for climate action between 2014-20 and 2021-27**

	2014-20	2021-27
CF	17.2	17.8
ERDF	38.0	74
ESF	1.2	1.8
JTF	-	8.4
under NGEU		10.8
Total	56.4	112.8
Cohesion Policy budget	Approximately €355 billion (33% of MFF)	Approximately €369 billion (~31% of MFF)
Climate action share	20% of EU budget	30% of EU budget
Minimum spending by region type	<ul style="list-style-type: none"> <li>• Less developed: &gt;12%</li> <li>• Transition: &gt;15%</li> <li>• More developed: &gt;20%</li> </ul>	<ul style="list-style-type: none"> <li>• Less developed: 30%</li> <li>• Transition: &gt;30%</li> <li>• More developed: &gt;85% (PO1 + PO2)</li> </ul>

Source: Own calculations based on approximate allocations from ESIF Open Data, MFF 2021-27, NGEU commitments and [https://www.europarl.europa.eu/RegData/etudes/STUD/2021/652247/IPOL\\_STU\(2021\)652247\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2021/652247/IPOL_STU(2021)652247_EN.pdf)

## 2.2.2 Enabling framework for delivering sustainability

**Sustainable development, and sustainability more broadly, are considered fundamental EU objectives. This is evident in EU treaties and policies which establish environmental protection requirements and criteria for the promotion of sustainable development.** In particular, the Treaty on EU Article 3(3) affirms sustainable development as a primary goal for the EU, based



on a high level of protection and improving the quality of the environment, further reinforced in the Treaty on the Functioning of the EU.<sup>24</sup> Overall, environmental integration has been a Treaty requirement since the late 1990s, considered key for ensuring more comprehensive action across the policies and activities of different sectors in meeting climate-related targets.

**The Environmental Action Programmes (EAPs) are also a central element of the framework enabling environmental sustainability and action in the EU.** They have guided environmental legislation and EU sustainable development strategy since the early 1970s, establishing objectives to tackle both vertical and sectorial ecological problems.<sup>25</sup> The 8<sup>th</sup> EAP is now in force until 2030, emphasising the environment and climate action objectives of the European Green Deal, as well as its multi-level governance approach.

Within Cohesion Policy, several climate-related regulatory requirements have been established to support this broader sustainability framework. In the 2014-20 period, intervention areas were closely aligned with the objectives of Europe 2020, the EU ten-year strategy for smart, sustainable, and inclusive growth – reflected in the corresponding Thematic Objectives. Sustainability was therefore considered a main pillar for Cohesion Policy implementation. In 2021-27, this sustainability focus is further integrated in broader Policy Objectives. Thematic concentration remains an important part of the regulatory scope for the promotion of sustainable initiatives across the EU but has been further reinforced for 2021-27 (see below).

## i Regulatory scope: from TOs to POs

The regulatory scope for sustainability and climate actions has undergone several changes between the 2014-20 and 2021-27 periods. While in 2014-20, Cohesion Policy was delivered through 11 Thematic Objectives (TOs), in 2021-27 a more integrated policy approach has been introduced with five Policy Objectives (POs) driving investments. By narrowing the number of objectives, the European Commission aims to avoid an excessive fragmentation of funding and provide further flexibility to reallocate funding.<sup>26</sup>



**In 2014-20**, thematic objectives were underpinned by the three pillars of the Europe 2020 agenda. The sustainable growth pillar was mostly delivered through four TOs: TO4 (low-carbon); TO5 (climate change adaptation and risk prevention); TO6 (environmental protection and resource efficiency); and TO7 (transport and energy networks). TO4, 5 and 6 were more narrowly related to climate and environmental objectives, including the promotion of energy efficiency and renewable energy use, R&I for low-carbon technologies, and the protection and restoration of biodiversity and ecosystems. Other TOs also considered sustainability in their investment activity, albeit less directly. This was the case, for example, in TO1 which supported eco-innovation in the promotion of research and business investment.



**In 2021-27**, five POs guide Cohesion Policy investments. One of these, PO2 on Greener Europe, is dedicated entirely to 'green' issues, demonstrating a clear distinction from the previous period. PO2's specific objectives encompass actions related to



energy efficiency, renewable energy, sustainable urban mobility, circular economy, climate adaptation, and biodiversity – broadly encompassing areas targeted under TOs 4-6 in 2014-20. The wording of these objectives includes not just goals, but also approaches linked to the management of the 'green' transition. Other POs can also promote sustainable investments, e.g. PO1 through the funding of environmental actions related to R&D and competitiveness, PO3 through the support of sustainable mobility, and PO4 and PO5 e.g. through the enhancement of sustainable tourism and natural heritage.

The ERDF and Cohesion Fund are specifically highlighted in the support of investments under PO2. **Fund-specific spending targets** mean that at least 30 percent of ERDF allocation and 37 percent of Cohesion Fund allocation will be devoted to achieving climate targets and supporting the transition to net-zero. Environment and the net-zero carbon economy, R&I, energy efficiency, renewable energy, and the diversification of regions dependent on energy intensive industries are among some of the key priority areas for ERDF sustainability-related investments. The Cohesion Fund will not only support environmental infrastructure and projects in Trans-European Transport Networks, but will also cover energy efficiency, renewable energy, and sustainable urban mobility projects.

## ii Evolution of regulatory requirements and incentives under Cohesion Policy

To promote sustainable actions across the EU under Cohesion Policy, a number of regulatory and non-regulatory requirements and incentives have been established (Table 5). These requirements have become more cross-cutting with the start of the new programme period, and the incentives also reflect a heightened ambition for meeting climate targets.



One of the changes between the 2014-20 and the 2021-27 periods relates to the conditions for success. There has been a shift from 29 thematic and seven general **ex-ante conditionalities** (EACs) to 16 thematic and four horizontal **enabling conditions**, with the intention of creating greater flexibility in practice. Both frameworks contain requirements for coherence with broader policies and strategies outside Cohesion Policy in order to increase the effectiveness of funding. At the same time, while EACs were in large part linked to the implementation of environmental directives (e.g. on energy efficiency or energy performance of buildings), the current conditions are focused more on creating the right frameworks to enable specific investment priorities (e.g. water investment plan, disaster risk management plan etc.), reflecting a slight change in focus. Alignment with national energy and climate plans should also be ensured in 2021-27.



**Climate-related thematic concentration**, as a primary vehicle for the promotion of sustainable actions across programmes, has become more demanding. In 2014-20, this concentrated spending was related to Europe 2020 goals, with a mandatory minimum spending by Member States of between 12 and 20 percent of national ERDF resources for low-carbon economy projects. In 2021-27, all regions and MSs must have a thematic concentration of at least 30 percent for actions targeting a net zero carbon economy (either at national or



category of region level), demonstrating an increased rigidity which reflects the more ambitious objectives of the European Green Deal.<sup>27</sup> Thematic concentration for **sustainable urban development** has also increased, from a minimum of five percent in 2014-20 to eight percent in 2021-27. In addition, **Fund-specific climate targets** have been introduced.



The **'do no significant harm' (DNSH) principle** is another environmental requirement under Cohesion Policy that has been introduced in 2021-27. The general principle was already promoted in 2014-20, with managing authorities being advised to undertake actions to avoid or reduce environmentally harmful effects of interventions. This has been further reinforced as a criterion in the 2021-27 period under the EU Sustainable Finance Taxonomy regulation,<sup>28</sup> published in 2020 as a framework to facilitate sustainable investment. An activity is considered to do significant harm to climate change mitigation if it leads to significant GHG emissions. Similarly, significant harm to climate change adaptation includes an increased adverse impact on the current and expected future climate, on people, nature, and assets. Compliance with the DNSH principle must be ensured both during the design and the implementation stages of the programme. Furthermore, the list of **activities excluded from ERDF or Cohesion Fund support** has been extended in line with the focus on phasing out unsustainable practices (e.g. residual waste treatment and fossil fuels).



**Selection criteria** for actions to be supported are also considered in the Common Provisions Regulation (CPR), with either obligatory requirements in the calls for projects or with criteria that give preference to projects that fulfil sustainable development requirements. **Monitoring and evaluation** are emphasised as important steps to ensure climate goals are met. Both positive and negative environmental impacts of programmes should be assessed in these stages to form a net contribution of Cohesion Policy to environmental targets (e.g. GHG emissions, biodiversity). **Involvement of environmental partners** is also foreseen at various stages of the process, with capacity building assured when needed.

Other environment and climate related incentives established in the 2021-27 period include:<sup>29</sup>

- A **three percent climate bonus**, introduced by the RRF regulation, as an incentive mechanism for Member States to prioritise investments that credibly increase the impact of the climate objective. Member States can claim an additional three percent to reach the 37 percent minimum 'green' earmarking. If applied to a Member State's Recovery and Resilience plan, it can also be applied to Cohesion Policy funds.<sup>30</sup>
- **Climate adjustment mechanism** which allows the agreement of remediation measures in the annual review, when Member States or regions are showing insufficient progress towards reaching the climate contribution target/thematic concentration.
- **Environmental and climate proofing of investments and infrastructure**, i.e. preventing these from being vulnerable to potential long-term environmental and climate impacts whilst ensuring the DNSH principle is respected and the level of associated GHG emissions is consistent with the climate neutrality objective in 2050.

Table 5 summarises some of these broader changes related to climate action and sustainability between the two programme periods.



**Table 5: Environment and climate-related requirements and incentives in 2014-20 and 2021-27**

	2014-20	2021-27
<b>Priorities</b>	11 thematic objectives	5 policy objectives
<b>Thematic concentration</b>	12 to 20 % investment to sustainability initiatives (category of region level)	Min. 30% for sustainability initiatives (national or category of region level)
	SUD: at least 5% of ERDF resources	SUD: at least 8% of ERDF resources
<b>Fund-level contribution</b>		Minimum contribution at Fund level to climate targets (30% ERDF, 37% CF)
<b>Other provisions</b>	Relevant ex-ante conditionalities	Enabling conditions
	List of specific climate actions to take into account in the selection of operations	Climate proofing of investments in infrastructure with an expected lifespan of at least 5 years
	Climate & environmental weighting of intervention fields in implementing act	Climate & environmental weighting of intervention fields in annex I
		If 3% climate bonus applied to RRF, then also to Cohesion Policy funds
	Total indicative amount of support envisaged for climate change objectives indicated in PA and OPs	National climate contributions, for ERDF and CF, established in PA
		Climate adjustment mechanism: if monitoring indicates insufficient progress, remediation measures agreed in annual review meeting
	MAAs to undertake actions to avoid or reduce environmentally harmful effects of interventions and ensure results in net social, environmental and climate benefit	'Do no significant harm' principle

Source: [https://ec.europa.eu/regional\\_policy/en/2021\\_2027/#23](https://ec.europa.eu/regional_policy/en/2021_2027/#23)

The European Commission highlights that the main changes between programme periods are the reinforced emphasis on sustainability and the associated concentration of funding designed to promote it. While changes to the legal framework have not been substantial, the political priority is now framed by the European Green Deal and sustainability can be operationalised systemically, including across areas such as circular economy, biodiversity, water, disaster management, etc. The binding target for a carbon neutral economy by 2050 also gives energy and climate investments a long-term perspective.

### 3 AMBITIONS FOR SUSTAINABILITY IN 2021-27

Across IQ-Net programmes, these broad changes in the approach to delivering sustainability under Cohesion Policy in the 2021-27 period are evident in a variety of ways.

While there has not been any significant shift in how ESIF programme authorities define or interpret the concept of sustainability as such, **an overall emphasis on the topic of sustainability within Cohesion Policy interventions is expected to increase** in the new programme period in





most IQ-Net countries and regions. The growing prominence of the sustainability discourse in ESIF programmes is, in most cases, **in line with the evolving domestic policy priorities**, but **also reflects the shifts in the associated regulatory requirements** regarding sustainability (e.g. thematic concentration, climate targets, compliance with the DNSH principle etc.). The European Green Deal is seen as another factor highlighting the prominence of sustainability issues, but built on top of existing strategic and policy work undertaken at global, EU, national and regional levels.

In this context, across many IQ-Net programmes, the **incorporation of sustainability in the new round of ESIF programmes is seen as a 'natural', logical development**, often in line with the approach already pursued in 2014-20.

- There is the considerable track record by [Danish](#) businesses and public authorities in sustainability issues, so its continued incorporation is not seen as problematic. Similarly in [Finland](#), sustainability is already deeply embedded in all activities from business development to R&I actions.
- The topic of sustainability is already very prominent across most IQ-Net countries and regions, seen in e.g. significant resource allocation to green priorities (e.g. around 40 percent of funding to TO4 projects in [Bizkaia](#)), strong links with domestic strategies (e.g. links with RIS strategies in the [Netherlands](#)), and overall mainstreaming of the sustainability dimension in all programmes.

In this sense, several IQ-Net programmes **expect a high degree of continuity in their approach to supporting sustainability in 2021-27** (e.g. [AT](#), [Biz](#), [CZ](#), [FI](#), [IE NWRA](#), [IE SRA](#), [NL](#), [Vla](#)), including in the types of actions, measures and objectives supported by ESIF in this area (e.g. [AT](#), [CZ](#), [FI](#), [IE NWRA](#), [Vla](#)), delivery mechanisms (e.g. [IE SRA](#)) and overall an ongoing focus on environmental priorities (most programmes).

Although in many cases no drastic changes to the approach are foreseen, a continuing focus on sustainability does not rule out some evolution and adaptation. **Some of the changes planned for 2021-27** include for example:

- a further increasing emphasis on – and greater ambition towards – the sustainability agenda among programme priorities;
- a more cross-cutting focus on sustainability, including a more integrated approach, reinforced mainstreaming, and a greater focus on its social dimension;
- thematic shifts, including the incorporation of new themes and priorities; and
- different delivery approaches.

## **i Growing ambition and emphasis on sustainability**

IQ-Net programmes have been placing ever more emphasis on green objectives as the concept of sustainability has deepened and matured over recent decades, at both global and EU levels, and as the focus of the ESIF on supporting sustainable transitions has intensified in line with the broader EU objectives. This emphasis is expected to intensify further in 2021-27, reflecting both domestic priorities and more demanding ESIF regulatory requirements around sustainability. This is evident, for example, in:



- **Increased spending on green priorities** in part, but not exclusively, due to the associated thematic concentration requirements. In [Finland](#), a total of 35 percent of the OP's ERDF funding is committed to climate measures, which is more than the EU requirement of 30 percent and in [Vlaanderen](#), c. 40 percent of the programme resources are directly allocated to sustainability (compared to 16 percent to TO4 in 2014-20).
- **Growing understanding of the sustainability agenda** by ESIF stakeholders. In [Finland](#), both the focus on sustainability and the understanding of the theme have increased. This is reflected in the quality of projects which has improved over time.
- **Stronger involvement of environmental actors**. In [Finland](#), stronger involvement of the Ministry of the Environment (in addition to the Ministry of Economic Affairs and Employment, the MA for ERDF and ESF+) in delivering sustainability actions under ESIF is foreseen.
- An overall **higher ambition for sustainability actions**, in line with the wider EU objectives (e.g. carbon neutrality), is evident in the (even) greener overall framing of the programmes (e.g. [AT](#), [FI](#), [DK](#), [IE NWRA](#)), including a **greater focus on delivering the Green Deal priorities** (e.g. [FI](#), [NL](#), [W-M](#)).

## ii More integrated approach and cross-cutting focus on sustainability

The theme has become more cross-cutting which is seen, for example, in:

- an overall **broadening of the thematic scope** of support for sustainability under ESIF – including though the incorporation of new themes and priorities (see below);
- a **greater focus on the social dimension of sustainability**; and
- a **reinforced mainstreaming** of the sustainability principle in the whole programming and implementation cycle.

In [Denmark](#), for example, the most important change regarding sustainability in the new programme is that the general framing of interventions has shifted from 'growth through innovation' towards 'sustainable growth through innovation'. This means that projects now have to be justified in terms of their impact on sustainability, and green considerations are clearly predominant. In 2014-20 there were two separate ERDF axes focusing on business development and sustainability, but in the 2021-27 period there is a cross-cutting focus on sustainability in firm-related measures which reinforces the mainstreaming of sustainability.



A **greater focus on the social dimension of sustainability** is another development linked to strengthened mainstreaming. This is key in the [Netherlands](#) where programmes are seeking to achieve a greater social impact. One example is modular building solutions, which could contribute to solving the housing crisis whilst at the same time contribute to sustainability targets. The South programme wants to contribute to a greater acceptance of these types of techniques. In [Denmark](#), the 2021-27 programmes will place more emphasis on social sustainability e.g. in the urban measures. Given the greater mainstreaming of sustainability, relevant actions will be found not only in the ERDF programme but also in the ESF programme where social inclusion is now supplemented by a focus on supporting the development of green competences.



Similarly to 2014-20, sustainability will be **mainstreamed** in the new ESIF programmes, incl. through compliance with the horizontal principle of sustainability and the European Environmental Acquis, the EIA and SEA exercises, project selection criteria and other relevant monitoring and evaluation arrangements. **The 2021-27 period will continue the 2014-20 approach to mainstreaming, although with some further deepening**, reflecting the more stringent regulatory requirements and heightened ambition for meeting climate targets.

### Box 2: Mainstreaming sustainability considerations into ESIF programmes and projects

Climate change, resource efficiency and biodiversity considerations need to be taken into account at all stages and levels of Cohesion Policy implementation in order to support sustainability transitions. Such mainstreaming is in line with the horizontal principle of sustainable development, a core aim of the EU Treaties already prominent in the 2014-20 Cohesion Policy programmes, and with the more recent 'do no harm' principle of the European Green Deal. Some of the key instruments to help enhance the environmental performance of ESIF programmes include:

- **Increasing funding for environment and climate**, including through: thematic concentration targets; earmarking of funds for sustainability actions; use of green public procurement; and tracking of climate spending.
- **Limiting negative environmental impacts of funding**, including through: SEA/EIA; applying climate and biodiversity proofing to projects;<sup>31</sup> integrating environmental considerations in project selection and exclusion criteria.
- **Monitoring and evaluation** of environmental and climate impact, including through establishing a performance framework with relevant indicators.
- Ensuring adequate **governance framework**, including through: involving environmental partners in programme preparation and implementation; providing TA / capacity building of partners; creating dedicated institutions to assist environmentally sound programming and implementation.

Programme authorities can go beyond the regulatory requirements and aim for greater ambition with regard to sustainability mainstreaming.

*Source: European Commission (2020) Supporting sustainability transitions under the European Green Deal with Cohesion Policy – Report on a toolkit for national and regional decision-makers, November 2020<sup>32</sup>*

In line with the sustainability mainstreaming considerations, a link had to be ensured **in 2014-20** programmes between ESIF programming and implementation and the horizontal objective of sustainable development, including at the level of project eligibility, selection criteria and other control instruments. While the general compliance with the sustainability principle was necessary in all programmes, **the degree to which sustainability was mainstreamed in ESIF actions differed across IQ-Net programmes**. In some cases, the integration of the sustainability dimension in all programme-funded activities has been reinforced through additional pieces of domestic legislation, making it a legal duty for specific actors. In **Scotland**, for example, it was a requirement for all public sector organisations participating in the 2014-20 ESIF Programmes to adhere to relevant provisions in The Climate Change Act 2009 (Box 3). Similarly in **Wales**, the integration of sustainable development is the legal duty of public bodies under



the Wellbeing of Future Generations Act – meaning that sustainability is framed in the context of broader well-being and equality considerations (Box 4).

### Box 3: Mainstreaming sustainability in ESIF programmes in Scotland



Scotland was at the forefront of mainstreaming sustainable development in their ESIF programmes as far back as the 2000-06 period. The 2014-20 OPs take a two-pronged approach to environmental sustainability, by funding projects under relevant themes but also mainstreaming it as a horizontal theme across all programme activities. A research study was commissioned which contributed to the design process for mainstreaming environmental sustainability in the 2014-20 programmes.<sup>33</sup>

As well as niche projects being supported under relevant priority axes and TOs, sustainable development is one of the three horizontal themes across the OPs. This means that regardless of which TO a project is assigned to, the promotion of sustainable development will be a priority for all projects:

- long-term sustainability comprises a **selection criteria** for the relevant priority axes and investment priorities within the programme;
- delivery partners are required as part of the application process to outline their **objectives for environmental sustainability** and how they plan to achieve these; and
- it is a requirement for **all public sector** organisations participating in the 2014-20 ESIF programmes to **adhere to relevant provisions in The Climate Change Act 2009**.

Source: IQ-Net research

### Box 4: Mainstreaming sustainability in ESIF programmes in Wales



In the Wales ERDF programmes, sustainable development is delivered both as vertical actions and as a cross-cutting theme – where sustainability is embedded across all OP activities. The latter includes:

- targets at Priority Axis level as a driver for projects to address sustainability objectives;
- cross cutting theme assessment at all stages of project development, including assessment against contribution towards sustainable development objectives for environmental protection, resource efficiency, climate change mitigation and adaptation, disaster resilience and risk prevention and management; and
- ongoing specialist advice made available to projects from the MA, awareness raising, training, provision of guidance and best practice case study examples and the involvement of relevant stakeholders in the PMC.

The integration of sustainable development is the legal duty of public bodies under the **Wellbeing of Future Generations Act 2015**. It aims to improve the social, economic, environmental and cultural well-being of Wales, protecting its assets for the future and sets out the seven well-being goals. The Act gives all public bodies in Wales a well-being duty, under which they are required to carry out sustainable development.

Source: IQ-Net research

It is expected that **sustainability mainstreaming will be further reinforced in 2021-27**, not least due to the intensification of the associated regulatory requirements but also reflecting heightened domestic ambitions. Sustainable development is a horizontal theme and a cross-cutting principle, and therefore all Policy Objectives are expected to take sustainability into



account or contribute towards sustainability objectives. Although this is broadly similar to the approach pursued in 2014-20, there are expectations of (even) **greater embeddedness of the sustainability dimension** across a number of IQ-Net programmes. This can be seen e.g. in the increased relevance of new sustainability dimensions (e.g. circular economy as a horizontal theme), more cross-cutting approaches to project selection criteria, or strengthened framing of sustainability in the new OPs in the context of the UN SDGs.

- In **Ireland (NRWA)**, sustainability is seen as a pervasive topic across all priorities in 2021-27, as in the **Netherlands**, where all POs will contribute towards sustainability objectives. In this context, sustainability criteria have become more cross-cutting and more closely related to the social transition/impact.
- In **Austria**, apart from sustainability continuing to be a horizontal principle, the topic of circular economy has been defined as an integral, horizontal theme in 2021-27.
- In **Czechia**, sustainability in the specific objectives of the 2021-27 OPs is considered on the basis of the SDGs defined in the UN Agenda 2030. MAs determine whether a concrete SO (i) is targeted explicitly to contribute to sustainability, (ii) contributes to it partially, or (iii) is neutral concerning sustainability. In **Ireland (NRWA)**, the overall design of the programme is embedded in the National Strategic Outcomes, which are closely linked to the SDGs.

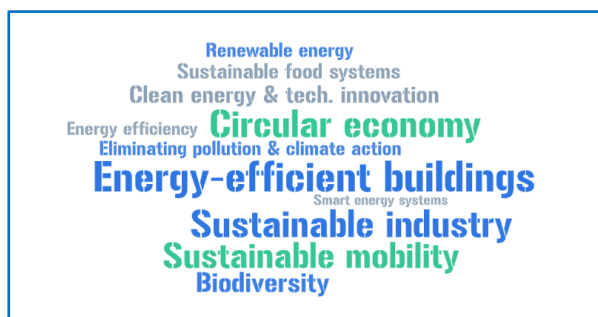
### iii **Reconsidering sustainability themes and priorities**

A number of programmes expect to reconsider the thematic scope and priority structure of ESIF support to sustainability. This involves, among other things, an increased focus on specific themes under the 'sustainability' heading, and the incorporation of new themes and priorities.

1. **Greater prioritisation of specific themes**, based on both the evolving domestic needs and the broader European policy context and ESIF regulatory framework. The circular economy dimension is expected to be more prominent in the new programmes (e.g. **AT, CZ, DK**), as are priorities related to eliminating pollution, climate action and reduction of emissions (**Biz, DK, FI, Vla**) (not least given the ambitious climate targets), clean energy and technological innovation (**DK, FI**) and sustainable industry (**AT, PT**).
2. **New themes and priorities** are also expected to be incorporated into ESIF programmes, in some cases complementing or building upon the previously supported areas. Some examples include circular economy and waste management (e.g. **Biz, PT**), investment in green hydrogen (**Biz**) and water savings (**CZ**), and the development of smart energy systems for energy storage in businesses (**EL**). In **Finland**, there are two new areas promoted by the OP, under two new specific objectives: 'energy efficiency measures and the reduction of GHG emissions', and 'promoting climate change adaptation, risk prevention and disaster preparedness and resilience'.



Overall, the **relevance of priorities associated with sustainability-related policy areas under the European Green Deal feature highly** on the agenda of IQ-Net programme authorities (see Table 6). Priorities considered to be of particular relevance include circular economy, sustainable industry, building and



renovating for energy-efficient buildings, sustainable mobility, clean energy and technological innovation, and eliminating pollution and climate action. The areas of sustainable food systems and particularly biodiversity have relatively lower levels of relevance among IQ-Net programme priorities. In some cases, the topics of biodiversity (CZ, Wal) and sustainable food systems (FI, PT) are considered more relevant under EAFRD.

**Table 6: 2021-27 sustainability priorities for IQ-Net programmes**

Policy areas 2021-2027	Level of priority		
	High	Medium	Low
<b>Biodiversity</b>	W-M	PT	AT, Biz, CZ, DK, FI, NL (W), NL (S), Vla, Wal
<b>Sustainable food systems</b>	CZ, NL (S), Wal	NL (W), Vla, W-M	AT, DK, FI
<b>Circular economy</b>	AT, DK, FI, NL (W), NL (S), NL (N), Sco, Wal	CZ, Vla, W-M, Biz, PT	
<b>Clean energy and technological innovation</b>	CZ, DK, FI, NL*, Sco, Vla, Wal, W-M,	AT, Biz, NL W, NL S, PT	
<b>Sustainable industry</b>	AT, FI (S), PT, Sco, Vla, Wal, W-M	Biz, CZ, DK, FI (Min), NL (W), NL (S)	
<b>Building and renovating for energy-efficient buildings</b>	AT, CZ, FI (S), IENWRA, IESRA, NL (W), PT, Sco, Vla, Wal	Biz, DK, W-M	FI (Min), NL (S)
<b>Sustainable mobility</b>	Biz, FI (S), PT, Sco, Vla, Wal, W-M	AT, CZ, FI (Min), NL (W), NL (S)	DK
<b>Eliminating pollution and climate action</b>	AT, Biz, FI (Min), PT, Sco, Wal, W-M	CZ, FI (S), DK	NL (W), NL (S), Vla

\* With focus on renewable energy (NL: W, S, N, E) and smart energy systems (NL W, S, E)

Source: IQ-Net research, based on indicative/approximate rating provided by interviewed IQ-Net partners only

#### iv Rethinking delivery approaches

Some changes to the way sustainability actions will be delivered under 2021-27 programmes are also foreseen. These include the investment priority structures and specific delivery mechanisms (e.g. Policy Objectives and Priority Axes architecture, delivery through S3/4 or territorial instruments, etc.), project selection procedures, as well as monitoring and evaluation arrangements (see Section 4). In addition, other changes foreseen for 2021-27 include:

- **Rethinking project partnerships and target groups.** In *West Netherlands*, some projects in 2014-20 had large partnerships including many public agencies and bodies, while



the 2021-27 programme aims for smaller projects with fewer partners. In [Austria](#), some measures have been expanded to include municipalities in addition to enterprises.

- **Re-prioritisation of project stages.** The West MA in the [Netherlands](#) expects a move towards market ready products and services and support to roll-out sustainable solutions, as opposed to the previous focus on early stage technological innovation projects.
- **Clearer targeting of support.** The South MA in the [Netherlands](#) will have a more focused priority axis for green transition, in contrast to a previous relatively broad menu of actions that could be supported under the low carbon priority.

## 4 DELIVERING SUSTAINABILITY IN PRACTICE: PLANNED APPROACHES IN 2021-27

The planning of specific approaches for the delivery of sustainability in 2021-27 – including delivery structures, project generation and selection procedures, monitoring and evaluation arrangements – have progressed significantly over recent months, not least facilitated by the growing regulatory certainty at EU level. Nevertheless, at the time of the fieldwork, several IQ-Net programmes noted that **many aspects of the planned delivery of sustainability actions** – as well as the scale of sustainability actions under the new OPs – **were not yet finalised**, with further details expected at later stages of the OP preparation work ([Biz](#), [CZ](#), [FI](#), [IE S](#), [PT](#), [W-M](#)). Uncertainties regarding the interpretation of the relevant legislation (including the Green Deal and DNSH principle) were among some of the factors contributing to protracted planning.

### 4.1 Delivering sustainability under the new Policy Objectives

A shift to five broader Policy Objectives is intended to promote an integrated policy approach (Section 2.2). At the same time, **the singling out of a dedicated policy objective (PO2) specifically dedicated to 'green' issues establishes a new narrative and marks an important policy shift**, demonstrating a greater ambition for environmental sustainability. There were no major changes in terms of eligibility, but this new narrative is considered by the Commission to contribute towards a broader sustainable direction and practice. This shift could support the addressing of climate challenges in an interdisciplinary and cross-cutting manner, allowing for more flexibility in solutions and approaches, but also cementing sustainability as an overarching goal. However, some **questions have been raised as to whether the separation of 'green' issues under a distinct PO reduces the scope for their genuine mainstreaming** across all programme activities, particularly interventions under PO1 (e.g. [South FI](#)).

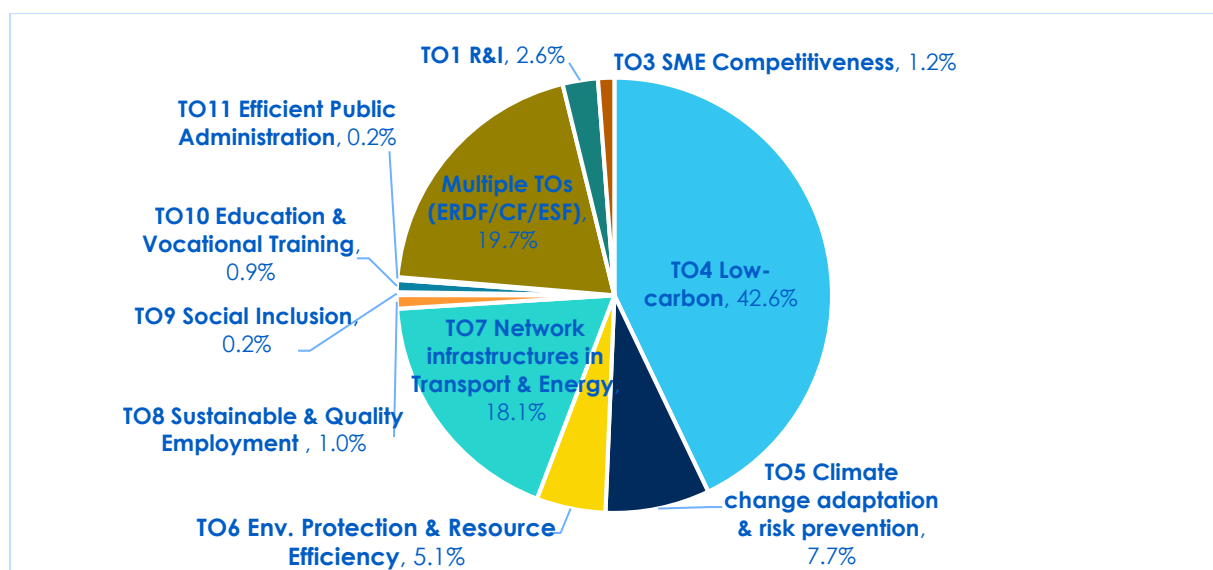
Across the IQ-Net programmes, PO2 will be the main 'framework' for sustainable investments in 2021-27. At the same time, reflecting the shift in the rationale behind the new PO architecture, but also continuing the mainstreaming logic pursued in 2014-20, **other POs are also expected to take the sustainability element into account or directly contribute towards sustainability objectives**. Relevant actions will thus be pursued (although with varying degrees



of relevance across programmes) under PO1 (mostly), POs 3, 4 and 5, while sustainability will also be **mainstreamed as a horizontal objective across all priorities** (also see Section 3).

This is broadly in line with the approach pursued in 2014-20, where most sustainable initiatives were supported under those TOs more directly related to climate and environmental objectives (TO4 and TOs 5-7), but also in relation to other TOs or as a horizontal action. As shown in Figure 5, most Cohesion Policy resources planned for interventions contributing to climate objectives in 2014-20 were allocated under TO4, but also TO7, TO5 and TO6, with a significant amount of sustainability-related support still also associated with multiple TOs and multiple funds.<sup>34</sup>

**Figure 5: Distribution of amounts for climate action by Thematic Objective, 2014-20**



Source: [https://www.europarl.europa.eu/ReqData/etudes/STUD/2021/652247/IPOL\\_STU\(2021\)652247\\_EN.pdf](https://www.europarl.europa.eu/ReqData/etudes/STUD/2021/652247/IPOL_STU(2021)652247_EN.pdf)

## i PO2 (Greener Europe)



Across IQ-Net programmes, **the vast majority of sustainability actions will be delivered under PO2** (Greener, carbon free Europe), which is directly related to the climate neutrality goal. The scope of support under this PO, along with the associated regulatory requirements (e.g. thematic concentration), make this PO a logical 'niche' for integrating sustainability projects. In some IQ-Net programmes, most sustainability interventions will be concentrated almost exclusively under this PO (e.g. Biz, CZ, EL).

Investment under PO2 will primarily focus on support for energy efficiency and reducing GHG emissions, renewable energy, sustainable mobility, circular economy, and climate change measures including climate adaptation and risk management, among others.

This approach is largely in line with the support logic in the 2014-20 period, where most support for sustainability actions was concentrated under **TO4** (all IQ-Net programmes), but also **TO5** (CZ, EL, IE S, PT) and **TO6** (e.g. AT, CZ, EL, PT, Sco, W-M).





The broader scope of the new PO2 allows the support of a more wide-ranging set of thematic areas and types of actions under a single Policy Objective and as such, fosters synergies between projects, including a greater interconnection between low-carbon and environmental projects (e.g. [PT](#)). However, it may also mean that project implementation and calls need to be more selective to avoid applications from too many sectors (e.g. [Vla](#)).<sup>35</sup>

## ii PO1 (Smarter Europe)



**Outside PO2, the relevance of the sustainability dimension is particularly strong in relation to PO1**, including through links to innovation projects. As highlighted in the EC report on Supporting sustainability transitions under the European Green Deal with Cohesion Policy, supporting RTDI is central in the transition to a climate neutral and circular economy as transitions become feasible when alternative solutions for a sustainable future are made available.<sup>36</sup> In addition, the focus of business activity on competitiveness factors such as resource efficiency and sustainability is crucial for generating economic growth and innovation.

Sustainability is thus an important consideration in PO1 projects across many IQ-Net programmes, where sustainable initiatives are closely linked to the smart growth priorities including RTDI and SME support. For example:

- In the [Netherlands](#) and [Vlaanderen](#), many highly innovative projects with a strong green transition and sustainability element will be supported under PO1, including e.g. infrastructural projects focusing on sustainable food systems and circular economy. Also in [Finland](#), some sustainability actions that can be linked to R&D&I will be implemented under the Priority 1 'Innovative Finland'.
- In [Ireland](#), [NWRA](#) has been promoting sustainable initiatives under PO1, encouraging investments in urban centres particularly through education institutions and linked to smart growth.
- In [Greece](#), interventions focusing on economic actions of sustainability can be supported under PO1 by ROPs through the RIS3, including actions on sustainable blue economy and integrated territorial investments.
- [Denmark](#) foresees a cross-cutting focus on green and digital sustainability in its firm-related measures. Sustainability actions related to business support (including in relation to the decarbonisation of industry and renewable energy in enterprises) are also prioritised in [Portugal](#).
- Circular economy and associated business support are considered important in the context of PO1 across a range of programmes (e.g. [PT](#), [Vla](#), [W-M](#)).

This strong link between the sustainability dimension and smart growth priorities is **broadly in line with the approach pursued in 2014-20**, where sustainability was an important consideration across activities supported particularly under TO1 and TO3.



Across a range of IQ-Net programmes, low-carbon and broader **sustainability considerations were an important focus of TO1** on RTDI. For example:



- In **Vlaanderen**, the innovation priority included many projects with a strong sustainability dimension (e.g. smart water usage, better processes in agri-food projects).
- In **Portugal**, sustainability was an important dimension of actions supported under TO1 – e.g. the 'Competitiveness and Internationalisation' OP promoted sustainable growth through research projects in 'green' and 'blue' economy.
- In **Finland**, Priority 2 'R&D' implemented interventions related to TO1 and TO4 based on smart specialisation priorities.
- In **Wales**, low-carbon was an important focus of Priority 1 'Research and Innovation' (TO1), providing opportunities for more developed renewable energy generation sectors to further develop technologies (wind and solar) (see Box 5).

### Box 5: Supporting sustainability under TO1 in Wales, 2014-20



In Wales, many projects which contribute to environmental sustainability and low carbon solutions have been funded under TO1 (R&I). This builds on the significant investments made in this area under the 2007-13 programmes. Priority 1 has an indicative allocated budget for low carbon activity, so there is a thematic link across programme priorities. Some examples include:

- **Marine Energy Engineering Centre of Excellence** aims to accelerate the commercialisation of marine energy technologies and help the supply chain to capture the maximum value from the industry.
- **RICE** combines established expertise in algae conversion and hydrogen generation with emerging expertise in heat-to-electricity, CO<sub>2</sub> capture, and chemical waste, and their conversion to high value added products, in order to create new enterprises that can be integrated into present energy intensive industries to reduce CO<sub>2</sub> emissions.
- **BEACON+** uses bio refining to add value to natural resources. By undertaking collaborative R&D with business, it translates academic knowledge into product innovation.
- **SPECIFIC** aims to create Buildings as Power stations; generating clean, renewable energy from coatings used in the built environment. This will enable energy to be generated, stored and released at the point of use delivering significant economic and environmental benefits.
- **SPARCII** builds research capacity in solar photovoltaic technology. Its research addresses challenges such as new solar technology to charge electric vehicles, power remote sensors and more efficient solar conversion devices.

Source: IQ-Net research



**The sustainability dimension was also an important consideration under business support measures supported by TO3** across a number of programmes. For instance:

- In **Portugal**, business investment support places a significant focus on environmental sustainability. Resource efficiency and sustainability are viewed as important SME competitiveness factors. The Competitiveness OP, for instance, promotes sustainable growth through business investments in emission control, environmental audits, water and waste management, noise reduction, eco-efficient technologies, and environmental certification under IP 3.3.
- In **Denmark**, sustainable development was highlighted in a separate priority axis in the ERDF programme focused on energy and resource efficiency in SMEs,



reflecting a dual approach aimed at generating growth and innovation in SMEs as well as supporting environmental sustainability.

- o Similarly in [Greece](#), the 2014-20 PA focused on economic aspects of sustainability including a strong focus on competitiveness and emphasis on tradable industrial sectors in the framework of TOs 1 and 3.

### iii PO3 (More connected Europe)



Sustainable mobility / support for climate-resilient and sustainable transport will continue to be an important priority across most IQ-Net programmes (see Table 6), providing a sustainability dimension to many interventions to be supported under PO3. This is also largely in line with the 2014-20 approach, linking sustainable transport and logistics interventions under TO7 (e.g. stimulating the use of environmentally friendly and low carbon transport systems) with broader sustainable growth objectives.

### iv PO4 (More social and inclusive Europe)



Actions mainstreaming sustainability are also relevant under the measures promoting a more social and inclusive Europe, e.g. in relation to the development of green competences ([DK](#)) and competences related to circular economy ([W-M](#)) or sustainable tourism ([W-M](#)). For instance in [Denmark](#), social inclusion support under the ESF OP is now supplemented by a focus on supporting the development of green competences. In [Warmińsko-Mazurskie](#), undertakings in the field of tourism under PO4 should include the reduction of anthropopressure on the natural environment, e.g. by modernising the existing infrastructure and diversifying the tourist offer in the region – seen as a crucial aspect of the responsible use of regional resources in line with the principle of sustainable development.

Similar links were ensured in some IQ-Net programmes in 2014-20, e.g. through the support of skills development in business and public administration in the field of 'green economy', 'green entrepreneurship' and 'green employment' under TO8 (e.g. [PT](#)), or the indirect link between sustainable investments and social inclusion objectives (e.g. via support for energy efficiency in social and health infrastructure or in social housing). A relevant relationship also exists between environmental sustainability and social entrepreneurship (e.g. proximity agricultural production projects and communities of micro energy producers – [PT](#)).

### v PO5 (Europe closer to citizens)



In some IQ-Net programmes, the new PO5 is also expected to have relevant sustainability elements, particularly delivered as part of Sustainable Urban Development (e.g. [AT](#), [IE NWRA](#), [IE SRA](#), [Vla](#)) (see Section 4.2.2).



## 4.2 Supporting sustainability: delivery structures

IQ-Net programmes intend to integrate the sustainability theme in a variety of ways, including through the use of dedicated or multiple priority axes, territorial instruments or S3/4 approaches.

### 4.2.1 Priority Axes

In most IQ-Net programmes, **separate priority axes** (one or several) are planned for the delivery of sustainability actions (e.g. [AT](#), [Biz](#), [CZ](#), [EL](#), [FI](#)), sometimes implemented under multiple POs or OPs. This largely reflects an approach pursued in 2014-20, where most IQ-Net programmes contained a dedicated priority axis for each sustainability-related topic under the relevant OPs (e.g. TO4: [AT](#), [CZ](#), [Biz](#), [DK](#), [IE SRA](#), [NL](#), [PT](#), [Sco](#), [Vla](#), [Wal](#); TO5: [IE SRA](#), [PT](#); TO6: [AT](#), [PT](#), [Sco](#)).

In some cases, the majority of sustainability-related support is concentrated under a single **dedicated thematic OP**, although this does not exclude the pursuit of sustainability objectives and actions also under other OPs. Examples include the OP Environment in [Czechia](#), OP Environment, Energy, Climate Change in [Greece](#), and OP Climate Transition and Resource Sustainability in [Portugal](#) – although sustainability actions are also supported under other thematic and regional OPs. This follows the 2014-20 approach in some IQ-Net countries, where the vast majority of environmental sustainability objectives at national level were pursued under a dedicated thematic OP (e.g. OP Transport Infrastructure, Environment and Sustainable Development in [Greece](#), OP Sustainability and Efficiency in the Use of Resources in [Portugal](#)).

Due to the close links between different sustainability-related areas, links to themes such as Sustainable Urban Development (SUD), R&D and innovation, and overall mainstreaming, **many IQ-Net programmes pursue a cross-cutting approach by including sustainability themes also under additional priorities or instruments**, e.g. as part of SUD through dedicated urban axes in the OPs (see Section 4.2.2). Where actions for sustainable development will not be combined as a separate priority axis, they will be implemented under individual thematic priorities of the relevant programmes (e.g. [DK](#), [W-M](#)). In 2014-20, some IQ-Net countries similarly opted to combine different TOs within the relevant priorities, rather than having sustainability-related themes (e.g. TO4) as a separate priority axis (e.g. [FI](#)).

In order to avoid overlaps between the different structures for delivering sustainability (e.g. national and regional OPs, territorial instruments, other instruments such as JTF or RRF), as well as to maximise the use of the available resources and the expected results, **demarcation of sustainability actions is essential**. Clear demarcation lines for instance have been established between sustainability-related support categories / typologies under the thematic and regional programmes in [Greece](#) and [Portugal](#) (see also Section 8.1.4).



## 4.2.2 Territorial delivery instruments



Integrated territorial strategies (SUD, ITI, CLLD) are particularly relevant to delivering sustainability transitions at local level, not least due to their focus on sustainability challenges in specific territories, their reliance on local capacities and knowledge, the pursuit of a strategic and participatory approach, and the delivery of interventions in an integrated way.<sup>37</sup>

Sustainability-related interventions are supported through integrated territorial instruments across a number of IQ-Net programmes. Sustainability is an (sometimes strongly represented) element in the **priority for urban development** (e.g. [AT](#), [CZ](#), [FI](#), [IE NRWA](#), [IE SRA](#), [NL](#), [Vla](#)), **implemented through the SUD / urban ITIs**.

- In [Czechia](#), SUD in 2021-27 is implemented exclusively via the ITI instrument and will concentrate mainly on sustainable urban mobility and adaptability to climate change.
- In [Finland](#), the ITI Strategy for SUD will promote projects which are in line with sustainability actions of the OP. For example under the SO on energy efficiency and reduction of GHG emissions, actions include solutions for buildings, energy and urban infrastructure, and sustainable and smart energy systems. The SO on the transition to a circular economy will support development of carbon-neutral high-value bioeconomy and circular economy in the urban areas, clean solutions, and circular economy of municipal waters.
- Sustainability is also strongly represented in the priority for urban development in [Vlaanderen](#), where it is expected to be included to a greater extent as part of the SUD requirements in 2021-27.
- In the [Netherlands](#), within the Urban ITIs in the West OP, at least a third of the budget has to be spent within the Climate priority.
- Sustainability is also an important element under SUD in [Ireland](#). [SRA](#) will have a dedicated priority for SUD and go above the required eight percent of ERDF resources for this cross-cutting action, potentially up to 15 percent. [NWRA](#) also expect PO5 to have sustainability elements. Under PO5 they implement a Town Centre First initiative on Sustainable Urban Development (Box 6), with a total of seven integrated growth centres supported under this measure in the Border, Midland and Western Region.

### Box 6: Ireland's Town Centre First initiative



The 'Town Centre First' initiative is a policy approach and programme by Chambers Ireland and the Irish Government demonstrating a commitment to revitalise urban centres. It serves as a platform for projects in brownfield development, sustainable urban transport, building renovation, and public works framed by goals of sustainable housing and resilient economies and communities under the Climate Action Plan. It has also emerged in the midst of the COVID-19 crisis, and is aimed at supporting cities and towns across Ireland in the recovery.

Source: <https://www.chambers.ie/news/taoiseach-led-town-centre-first-initiative-vital-to-national-economic-recovery-stimulus-package/>

Some IQ-Net programmes are also planning to **address the area of sustainable development under the CLLD strategies**. For instance, [Ireland \(NRWA\)](#) will incorporate CLLD into the Town



Centre First initiative. [Czechia](#) expects that the OP Environment will support energy efficiency in buildings under CLLD 21+.

Similarly in **2014-20**, several IQ-Net programmes included sustainability actions (e.g. under TOs 4, 5 and 6) in their urban priority axes (e.g. [AT](#), [DK](#), [EL](#), [IE SRA](#), [NL-W](#), [PT](#), [Vla](#)), including as part of SUD/ITI strategies. The sustainability dimension is therefore at the core of some of the key territorial / spatial planning instruments (e.g. [PT](#), [W-M](#)) (see Box 7).

#### **Box 7: Sustainability actions under SUD in Portugal and Warmińsko-Mazurskie in 2014-20**



In **Portugal**, sustainability actions under SUD were implemented through a dedicated Urban Priority Axis in four regional OPs, mobilising IPs 4.5, 6.5 and 9.8 via the Strategic Plans for Urban Development. These Plans link Plans for Sustainable Urban Mobility, Urban Regeneration Action Plans, and Integrated Action Plans for Disadvantaged Communities.



In **Warmińsko-Mazurskie**, the ROP 2014-20 implemented integrated actions for sustainable development of urban areas (ITIs for Olsztyn, Elbląg and Ełk and their functional areas). Projects were implemented under various priority axes of the ROP. Intervention synergies were also ensured with the horizontal action 'Sustainable Development' under the flagship project 'Networking of sustainable towns and villages'. This involved integrated packages of projects prepared by the CITTASLOW network of cities, implemented in several priority axes of the OP.

### **4.2.3 Smart Specialisation Strategies**

Research and Innovation Strategies for Smart Specialisation (RIS3) will continue to play a major part in finding innovative solutions to societal challenges linked to the green transition.<sup>38</sup>



The EC report on RIS3 prioritisation<sup>39</sup> highlights that, in the 2014-20 period, 91 percent of all RIS3 across Europe (168 out of 185) contain an explicit reference to the societal challenge of 'climate action/resources'. While the strategies have mostly addressed topics linked to engineering and ICT, there is still consideration of sustainable themes and approaches. More specifically, the subgroups addressed are to ensure 'sustainable consumption and production patterns', 'good health and well-being' and 'ensure access to affordable, reliable, sustainable and modern energy for all'. Sustainability has thus been widely considered under the R&I theme in the 2014-20 period.

In 2021-27, this is expected to be reinforced. The policy logic of Smart Specialisation Strategies is being rethought and will be reoriented to tackle not just innovation and competitiveness but also the growing challenges of climate change and the COVID-19 pandemic. In line with the European Green Deal and the UN SDGs, Smart Specialisation Strategies (S3) can now be framed on a voluntary basis as Smart Sustainable Strategies for Sustainable and Inclusive Growth (S4 or S4+), as long as the focus and methodology respect sustainability principles.<sup>40</sup>



Most IQ-Net partners have indicated a continuation of the S3 policy logic, with no anticipated formal move to S4/+ in 2021-27 (AT, CZ, IE, Vla). This is due in part to the very recent introduction of S4, with partners having had little information on the evolution of smart specialisation when preparing their strategies for the new period. Vla and IE: SRA have suggested that, nonetheless, their RIS3 still promotes sustainable approaches to economic development.

Below are some examples of IQ-Net partners experimenting with integrating the new S4/+ approach or some sustainability principles:



The **Dutch** regions have been designing their smart specialisation strategies around missions or societal challenges, in line with the proposed S4/+ framework. This is expected to continue in the new period. North has related their RIS3 to SDGs, and emphasised a progressive, sequential narrowing of priorities, as well as continuous monitoring. South notes that their strategy also has strong sustainable and social dimensions, namely related to the themes of climate, energy, and agriculture. Smart specialisation in these regions will work as a basis for PO1 and PO2.



The smart specialisation approach varies across **Finnish** regions, but most are expected to have a strong focus on sustainability as a cross-cutting theme. In South Karelia, the Regional Council has applied several S4/+ methodologies in their smart specialisation process, including a social impact evaluation report of the programme, and link to relevant SDGs. The Helsinki-Uusimaa Regional Council has also included S4 experimentation, linking their smart specialisation to SDGs and a climate neutrality target, and applying an overarching theme of 'resource wisdom'.

While these strategies apply S4 principles, they were not generally designed with knowledge of this framework. Some programmes therefore may not have the formalised approach promoted by the Commission, but include more social and sustainable elements as a natural evolution of these strategies. The main challenges IQ-Net partners have emphasised in relation to adopting an S4/+ approach refer to building capacity in local and regional administrations for the multi-level governance approach included in the framework.

### 4.3 Setting the framework: project selection and monitoring arrangements

As discussed in Sections 2 and 3, a range of instruments are foreseen to enhance the environmental performance of ESIF supported activities. The Strategic Environmental Assessment (SEA) and Environmental Impact Assessment (EIA) exercise, integration of environmental considerations into project selection criteria, and the monitoring and evaluation of environmental impacts and programme contribution to sustainability transitions are among some of the key instruments for mainstreaming sustainability considerations into programmes and projects. This section looks at the emerging thinking across IQ-Net programmes on building an adequate enabling framework by integrating some of these instruments to support sustainability transitions.



### 4.3.1 Project selection procedures



Project selection procedures and criteria are an important instrument to ensure that projects address relevant sustainable/transition challenges and mainstream sustainability considerations into programmes and projects.

#### Box 8: Complying with sustainable development principles: 2021-27 regulatory provisions on project selection

Art. 73 of the CPR states that a transparent set of criteria, which take account of the principle of sustainable development and the Union policy on the environment, need to be used for project selection. MAs need to ensure that selected operations are consistent with the corresponding strategies and planning documents established for the fulfilment of enabling conditions.

Criteria for selection of operations shall reflect the results of the SEA process and the DNSH assessment. Managing Authorities can also define specific criteria for selecting operations that ensure compliance with the DNSH principle.

*Source: Regulation (EU) 2021/1060; Commission explanatory note 'Application of the "do no significant harm" principle under Cohesion Policy', EGESIF October 2021.<sup>41</sup>*

**Many IQ-Net programmes have not yet developed project selection procedures and criteria** for 2021-27, including for sustainability and transition challenges (e.g. [CZ](#), [IE NWRA](#), [IE SRA](#), [NL-W](#), [PT](#), [W-M](#)). This partly relates to the lack of clarity regarding the interpretation and application of the horizontal principles for sustainability, including the DNSH principle (see Section 8.1.1).

In some programmes, no drastic changes in comparison with the 2014-20 period are expected (e.g. [AT](#), [NL](#)). This is due in part to the fact that, **in most programmes, sustainability considerations were already deeply embedded in project selection procedures/criteria.**



**Sustainability was one of the key selection criteria for projects in 2014-20**, both under the relevant priority axes and investment priorities within programmes and as one of the horizontal criteria. For instance in the [Netherlands](#), the sustainability criterion was one of the five criteria against which all projects were scored. Some selection criteria, particularly in areas not directly related to sustainable action, were formulated to give preference to projects promoting sustainability. In [Portugal](#), investments in the area of Competitiveness that take into account climate action criteria (e.g. aiming at reducing GHG emissions) are advantaged. Selection criteria prioritising projects with measures promoting positive environmental solutions is one of the key tools for ensuring the sustainability of interventions in [Finland](#).

**Some changes are however also anticipated**, partly to reflect the new requirements at EU level or domestic ambitions to reinforce the mainstreaming of the sustainability dimension, focus on new aspects of sustainability (e.g. social), or simplify procedures.





In **Vlaanderen**, the MA intends to limit the use of check list criteria for project selection as much as possible in order to reduce administrative pressure. Instead, the MA is more interested in a comprehensive quality assessment of the contribution that the project makes in relation to sustainability.



In **Denmark**, sustainability will permeate not only the programme but also the calls for projects which will specify assessment criteria related to green issues. This may include introduction of new elements in the monitoring/evaluation process.



In the **Netherlands**, due to the spending criteria set at EU level, project calls will have more stringent requirements in terms of the expected effects. In addition, the definition of the sustainability criteria has been changed and is more closely related to the social transition/impact (see Box 9).

#### **Box 9: Adjusting project selection procedures related to sustainability in the Netherlands**



In the Netherlands the sustainability criteria is one of the five criteria on which all projects are scored. For 2014-20, it was quite general and not always well understood by beneficiaries (West). For 2021-27, the definition of the sustainability criteria has been changed and is more closely related to the social transition/impact.

Similarly in South, the past period required projects to provide a qualitative assessment of sustainability/social impact (through developing quantitative indicators or KPI). However, the evidence provided by projects was very mixed. The MA does not want to make the requirement for KPI or quantitative indicators obligatory but their inclusion could play a role in terms of project selection (i.e. if a project has good indicators for sustainability impact, it gets additional points). The selection criteria for green transition projects will become more focussed to select projects that can demonstrate a social impact.

Source: IQ-Net research

### **4.3.2 Monitoring and evaluation**



Monitoring and evaluation of environmental and climate impact, including the creation of a performance framework with relevant indicators for monitoring interventions, are crucial instruments to help enhance the environmental performance of ESIF programmes and projects.

#### **Box 10: 2021-27 provisions for monitoring and evaluating environmental and climate impact of Cohesion Policy interventions**

Art. 16 of the CPR requires that Member States establish a performance framework for monitoring, reporting on and evaluating programme performance, consisting of relevant output and result indicators linked to specific objectives, milestones and targets. Core indicators include a range of indicators relevant to monitoring the environmental and climate impact of interventions under PO2 (ERDF/CF Regulation, Art. 8/Annex 1).

In addition to assessing the positive environmental impacts of interventions under PO2, it is important to assess the negative environmental impacts of other interventions, in particular for investments under PO1 and PO3.



Applying flexible and iterative evaluation plans, ensuring feedback into decision-making and applying adaptive governance arrangements are also important for monitoring EISF environmental impacts and contribution to sustainability transitions.

Source: Regulation (EU) 2021/1060; Regulation (EU) 2021/1058; European Commission (2020) *op. cit.*

For many IQ-Net programme authorities, **the planning of monitoring and evaluation arrangements for sustainability actions in the 2021-27 period is still at an early stage** (e.g. [AT](#), [FI](#), [IE NWRA](#), [IE SRA](#), [NL](#), [W-M](#)).

A significant degree of continuity in the approach to the monitoring and evaluation of contributions to sustainable initiatives is foreseen in some programmes (e.g. [CZ](#), [FI](#), [IE NWRA](#), [NL \(S\)](#), [Vla](#)). At the same time, some **targeted improvements or adjustments to the existing arrangements**, or the introduction of some new approaches, are also planned. These include, for example:

- **Stronger links with SDGs.** In [Czechia](#), a new thematic dataset will be available due to the reinforced monitoring of sustainability linkages between SOs and (sub)-objectives of the SDGs.
- **Widening the range of indicators.** In [Vlaanderen](#), a shift towards adopting more results indicators in programmes means that all projects will be required to report on these one year after competition. The OP systems need to be changed to accommodate this process.
- **Monitoring of specific themes** under the sustainability heading. In [Greece](#), in the area of climate change adaptation, monitoring systems will be modernised and monitoring capacities enhanced. In addition, a national system of species and biotopes monitoring and surveillance of protected areas will be established.
- **Coordination with monitoring support under other instruments.** In [Greece](#), it is foreseen that two new bodies will be established with support under the RRF: a single national regulatory body to monitor the implementation of solid waste management actions; and a single national regulatory body to monitor the rational use of water resources and the promotion of their effective use.
- **Governance arrangements and working practices.** [IE NWRA](#) intends to involve new stakeholders outside the ERDF in the definition of relevant indicators. [Greece](#) will modernise communication channels to support the operation of monitoring committees (e.g. introducing direct communication through an online platform in real time), to promote more effective monitoring of sustainability contributions.

In terms of evaluation arrangements, several **IQ-Net programme managers have noted the value of carrying out a separate evaluation of green transitions** / priority axis dedicated to sustainability (e.g. [CZ](#), [NL](#), [Vla](#)). In some cases, this follows the approach pursued in 2014-20 (e.g. [NL](#)). In [Austria](#), the circular economy remains an open issue – where an OP-specific indicator was required in this context, a separate evaluation would be needed.



## 5 SUPPORTING GREEN TRANSITION UNDER REACT-EU

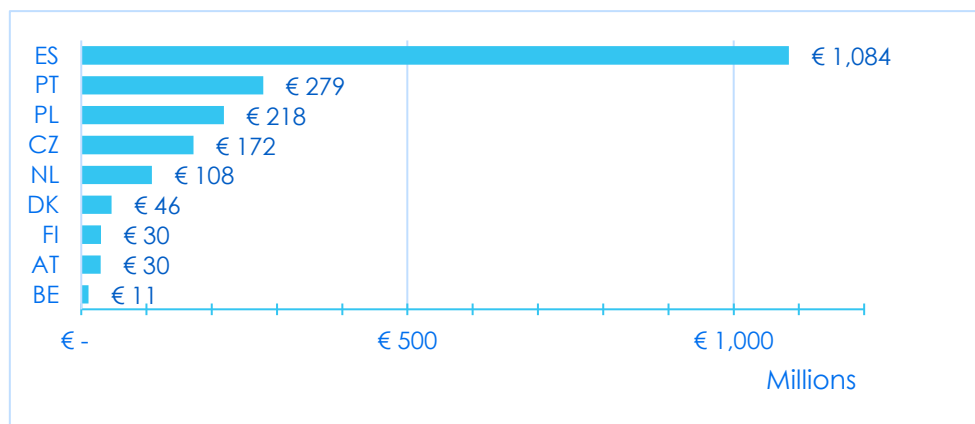
### 5.1 Scope for supporting sustainability under REACT-EU



The REACT-EU (Recovery Assistance for Cohesion and the Territories of Europe) will be one of the largest programmes under NGEU, accounting for €50.6 billion. This funding is a top-up to both the 2014-20 programmes and to the cohesion allocations for 2021-27, constituting a bridge between the more short-term Coronavirus Response Investment Initiatives (CRII and CRII+) and a long-term sustainable and resilient recovery.

The green and digital transition are cross-cutting themes under REACT-EU. Specifically, it is expected to contribute **25 percent of its resources to climate-related investments** at EU-level. Support for the transition towards a green economy under REACT-EU will be primarily channelled through ERDF, although ESF-related resources may also serve to support job creation associated with the green transition. As of 5 November 2021, of the €36 billion total EU amount allocated through ERDF and ESF, €5.5 billion (15 percent of total) of ERDF were allocated in support of the green transition, of which €4.7 billion (13 percent of total) specifically target climate action.<sup>42</sup> Figure 6 shows REACT-EU ERDF green economy investments by IQ-Net partner countries, with Spain, Portugal, and Poland leading the chart.

**Figure 6: REACT-EU green economy investments in IQ-Net countries – ERDF allocations to interventions by November 2021**

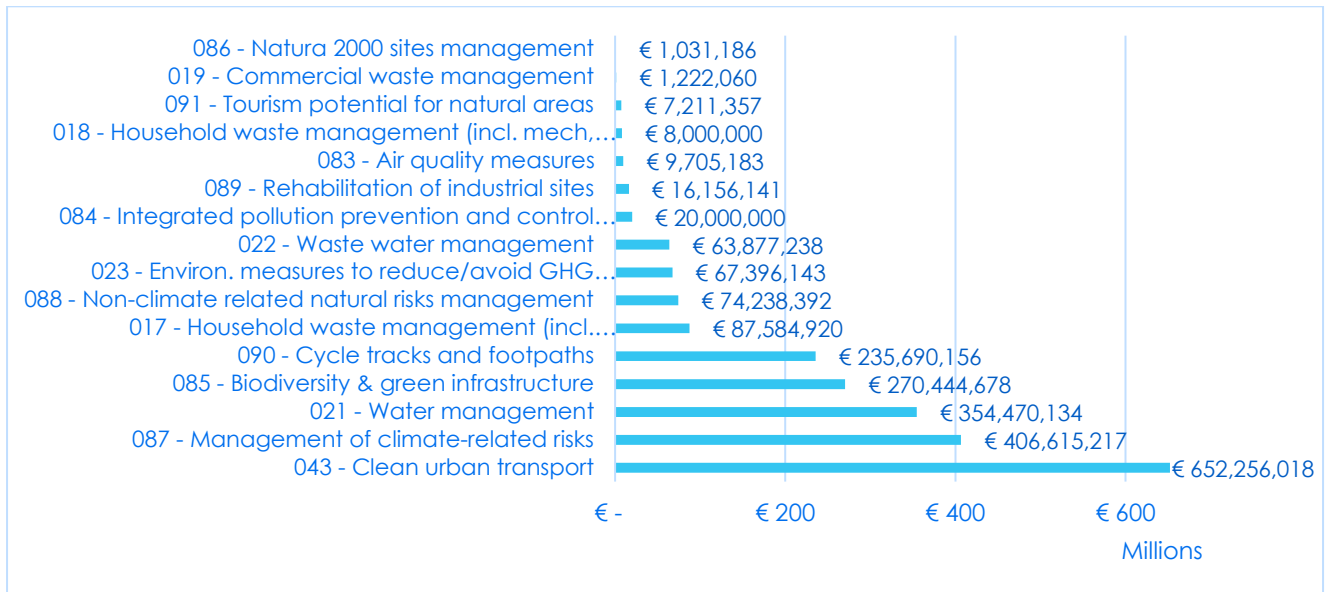


Source: <https://cohesiondata.ec.europa.eu/stories/s/REACT-EU-Fostering-crisis-repair-and-resilience/26d9-dazy/>

Figures 7 and 8 illustrate REACT-EU total ERDF environment and energy allocation by intervention field. Energy efficiency renovation of public infrastructure, clean urban transport and climate change adaptation are the intervention fields where most green investments are being made.



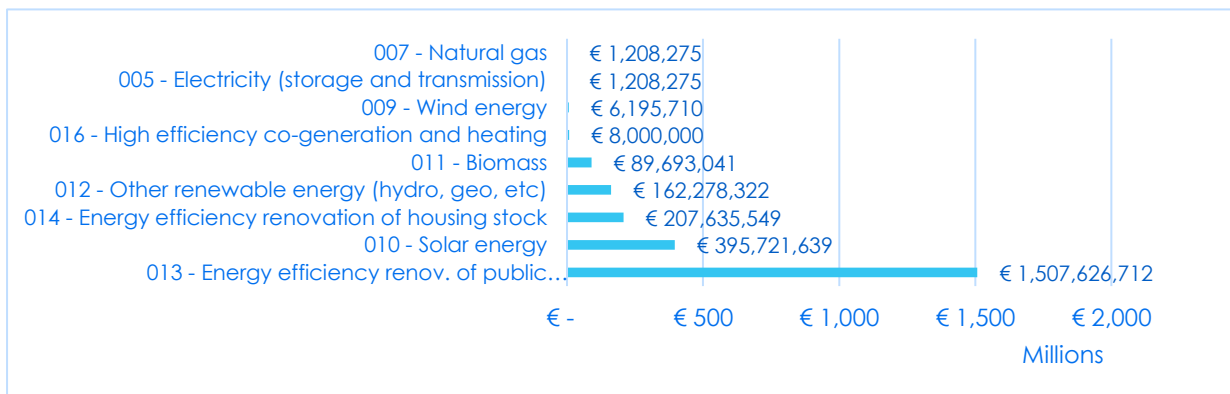
**Figure 7: REACT-EU ERDF environment allocation by intervention fields by November 2021**



Source: <https://cohesiondata.ec.europa.eu/stories/s/REACT-EU-Fostering-crisis-repair-and-resilience/26d9-dazy/>

Note: Total REACT-EU data, including the IQ-Net partner countries AT, BE, CZ, ES, NL, PL and PT.

**Figure 8: REACT-EU ERDF energy allocation by intervention fields by November 2021**



Source: <https://cohesiondata.ec.europa.eu/stories/s/REACT-EU-Fostering-crisis-repair-and-resilience/26d9-dazy/>

Note: Total REACT-EU data, including the IQ-Net partner countries AT, BE, CZ, ES, NL, PL and PT.

Across several IQ-Net programmes, REACT-EU resources are heavily used to support sustainable initiatives, not least due to the focus of the instrument on green transition and the associated requirements. In some cases, the relevance of green transition under REACT-EU measures is particularly high. For instance in **Finland**, green transition is one of the key themes included, and the 2014-20 OP notes the crucial importance of carbon neutrality in the delivery of the REACT-EU projects. In **Austria**, resources for the KPC pilot pursuing an output-based (financing not linked to costs, FNLT) approach for CO<sub>2</sub> measures<sup>43</sup> has been doubled using REACT-EU resources.



**Some of the key actions under the green transition heading** of REACT-EU implemented or planned in IQ-Net programmes include the support for sustainable energy transitions and renewable energy (e.g. **AT, DK, NL, PT, Vla**), circular economy (**NL N, NL E, Vla, PT**), climate



action (NL S, PT), and green / sustainability-related infrastructure (e.g. wastewater sanitation infrastructure and hydrographic network, PT; integrated rescue system, CZ).



**The sustainability dimension is also integrated / mainstreamed in some cases into other support categories, e.g. related to business support** (e.g. DK, PT), **innovation** (e.g. Vla) and **social action** (e.g. CZ). In **Czechia**, sustainability is promoted via strict requirements for energy efficiency for newly constructed facilities for social services or their reconstruction. In **Vlaanderen**, apart from the €10 million allocation to specific sustainability goals (e.g. sustainable heat and circular economy), a large proportion of the innovation allocation (€17 million) also targets sustainability objectives such as agrofood. Close links between sustainability objectives and business support measures are pursued e.g. in **Portugal** (via a line of support for climate-oriented projects under the existing business incentive schemes) or **Denmark** (see Box 11).

#### Box 11: Linking sustainability and business support under REACT-EU in Denmark



The Danish REACT-EU resources are being used for two purposes:

- to boost the business development activities of the six cross-municipal business development centres where some programmes already have a distinctly green profile;
- to address seven major regional challenges, set by government after consultation with the local business development centres and to be directed by a new tier of partnership organisation ('Regional Growth Teams'). These cover part or the entirety of the five Danish regions. Five out of seven challenges focus on green sustainability issues, e.g. off-shore wind, water resources, and energy storage.

Source: IQ-Net research

Further details of any REACT-EU allocations to green transition objectives are still to be elaborated in some cases, particularly where measures have not yet been implemented (e.g. W-M).

## 5.2 Using REACT-EU for sustainable initiatives: opportunities and challenges



Both the substantial amount of additional funding under REACT-EU, including for supporting green transition, and its bridging function between the two financial perspectives are generally highly appreciated by the IQ-Net programme managers. With regard to sustainable initiatives in particular, such a 'bridging' role between the two periods is seen as **an opportunity to 'test-run' some of the sustainability/climate priorities to be implemented in 2021-27.**

- The West MA in the **Netherlands** aims to shift its support in 2021-27 to later stage green transition technology and support businesses which are at the stage of market entry and REACT-EU offered an opportunity to test case these calls.
- In South **Netherlands**, the new S3 strategy formed the basis for both the 2021-27 programme and REACT-EU. Several of the selected projects under REACT-EU have a strong sustainability character. For example, one project looks at how recreational sites



together with water management companies, can make waste water available to agricultural community in the local area.

- In **Portugal**, REACT-EU similarly provided a link between mainstream support to enterprises and sustainability-related measures, creating a testing ground for this kind of investment in the new period. The component of the REACT-EU support dedicated to sustainability in businesses will be a first test for this type of measures.



A number of **challenges related to the programming of REACT-EU resources for sustainable initiatives have also been highlighted**. Some of these challenges are common to those facing other types of support under REACT-EU more generally, but others are more specific to sustainability-related investment. Some of these key challenges relate to:

- **Short implementation period**, among other things **creating additional absorption pressure as well as administrative pressure / capacity issues**. The relatively short implementation period is seen as a challenge (e.g. **NL, Vla**), particularly for green transition projects (**NL W**). In some cases this is aggravated by the fact that environmental calls / projects were launched later than other projects types (e.g. **PT**). For some programmes, ensuring sufficient absorption of the new funds in such a short timeframe might prove challenging (e.g. **CZ, DK**). In addition, such tight timeframes for the planning and implementation of REACT-EU (along with other tasks) create additional pressure on human resources and administrative capacities. In **Vlaanderen**, for example, the sudden announcement of the funds meant that the MA had little time to adjust to this additional workload, and the implementation of REACT-EU is causing some capacity issues.
- **Competition / coordination with other instruments**. In **Czechia**, the key challenge for REACT-EU resources for sustainable operations is the competition with the National Recovery Plan which provides project applicants with more favourable conditions than REACT-EU for the same type of operation (e.g. 100% funding). This also creates some concerns regarding sufficient absorption capacity of the REACT-EU resources.
- **Maturation period and impact on closure**. In **Portugal**, the impact of the REACT-EU share allocated to environmental projects on the closure of the programme cycle may be a potential source of concern. Environmental projects can be more structural in nature and thus require more time to be planned and mature. They do not constitute a crisis response measure and do not involve an immediate expense. In addition, this component was integrated into the OP at a relatively late stage, all of which could potentially affect closure.
- **Lack of thematic flexibility**. For some programme authorities, the strict definition of the REACT-EU themes, focused on the topics of digitalisation and green transitioning, could potentially limit the application of this instrument, including in terms of COVID-19 mitigation measures (e.g. **CZ**).

## 6 SUPPORTING JUST TRANSITION UNDER THE JTF



The JTF was proposed by the European Commission in 2018 as a third pillar of the Just Transition Mechanism, alongside InvestEU and the EIB Group public sector loan facility. The JTF regulation was adopted by the European Parliament on 18 May 2021, and by the European Council on 7 June 2021. This established the fund at approximately €19.2 billion in



current prices, to finance projects that will facilitate the transition of carbon-intensive regions to a low carbon diversified economy. It is in line with the EU goal to achieve a 55 percent GHG reduction by 2030 and climate neutrality by 2050. The CP legislative package was also approved by the Parliament on 25 June 2021,<sup>44</sup> establishing key elements for the new JTF regulation:

- **specific scope** to enable regions and people to address the “social, employment, economic and environmental impacts of the transition” towards the Union’s 2030 and 2050 climate and energy targets;
- **JTF resources** (€7.5 billion in 2018 prices) will support the Investment for jobs and growth goal in all Member States, with the remaining resources (€10 billion in 2018 prices) made available from the EU recovery instrument Next Generation EU;
- **green rewarding mechanism**, with an allocation of additional resources for Member States to achieve GHG reduction;
- **specific allocations for outermost regions and islands** facing serious socio-economic challenges to be included in the Territorial Just Transition Plan (TJTP);
- **conditional access to resources**, with Member States that have not made a commitment to climate neutrality by 2050 to receive only 50 percent of their annual allocations until amendments are submitted; and
- **programming of the JTF** resources based on TJTPs and depending on the categories of regions.

Member States must submit TJTPs to the European Commission, identifying transition pathways and outlining the appropriate intervention logic. Eligible regions within Member States were identified by the Commission, which recommended tailored priority investment areas of activity per country in Annex D of the 2020 European Semester Country Reports (Table 7).

**Table 7: Key actions proposed by the EC in IQ-Net country JTF target regions**

Actions	AT	BE	CZ	DK	EL	ES	FI	IE	NL	PL	PT
SMEs including start-ups, leading to economic diversification and reconversion	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓
Creation of new firms, including through business incubators and consulting services	✓		✓	✓		✓	✓	✓		✓	✓
R&I activities and fostering the transfer of advanced technologies	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓
Deployment of technology infrastructures for affordable clean energy, in GHG reduction, energy efficiency and renewable energy	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Digitalisation and digital connectivity			✓								
Circular economy, incl. waste prevention, reduction, resource efficiency, reuse, repair and recycling	✓	✓	✓	✓		✓		✓		✓	✓
Regeneration and decontamination of sites, land restoration and repurposing projects		✓	✓		✓	✓	✓			✓	✓
Upskilling and reskilling of workers	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Active inclusion of jobseekers			✓		✓	✓				✓	✓
Job search assistance to jobseekers			✓		✓	✓		✓		✓	✓
Technical assistance			✓							✓	

Source: Own elaboration based on Annex D Investment Guidance, European Semester 2020 Country Reports



At the time of writing, **Greece** is the only Member State that has submitted their JTF programme, which included the regions of Dytiki Makedonia, Megalopolis municipality (Arcadia), Northern, Southern Aegean and Crete, and three TJTPs yet to be adopted. All other Member States are at a stage of programming and negotiation of their TJTPs, although significant progress has been achieved. DG Reform assistance has been provided to 18 Member States to help in the TJTP preparations. According to the European Commission, the new fund and approach to programming have hindered the progression of the plans, which have a number of shortcomings. Specifically, **more detail is required in the plans on the alleviation of the impact of the transition in the Member States and eligible regions.**

## 6.1 Partner approaches to implementing the JTF

### 6.1.1 Eligible regions



IQ-Net partners have a varied experience with the JTF programming. Some regional partners (e.g. **Vla**) are not pursuing the implementation of any JTF funds as they are not eligible regions although progress is ongoing at a national level. Several IQ-Net partner countries and regions have a broader engagement with the JTF, and have been negotiating with the European Commission on the matter of eligible regions and the drafting of the TJTPs:



The definition of the JTF eligible regions is the main outstanding issue in **Austria** in the preparations for the future ERDF OP. The original EC territorial coverage proposal was deemed too narrow, leading to the Austrian preparation of an alternative map.<sup>45</sup> Rather than only two small regions in Upper Austria and Styria, the proposal suggests the inclusion of regions in Lower Austria and Carinthia.



In the **Netherlands**, eight NUTS 3 regions have been considered eligible by national government, contrasting with the sole Commission proposal of Groningen. Negotiations for the revision of the approach for the distribution of JTF resources in the country are ongoing with the Commission.



In **Ireland**, TJTPs have almost been finalised, with decisions pending regarding the territories to be included. The JTF management structures are also yet to be defined in the country, and regional assemblies are lobbying for further involvement. Only one county of the NWRA region has been considered eligible, and the JTF budget is relatively small (€77 million) for Ireland overall.



**Portugal** has proposed three additional NUTS 3 eligible regions – Aveiro, Coimbra and Leiria – to the original three – Alentejo Litoral, Médio Tejo and the Porto Metropolitan Area – identified by the Commission for the JTF support.



**Finland** has made an indicative decision including 14 out of 21 regions as eligible JTF regions. In addition to the originally Commission proposed regions of North and East Finland, the JTF would also cover selected regions in South and West Finland.

Other IQ-Net partners have indicated no major changes regarding eligible regions since the last research cycle (**CZ, DK**). In **Czechia**, three coal regions are being targeted for the JTF: Karlovarský, Moravian-Silesian and Ústecký. Their selection was based on the Regional Development Strategy and the national RE:START strategy, as well as on the European





Commission's recommendations. In **Denmark**, decisions regarding eligible regions and other aspects of the JTM are still under consideration.

**Extensions of the geographical coverage of the JTF have not yet been approved by the Commission** and there is a reluctance to do so to avoid JTF resources being spread too thinly. However, the Commission is open to discussions and has called for Member States to provide solid and compelling arguments for extension proposals.

### 6.1.2 Budgetary planning



Given that TJTPs are still in the draft stages and most proposals have not yet been approved by the European Commission, **the allocation of resources per Member State is yet to be finalised**. Allocation is based on five differently weighted socio-economic factors based on both economic and social criteria. The most recent allocations for IQ-Net partner countries can be seen in Table 8 below, which shows the largest overall allocations going to Poland (20 percent) and Czechia (8.53 percent).

**Table 8: Distribution of JTF allocations (in € million, 2018 prices) across IQ-Net partner countries**

	Under NGEU	Under MFF	Total	Share (%) from total
AT	71	53	124	0.71
BE	95	71	166	0.95
CZ	853	640	1493	8.53
DK	46	35	81	0.46
EL	431	324	755	4.31
ES	452	339	790	4.52
FI	242	182	424	2.42
IE	44	33	77	0.44
NL	324	243	567	3.24
PL	2000	1500	3500	20
PT	116	87	204	1.16
SK	239	179	418	2.4

Source: Own elaboration based on Annex I of Regulation (EU) 2021/1056 establishing the JTF.

**Domestic debates regarding the distribution of financial envelopes between regions and the JTF co-financing rate are also ongoing**, often delaying policy decisions that are now, nonetheless, reaching their conclusion. In the **Netherlands**, for example, negotiations regarding eligible regions progressed rather slowly, with only a recent agreement among involved ministries, managing authorities and the confederation of municipalities regarding the eligibility criteria at NUTS 3 level. This agreement could result in the increase of the national envelope to €623 million, meaning substantive amounts could then be allocated to each of the eight carbon-intensive NUTS 3 regions proposed. In **Finland**, a decision on the indicative allocation of the budget to the JTF regions was done in September. The final decision will be followed by alterations to the regional TJTPs to align them with the available funding. The



national co-financing rate in the regions will be of at least 30 percent, which could bring the total pot of JTF funding to over €660 million.

Overall, **budgetary planning in IQ-Net partner countries has accounted for regional differentiation**, with some eligible regions receiving a bigger JTF share than others (e.g. NL, FI, CZ). For example, in **Czechia**, the budgetary planning for the Just Transition OP considers three main priorities, according to each eligible region. Distribution of the total JTF amount was based on objective criteria, with parameters including unemployment, GDP per capita, number of workers in science and research. Allocation was meant to reflect regional needs and allow for a better planning of regional transformation.

Nonetheless, **the complexity of the allocation exercises has been noted**, with synergies and complementarities of resources and policies needing to be considered. This is the case in **Greece**, for example, where they are devising a plan to diversify criteria for projects, in an effort to better promote synergies between the co-financed and the non-co-financed part of the Just Transition OP. The relative scarcity of available resources also heightens the difficulty in taking these elements into account.

### 6.1.3 Programming and implementation arrangements



There are several options available for setting up the JTF programme architecture: a national or regional programme, as well as a combination of the two; a mono-fund or a multi-fund budget plan; and the use of either a specific priority axis or a dedicated OP. IQ-Net authorities are mainly considering the following options for implementing the JTF:

- **Separate OPs** (e.g. CZ, DK, EL). **Czechia** has highlighted this approach as enabling clear accountability for the programme, as well as a simpler strategic management process. Applicants can then receive support from both the JTF OP and other programmes at the same time, with overlaps and synergies being discussed at the Ministry level. Given that the JTF covers a large spectrum of public policies, this was also deemed the best option for **Greece**. Their JTF OP will incorporate all the three anticipated TJTPs.
- **Separate priority axis in OPs** (e.g. AT, FI, PT). In **Austria**, both the ERDF and ESF OPs will become multi-Fund OPs through the inclusion of the JTF. This will form a separate priority axis (P4 Transition)<sup>46</sup>. In **Finland**, the separate PAX for the JTF will be added at a later stage via a programme amendment, with regional TJTPs being included as annexes.

In other cases, such as **Ireland**, there is still uncertainty whether JTF programming will be a separate OP or priority axis. There are also examples of the different implementation arrangements across IQ-Net partners:



The JTF programme in **Czechia** is linked to national environmental and regional development strategies and plans (e.g. Regional Development Strategy 2021+). It is also divided into three priorities, according to each eligible region, and seven further specific objectives: entrepreneurship; RD&I; new energy; digital innovation; territorial renewal; circular economy; and people and skills. Three types of project implementation are foreseen, namely strategic projects, projects submitted under thematic calls and umbrella projects (small projects, implemented under the responsibility of the regions). Thematic working groups have also been set up to address overlaps and synergies, and for setting calls and conditions for support.



In **Greece**, the JTF is anchored in five pillars of a Just Development Transition Master Plan: clean energy; smart agriculture; sustainable tourism; craft-industry trade; and technology education. Implementation will consider planned interventions from TJTPs, but also from smart specialisation strategies, local integrated spatial development strategies and emerging opportunities.

#### 6.1.4 Governance



Programming of the JTF implies the mobilisation of both internal government resources and external assets for an effective coordination of transition. Given that JTF programming involves a wide array of public policy fields as part of the transition process, there is a **strong emphasis across IQ-Net countries and regions on ensuring coherence between different programmes and funding streams** (e.g. **CZ, EL, NL**). The pursuit of strategic and institutional coordination is common across MAs to ensure complementarities and synergies in the integration of JTF-related measures, but governance architectures for implementation vary.

- **Interministerial coordination** of the JTF (e.g. **EL, IE, NL**). In **the Netherlands**, for example, the Ministries of Social Affairs and Employment and of Economic Affairs and Climate Policy are jointly responsible for the JTF, but this will be implemented through intermediary bodies acting as managing authorities. This governance structure was chosen to ensure close intra-regional synergies with other funding streams at the level of implementation, in particular the ERDF.
- **Single ministry governance** of the JTF (e.g. **CZ, FI**), in cooperation with regional and local authorities or intermediary bodies. In **Czechia** the implementation structure of the JTF OP is set up in a similar way to the existing Environment OP, with both programmes administratively managed by the Ministry of the Environment, in cooperation with the State Environmental Fund as the intermediary body. In addition to the central structure, representatives from the relevant regions and the substantive managers of the individual areas supported are involved in the implementation of the programme. Czech partners consider that it is necessary to improve coordination among state and public administration in the JTF programme, to avoid isolated management and implementation.

**Engagement of a variety of internal (governmental) and external stakeholders in the JTF programming and implementation is an important element of the process**, highlighted by IQ-Net partners. The preparation of the programmes has involved a wide array of actors, demonstrating the systemic nature of the transition. For instance in **Czechia**, a participatory approach was ensured through the creation of a Transition Platform, involving representatives of the Senate, relevant ministries, the Government, representatives of umbrella organisations



in the fields of business, industry and transport, energy, environment, education, employment, as well as representatives from the non-profit sector, representatives of regional and local governments and other regional actors.

**Internal stakeholder involvement across ministries, governmental departments and multiple administrative levels** is also required to ensure coordination across different fields of intervention. For example, in **Greece**, a Government and a Coordination Committee were established supported by a Technical Secretariat and a Policy Planning Group, to promote synergies and ensure complementarity across strategic priorities and funding streams. While the process is still under negotiation in **Ireland**, regional assemblies are also putting forward a case to be further involved in the JTF programming and governance structure.

## 6.2 JTF – problematic issues



Given the ongoing negotiations between Member States and the European Commission on the JTF programming, several issues causing delays or uncertainty for IQ-Net partners are highlighted in this section.

According to the European Commission, some of the issues emerging in TJTPs include an **undeveloped governance and participatory approach, a lack of justification of the intervention logic and the impact of the transition, and more technical and/or legal issues**, for example related to the funding of large enterprises. These issues are being discussed with Member States, and therefore can be resolved with further development of the TJTPs. However, a resolution of the first issue is considered especially important given that **strong governance of the JTF is emphasised by the European Commission**, which likens the process to that of the smart specialisation strategy. **Shared ownership and monitoring are thus key aspects of the JTF**. However, these aspects are still lacking in some TJTPs, with a suboptimal application of the partnership principle, which is also highlighted by the CEE Bankwatch Network report<sup>47</sup> on TJTPs in seven Central and Eastern European countries (incl. **PL** and **CZ**) and the WWF recommendation letter and scoring tool<sup>48</sup> (incl. **CZ, EL, PL**). Related to this is the need to have transparent discussions (e.g. on potential unemployment) with a variety of stakeholders (e.g. firms and community organisations), promoting local ownership of the transition and avoiding the disproportionate influence of big players (e.g. coal industry). The phasing out of fossil fuels and a broader transition need to be demonstrated and approached in a collective manner.

General concerns among Member States regard geographical targeting, with some countries critical of the proposed geographical coverage; the regional distribution of the financial envelope; the co-finance rate; the (lack of) absorption capacity in some programmes; and ensuring cooperation and coherence between different programmes and funding streams.<sup>49</sup> At a partner level, the methods of coordination between funding streams, namely the JTF and the ERDF, are also still unclear. In **South Netherlands**, this coordination is expected to be possible because the intermediary body managing the ERDF, and the expert committee



responsible for selecting projects, will also be involved with the JTF in the region. Previous experience with projects related to the agricultural transition, for example, is an advantage for the management and implementation of the new fund. However, other partners may struggle with the increased pressure on administrative capacity for absorption of the fund and its synergy with other funding streams.

Other aspects being considered by partners include the Public Sector Loan Facility of the Just Transition Mechanism. The associated regulation was formally adopted in July 2021<sup>50</sup> and the Facility is aimed at supporting public investments, through preferential lending conditions, to territories affected by the transition. **The Netherlands** is looking into this Facility for the future. Calls for the **Just Transition Platform working groups** were also opened in early Autumn to assist the EU Member States in accessing support available through the JTM. The IQ-Net consortium is now involved as a member of these working groups.

## 7 DELIVERING SUSTAINABILITY IN 2014-20: MAIN LESSONS

IQ-Net programme managers are planning their approaches to delivering sustainability in 2021-27 based on their past experiences with the topic and the main lessons learned from previous programme periods.

### 7.1 Performance of the sustainability theme in 2014-20

#### 7.1.1 Overall performance of sustainability projects

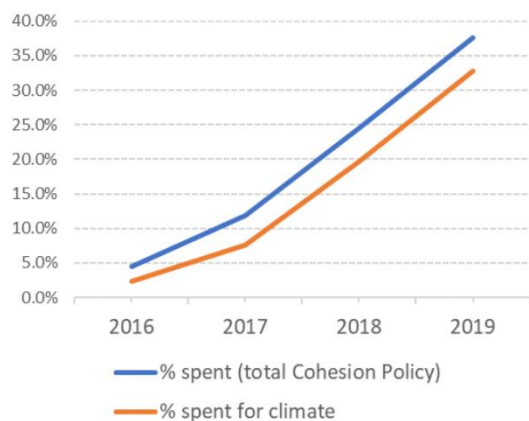
In the 2014-20 period, sustainability projects were largely related to low-carbon activities (see Section 4.1).<sup>51</sup> Yet many programme authorities reported low demand by beneficiaries for low-carbon projects, especially at the beginning of period and in comparison to the performance of other TOs. Although it was prioritised, the climate target for the 2014-20 period (20 percent of MFF) has not been fully met, leading to increased pressure on the performance of sustainability projects for 2021-27 – considered as a last window of opportunity to reach the 2030 climate targets.

At EU level, as of end of 2019, the rate of 2014-20 Cohesion Policy spending on climate-related action was lower in comparison to the overall Cohesion Policy performance (Figure 9).

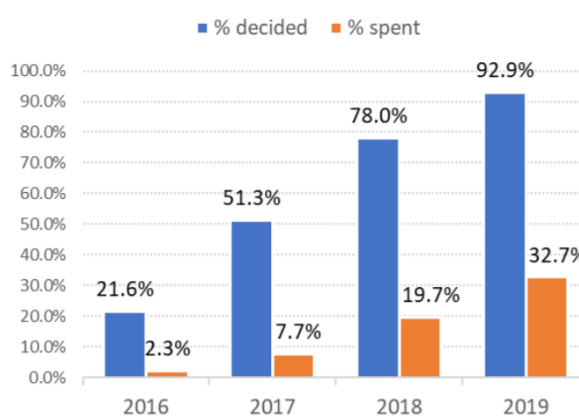


**Figure 9: Cohesion Policy 2014-20 decided and spent as % of planned over time (by end 2019)**

Expenditure as % of planned: total Cohesion Policy vs. climate action



Amounts decided and spent for climate as % of planned



Source: [https://www.europarl.europa.eu/RegData/etudes/STUD/2021/652247/IPOL\\_STU\(2021\)652247\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2021/652247/IPOL_STU(2021)652247_EN.pdf)

This relative delay in the implementation of sustainability projects, compared to other types of ESIF-supported projects, may be related to the longer implementation cycle of these investments, but also to difficulties in the execution of energy efficiency measures, which account for a significant share of the total funds for climate.<sup>52</sup>

### 7.1.2 Uneven performance across different project types and themes

Most of the 2014-20 ESIF resources planned interventions contributing to climate objectives were allocated under TO4, while other TOs – particularly TO5, TO6 and TO7 – also allocated significant amounts of support to sustainability actions (see section 4.1). At the same time, as shown in previous IQ-Net reports, **TO4 remained one of the most problematic themes for IQ-Net programme managers** during much of the 2014-20 programme period. As also highlighted in the EC 2020 Summary report of the programme AIRs covering 2014-19,<sup>53</sup> as of end of 2019, financial progress of investments in the low-carbon economy continued to lag behind, not least due to a slow start in the early years of the programme period. This was caused, among other factors, by the large share of ESIF support for infrastructure investments (e.g. energy efficiency in buildings, renewable energy, smart distribution electricity grids or sustainable urban transport) where the project implementation cycle tends to be longer.<sup>54</sup> In contrast, **climate change adaptation and risk prevention was one of the fastest progressing TOs** in terms of the amounts spent by beneficiaries.

#### i Areas seen as more problematic

**The implementation of TO4 (low-carbon) was seen as particularly challenging** throughout the 2014-20 period across a number of IQ-Net programmes, manifested in concerns regarding the speed of financial progress and significant implementation delays (e.g. NL W, PT, Vla), limited demand (e.g. FI) and in some cases risk of de-commitment (e.g. NL W).



These concerns however were not uniform across the different project typologies supported under this TO. Challenges have been highlighted, for instance, in relation to specific types of renewable energy and energy efficiency projects (e.g. [CZ](#), [EL](#), [PT](#), [W-M](#), [Wal](#)), including:

- energy production from renewable sources ([PT](#)), including construction, expansion or reconstruction of infrastructure for using wind and water energy ([W-M](#)), and marine energy projects ([Wal](#)); and
- energy efficiency and renewable energies in central and local public administration ([PT](#)), energy upgrading of hospital buildings ([EL](#)), and community energy projects ([Wal](#)).

**Under other thematic objectives**, challenges have been highlighted with regard to projects supporting: flood safety / anti-flood works ([EL](#), [W-M](#)); water management, e.g. rainwater retention and storage ([CZ](#)) and waste water treatment projects ([EL](#)); waste management ([EL](#)); biodiversity / nature conservation ([CZ](#), [EL](#)).

Overall, **specific types of sustainability-related projects**, under (but not limited to) TO4, **have been found as particularly challenging**, including in terms of slower start, reduced implementation speed and lower absorption capacity. These include:

- **large-scale** (particularly infrastructural) **projects** (involving major construction works) / **projects involving public procurement and planning permits** ([Biz](#), [EL](#), [PT](#), [Vla](#)). These projects are more complex requiring procurement compliance which increases the implementation time and also the complexity of verification checks and audits.

This also includes particular difficulties related to **sustainable urban projects** / urban development priority ([IE](#), [DK](#), [EL](#), [Vla](#)), due to the demanding requirements in terms of planning and implementation, including compliance with public procurement.

- **projects not involving economic profit** per se (e.g. targeting biodiversity or urban greenery) ([CZ](#)).

## ii Better performing themes

For some programmes, implementation of TO4 was not seen as problematic (e.g. [Fl](#), [Wal](#)). Specific typologies under TO4 that have shown good performance include:

- energy efficiency and renewable energy in social housing (e.g. [PT](#)); energy efficiency in public and residential buildings ([W-M](#)); energy efficiency in the housing sector in urban rehabilitation areas ([PT](#)); energy upgrading of sports facilities and university buildings ([EL](#));
- energy efficiency in public passenger transport ([PT](#));
- energy efficiency in enterprises ([DK](#), [W-M](#));
- low carbon-related R&I projects ([Wal](#)); and
- energy efficiency projects generally performed well e.g. in [Austria](#) and [Ireland \(SRA\)](#).

Under other thematic headings, IQ-Net programmes noted satisfactory performance, among others, under specific areas of TO6, including projects on wastewater and drinking water, air



quality protection and waste management (CZ), reducing the pressure on species and habitats (W-M), and sustainability projects implemented under the innovation priority (NL, Vla).

## 7.2 Reflecting on the experience of delivering sustainable investments in 2014-20: key challenges and lessons

Reflecting on the experience with implementing sustainability-related projects in the 2014-20 period, IQ-Net programme managers have identified a number of challenges that have affected performance (particularly under TO4 but also under other thematic headings) and limited the potential of green investments. Related to these challenges, are the key lessons learned from delivering sustainability in 2014-20 and considerations for the future.

### 7.2.1 Novelty and lack of experience with specific themes

For some programmes, the incorporation of TO4 was challenging due to the novelty of the theme and limited experience with implementing the associated project typologies in the previous period (e.g. Biz, PT).

#### Implementing new themes: key lessons

- Building demand, providing support for project generation and attracting stakeholders that are not yet engaged in climate actions.<sup>55</sup>
- Increased capacity-building effort for mobilising new intervention areas.
- Making objectives ambitious but realistic but, at the same time, learning to take risks, particularly in innovative areas involving a steep learning curve.
- Continuing ongoing initiatives rather than creating new instruments that have relevant learning costs and constrain operationalisation.

### 7.2.2 Restrictive regulatory framework



Compliance with *ex-ante* conditionalities (e.g. PT, W-M), thematic concentration requirements (IE NWRA, PT), restrictive eligibility conditions for specific project typologies (PT), and compliance with restrictive domestic legislation in sustainability-related areas (W-M) have been among factors affecting the implementation of sustainable investments.

- **Ex-ante conditionalities.** In Portugal, fulfilment of EAC 4.1 required full transposition of EU Directive on Energy Performance of Buildings, which involved three alterations to the national legislation and proved to be a very time-consuming process, only concluded in 2016. Project approvals were suspended until the conditionality was considered to be met, with negative implications for timely implementation of measures supporting energy efficiency in buildings. In Warmińsko-Mazurskie, failure to meet EAC 6.1 relating to the water sector resulted in the inability to finance an infrastructure development project on the modernisation of devices for water retention and flood safety.





- **Thematic concentration requirements.** Both [Ireland \(NWRA\)](#) and [Portugal](#) felt restricted by the thematic concentration requirements related to TO4, with more investment having to be programmed than would have emerged naturally.
- **Restrictive eligibility conditions.** In [Portugal](#), the initially programmed eligibility criteria in the domain of energy efficiency in public administration (IP 4.3), were considered very restrictive, particularly for central and local administration entities. These included the required increase of two energy efficiency classes and savings generation allowing full coverage of investment costs, along with fully repayable support. Eligibility restrictions under IP 4.1 were also deemed problematic, hindering adequate mobilisation of potential beneficiaries.
- **Compliance with domestic legislation.** In [Warmińsko-Mazurskie](#), there have been implementation problems related to water and wind energy infrastructure, to the lack of management plans, changes in domestic taxation laws and domestic construction requirements. This limited potential applications for financing, and often resulted in the inability to implement this investment.

#### Complying with regulatory restrictions: key lessons

- More flexibility on determining what concrete activities are, or are not, allowed.<sup>56</sup>
- Adjusting / simplifying eligibility criteria, expanding support typologies, in line with expectations and capacities of actors and potential beneficiaries.
- Adapting project eligibilities and typologies to regional specificities and needs.
- Ensuring that compliance requirements are well-understood by all stakeholders.

### 7.2.3 Complex procedural processes and administrative requirements

Complex and resource-intensive procedural processes and demanding legal frameworks, particularly around **public procurement, prior budgetary authorisations and planning permits for carrying out investments, and state aid** are major obstacles generating difficulties and implementation delays for sustainability-related projects (e.g. [Biz](#), [EL](#), [IE](#), [NL](#), [PT](#), [Vla](#), [Wal](#)).



These issues are particularly relevant in the case of **large-scale, particularly infrastructural projects**, involving major construction works, which require compliance with complex public procurement requirements, verification checks and audits, and legislation for granting permits (e.g. [Biz](#), [EL](#), [PT](#), [Vla](#)). This also includes large infrastructural investments under **sustainable urban development projects** (e.g. [IE](#), [DK](#), [EL](#), [Vla](#)) that require planning permits and public procurement.

Specific examples of such projects in IQ-Net countries/regions, which have experienced difficulties due to complex procedural processes, include large energy projects in [Wales](#), investments in physical infrastructure in urban settings in [Ireland \(SRA\)](#), large infrastructural investments in the sustainable urban development priority in [Vlaanderen](#), energy efficiency measures in public administration in [Portugal](#), and major rail transport projects in [Greece](#).



#### Dealing with complex procedures: key lessons

- Long lead times for large sustainability (esp. infrastructural) projects have implications for subsequent and require anticipatory action e.g. by starting project selection earlier.
- Simplifying procedures associated with public procurement, payment claims and validation of expenditure.

#### 7.2.4 Governance: participation and partnerships



The top-down logic of the programming process and limited involvement of key stakeholders in the planning of sustainability-related investments may be among factors affecting their effective mobilisation (e.g. PT). On the other hand, promoting consultation processes and managing large and complex partnerships have posed difficulties for some partners. For instance in the Netherlands, low carbon projects involve a multiplicity of actors that have not historically worked closely together, leading to difficulties in managing such partnerships. Extensive citizen consultations also led to delays. In South Netherlands, public – private partnerships around energy transition were difficult to get off the ground due to the limited capacity of public bodies to participate in pilot and demonstration project types. In Wales, governance issues remain a problem for community energy projects as the schemes are not only complex but also bespoke, each responding to a particular community need.

Promoting institutional collaboration, building cross-sectoral networks and ensuring systematic cooperation between implementing bodies and beneficiaries are highlighted as crucial for integrating sustainability aspects in ESIF projects (e.g. EL, IE, PT, Wal). Lack of such cooperation may hinder progress and lead to fragmentation of investment.

- In Wales, in order to ensure the success of large energy projects, the MA has had to learn to work across sectors and bring them together, putting a lot of resources into building collaboration and cross-sectoral networks with universities and the private sector. Projects have performed well where the collaboration aspect is very strong.
- Developing collaboration and support to local authorities to advance preparedness of projects has been important for implementing sustainable urban development projects in Ireland (SRA).
- Ensuring systematic cooperation between the MA and beneficiaries is also important. In Wales, building a strong relationship with applicants, including through a collaborative approach to improving applications together with the beneficiary, is viewed as crucial for integrating the sustainability aspects.

#### Building an effective governance model: key lessons

- Promoting involvement of key actors in the design of support instruments, allowing the definition of the most relevant measures but also the management of expectations.



- Adjusting partnerships to specific project types and stages.
- Ensuring systematic cooperation with beneficiaries, promoting institutional collaboration and building cross-sectoral networks for implementation.

### 7.2.5 Coordination with other measures and instruments



Given the large number of EU and domestic instruments supporting sustainability transitions, **ensuring synergies and avoiding overlaps between the different measures** – both within and outwith the ESI Funds – is an important challenge faced by programme authorities. Strong competition from domestic measures in this field (e.g. [AT](#)), limited opportunities for coordination between the different programmes ([IE SRA](#)), limited coordination beyond ERDF, ESF or EAFRD ([FI](#)), and an overall limited experience in mixing funding ([IE NWRA](#)) are some of the issues mentioned by IQ-Net managers.

On the other hand, some **good examples of cooperation** have also been highlighted.



In [Czechia](#), the NCA has implemented administrative capacity building measures to support the engagement of Czech entities in the EU programmes via promotion and information networking.



In [Scotland](#), close coordination is ensured between EU-funded projects and domestic instruments and was the main premise behind the Scottish delivery model which uses Lead Partners (public sector agencies and Scottish Government departments).



In the [Netherlands](#), there is a close working relationship between the different funding streams, and the delineation of specific niches for the different instruments (e.g. ERDF niche within the wider European and domestic funding streams is that of the early adapting phase) is used as a way to avoid duplication.

The **amplifier effect of ESIF funding** has also been noted. In [Ireland \(SRA\)](#), for instance, while the ERDF is a small component of some projects, it has acted as a catalyst for bigger projects, driving broader national funding for sustainability actions. Interesting examples of **intra-ESIF coordination** can be found e.g. in [Finland](#)<sup>57</sup> or [Portugal](#) (see Box 12).

#### Box 12: Intra-ESIF coordination on supporting sustainable investments: Portugal



In [Portugal](#), a good example of intra-ESIF coordination is IFRRU 2020 – Financial Instrument for Urban Rehabilitation and Revitalisation - which works in complementarity to public interventions. Under this FI, investment in urban rehabilitation under Regional OPs (under IPs 6.5, Urban Revitalisation and Rehabilitation, and 9.8, Physical interventions in buildings in disadvantaged communities, ERDF) is articulated with investment in energy efficiency under the Thematic OP Sustainability and Efficient Use of Resources (IP 4.3, Energy efficiency in private housing, Cohesion Fund).

Source: IQ-Net research



### Ensuring coordination across instruments: key lessons

- Strengthening productive synergies with other interventions supporting sustainability transitions and between Funds.
- Avoiding overlaps through careful demarcation of investments.

### 7.2.6 Financial capacity



**Weak financial / budgetary capacity, indebtedness and difficulty in providing co-funding** may limit the implementation of specific types of sustainability projects (e.g. [AT](#), [Biz](#), [CZ](#), [NL](#), [PT](#), [Wal](#)), especially where promoters are public bodies.

- In [Austria](#), municipal measures on energy efficiency and renewable energy, for example in Burgenland, are more challenging, as finding the necessary co-funding is more difficult.
- Similarly in [Wales](#), generation of match funding remains a problem for community energy projects. The uptake of energy efficiency and renewable energy measures by public administration has been relatively weak in [Portugal](#). In the [Netherlands](#), the public sector, particularly when it involves early-stage pilot and demonstration projects, does not have the capacity and resources to participate effectively in sustainability projects.

In this context, the **adequate form of support is of crucial importance**.

- In [Portugal](#), implementation of energy efficiency measures in local and central administration has been constrained by the requirement for fully repayable support, which is challenging particularly in the case of public promoters.

**Financial capacity also influences the ability of private actors to deliver sustainability interventions.**

- In [Wales](#), marine energy is seen as a difficult sector for the attraction of private developers, particularly given that 30 percent of the costs need to be funded from own resources or through other investors. Further complicating factors relate to the high costs of the projects and the lack of revenue stream to fund projects.

**The return of resources has been one of the issues** playing an important role in project generation for sustainability in [Czechia](#), where project applicants were reluctant to submit projects due to very long returns of costs related to energy savings projects.

### Mitigating financial capacity gaps: key lessons

- Weak financial capacity and poor appetite for repayable support by public entities (e.g. energy efficiency measures), requiring greater support intensity / increase of co-funding levels for selected activities.



- Important role of the private sector in delivering sustainability projects, particularly given limitations in the capacity and resources of the public sector.

### 7.2.7 Administrative capacity, skills and resources



Limited administrative capacities and skills are among the key challenges for delivering sustainable investments. **Lack of human resources** for fund management, **high administrative burden** on beneficiaries and **limitations of technical knowledge and skills** on specific sustainability-related themes are challenging (e.g. [CZ](#), [IE](#), [SRA](#), [NL](#), [PT](#), [Wal](#)). For instance in [Wales](#), there is a high fallout rate for community energy projects as beneficiaries do not have the capacity to submit large ERDF bids. In [Portugal](#), limitations of technical knowledge were a constraint in the initial phase of examining applications under TO4. Lack of human resources for the management of funds and high administrative burden on SMEs have been among key challenges under TO4 in [Spain](#)<sup>58</sup>.

In this context, IQ-Net programme managers emphasised the overall need for ongoing capacity-building. **Need for targeted / specialised training and capacity-building on specific topics** has also been noted, e.g. on the taxonomy regulation and the DNSH principle ([CZ](#)), the area of circular economy ([W-M](#)), energy development contracting ([IE NWRA](#)), pilot and demonstration type of sustainability projects ([NL](#)), and criteria for incorporating sustainability across programme priorities ([IE NWRA](#)).

A number of **elements** have been highlighted as **important for strengthening the capacity of ESIF stakeholders in delivering sustainable investments**.

- **Cooperation** ([FI](#), [IE SRA](#), [NL](#), [PT](#), [Vla](#)). National thematic and functional networks, and other governance structures ensuring links among relevant partners and organisations, are important to ensure that the skills and expertise required for a successful implementation of green initiatives are in place. Examples include the network for climate experts for the regional councils in [Finland](#) or a set of functional communication and institutional capacity building networks in [Portugal](#).
- **Expert knowledge** ([AT](#), [FI](#), [IE NWRA](#), [NL](#), [Vla](#), [Wal](#)). The importance of in-depth (both internal and external) specialist knowledge and expertise on specific sustainability-related topics has been highlighted. This is particularly relevant as sustainability became one of the key selection criteria for projects in 2014-20 and therefore required in-depth expertise. In [Wales](#), the MA has a dedicated team with a strong environmental background, including a Sustainable Development Advisor. In [Finland](#), the regional authorities involve external and internal experts in various phases, particularly where specific knowledge and expertise is needed. For example the Regional Council of Satakunta (West) has an environmental expert present during project assessments. In the [Netherlands](#), where the MAs do not have subject experts, external expert committees, brought in through the programmes' governance structures, include experts in areas such as energy transition, circular economy and renewables. The [Flemish](#) MA includes experts from the environment department in the Flemish government, Energy and Climate Agency, and others in the development of calls and in working groups.



- **Capacity-building for beneficiaries**, including provision of advice and support to project applicants.
- **Scoping of needs**. Analysis of the existing capacity of ESIF stakeholders (e.g. through dedicated expert studies or roadmaps) to identify the main needs and gaps is an important tool for putting adequate capacity-building measures in place (e.g. [EL](#), [PT](#)).

The role of the **European Commission's initiatives to help Member States implement sustainable and low-carbon investments** has also been acknowledged, including the EU Urban Agenda, ETC and Macro-regional strategies, the Technical Support Instrument (DG REFORM), and TAIEX PEER 2 PEER programme.<sup>59</sup> At the same time, many IQ-Net programmes had limited experience of involvement in such initiatives (e.g. [CZ](#), [FI](#), [IE NWRA](#), [NL](#), [Sco](#), [Vla](#), [Wal](#), [W-M](#)), for a variety of reasons including:

- **limited resources and staffing, or lack of remit or expertise** to fully participate in / contribute to such networks (e.g. [NL S](#), [Vla](#));
- **limited perceived value** (e.g. [CZ](#), [AT](#), [NL](#), [IE SRA](#)). For instance for the South MA in the [Netherlands](#), the added value of participating in these networks is not always apparent. [ÖROK \(Austria\)](#) participates in the Energy and MAs network and as an observer at the European Network of Environmental Authorities, but the practical relevance is seen as questionable. For the [Czech NCA](#), initial expectations associated with the EU Urban Agenda were more ambitious than what it was able to offer. [IE: SRA](#) are taking only limited learning from their involvement in ETC and macro-regional strategies.

#### Addressing administrative capacity issues: key lessons

- Ensuring that incorporating sustainable/climate-related objectives does not increase the load for project applicants and ESIF managers.
- Building implementation capacity in terms of thematic skills and capabilities in the implementation bodies and at beneficiary level.
- Fostering cooperation and partnerships to assist with capacity challenges.

## 8 PLANNING FOR 2021-27: OPPORTUNITIES AND CHALLENGES AHEAD

The growing ambition and reinforced emphasis of sustainability within Cohesion Policy interventions, reflecting both evolving domestic priorities and strengthened ESIF regulatory requirements around green transition, present new challenges but also opportunities for programme authorities. Reflecting on the experience of delivering sustainable investments in the 2014-20 period, as well as the new framework for implementing green projects in the 2021-27 Cohesion Policy cycle, IQ-Net programme authorities have flagged a number of challenges in relation to programming and implementing sustainable projects in the new period. New opportunities stemming from the reinforced policy discourse on sustainability transitions have also been highlighted.



## 8.1 Implementing sustainable projects in 2021-27: challenges ahead

The implementation of sustainable initiatives under the new Cohesion Policy cycle is expected to raise a number of challenges. Some stem from difficulties existing in the past, while others are new and relate to shifts in the regulatory requirements and enabling framework around sustainability in 2021-27, new domestic priorities or wider contextual shifts. Some of the key issues highlighted by IQ-Net programme authorities relate to the following areas.

### 8.1.1 Regulatory uncertainty

Lack of certainty or clarity around specific elements of the regulatory framework governing sustainability investments may hinder progress with OP preparation and delay implementation.



Some IQ-Net programmes note that there are a number of **outstanding questions in terms of how the horizontal principles for sustainability, particularly the DNSH principle, are to be interpreted and integrated into the programming** (e.g. AT, CZ, FI, IE, Vla). In some cases, this is delaying the preparation of project selection procedures for sustainability projects (e.g. Vla) and of other programming elements. The missing definition and methodological unclarity may create difficulties with the application of the DNSH principle in practice (CZ), and further clarification is required (FI, Vla).

The European Commission acknowledges the ongoing challenges with the interpretation of the horizontal principles, particularly the DNSH. It issued guidance<sup>60</sup> and an internal explanatory note to Member States,<sup>61</sup> including emphasising certain flexibility elements in the application of the 'do no significant harm' principle under Cohesion Policy (see Box 13).

#### Box 13: DNSH assessment of Cohesion Policy programmes: flexibility elements (selected)

- Applicability of the Taxonomy technical screening criteria not legally required; however, they can be used as a point of reference, where relevant.
- The approach under Cohesion Policy needs to be consistent with that under the RRF, while allowing flexibility to Member States on how to comply with DNSH → Member States can apply other approaches for their assessment.
- If a type of action was subject to a DNSH assessment under the RRF, the results also apply to Cohesion Policy (no requirement to repeat the assessment).
- SEA can integrate the DNSH assessment.
- MAs can define specific criteria for selecting operations that ensure compliance with the DNSH principle.

Source: Commission explanatory note 'Application of the "do no significant harm" principle under Cohesion Policy', EGESIF October 2021

For the future, it would be beneficial for technical requirements related to sustainability/climate-related actions to be introduced earlier (before the OP design process



starts) and in more detail. For instance for [Czechia](#), given that all OPs are already designed and almost approved, it is now very complicated to incorporate any further sustainability requirements and procedures from the EC. Additional guidance on specific aspects related to sustainable projects (e.g. on the method of verification of projects in terms of environmental impact, non-major projects) would also be appreciated (e.g. [W-M](#)).

### 8.1.2 Regulatory restrictions and scope for flexibility

Compliance with specific elements of the new regulatory framework for sustainable actions, including the enabling conditions, thematic concentration and Fund climate targets, may prove challenging.



**Enabling conditions.** Compliance may be a particular challenge for those Member States and programmes where the enabling framework linked to specific investment priorities is not yet in line with the relevant EU legislation.



**Thematic concentration.** The fulfilment of climate-related thematic concentration requirements might also be challenging in some programmes.



In [Czechia](#), increased efforts are required to ensure the compulsory shares for climate-related actions. Among other things, this means that a part of projects in the OP Environment will be required to reach higher energy efficiency, demanding careful reporting and increased load for beneficiaries.



In [Ireland \(SRA\)](#), only 50 percent of the expenditure that comes under the SO of sustainable urban mobility counts toward their 30 percent thematic concentration threshold, which is considered very restrictive. Similarly, [IE NWRA](#) have felt restricted with the thematic concentration requirements for sustainability.



In [Portugal](#), while compliance with 2021-27 thematic concentration requirements is not necessarily seen as problematic *per se*, it requires a significant amount of attention and lesson-drawing – especially given some difficulties with the TO4 ring-fencing in 2014-20.

Both the [Netherlands](#) and [Czechia](#) highlighted the issue of the changed share of climate contribution of different intervention codes of CPR Annex 1 at the beginning of 2021. Some of these were reduced from 100 to 40 percent contribution towards climate targets, meaning that the budget did not cover the mandatory 30 percent spending on climate priorities.



The West MA in the [Netherlands](#) has subsequently had to reprogramme some of its objectives to other spending codes that were still 100 percent. These codes have stricter criteria and these will need to be part of any project calls in the future. Testing whether projects can meet these criteria in advance may cause challenges in terms of achieving the 30 percent overall allocation.





Similarly for the NCA in [Czechia](#), this change imposed additional workload to re-design OPs in order to meet the climate objectives at national level. The authorities are critical of the late introduction of these new requirements, particularly given the advanced status of programming. In addition, the tightening of the ring-fencing requirements for SUD, in line with the European Green Deal priorities, complicates finalisation of negotiations and introduces uncertainty to the process.

Further restrictions imposed through informal negotiations may also present a challenge. In [Czechia](#), for example, the push by the EC in the PA/OPs informal negotiations to increase its energy efficiency objectives in contrast to the agreed objectives in its 2030 National energy and climate plan is viewed problematic. This would impose changes in financial allocations across OPs that were agreed in the long discussion process involving a range of stakeholders.

While the ambitious thematic concentration rules may imply a loss of flexibility and pose challenges, it is also acknowledged that the 2021-27 requirements cover a broader range of areas than the TO4 ring-fencing thresholds in 2014-20. This can also be viewed as a different element of flexibility (e.g. [PT](#)).



**Climate targets.** The ambitious and rigid Fund-specific climate targets may present a challenge and represent another element requiring attention of programme managers. In particular, it might not be easy to link projects from other POs to the new climate thresholds.



**Excluded and discontinued activities.** Phasing out certain types of investments, including because of their exclusion from ESIF support due to negative environmental impacts, means that certain investments implemented in 2014-20 will no longer be continued. This could disrupt the ongoing activities and make project promoters search for alternative sources of funding.



**Financing methods.** It is crucial to ensure that adequate financing methods are in place, in line with the capacities and needs of specific types of promoters, so that goals are achieved.

IQ-Net programme authorities would value greater flexibility, e.g. in relation to the following:

- as few restrictions as possible through regulatory conditions or EC positions ([AT](#));
- possibility for ESIF to support a broader range of themes beyond the sustainability heading ([Vla](#));
- flexibility in indicators, particularly as environment is a difficult area to assess ([IE NWRA](#)); and
- the widest possible catalogue of simplified costs for each MS, dedicated to all possible sustainability measures included in programmes ([W-M](#)).

### 8.1.3 Monitoring and evaluation difficulties



Specific challenges with regard to the monitoring and evaluation of climate-related projects have been highlighted.



- **Difficulty of measuring progress** in sustainability projects, e.g. due to complexity, long lead times, role of external factors, lack of adequate indicators, or lack of clarity on definitions. For instance in [Finland](#), there have been discussions regarding what constitutes a climate resilient project and how such interventions can be better monitored and evaluated. [IE \(NWRA\)](#) notes that environment is difficult to assess through indicators, and a lot of work is required on defining the most relevant indicators.
- **Difficulty of monitoring reduction of emissions** specifically. [Austria](#) notes that the field of CO<sub>2</sub> is never easy to quantify. Its output-based (FNLTC) approach, piloted in 2014-20, is used by the IB KPC for CO<sub>2</sub> measures. This means that progress in this field is more difficult to relate to other measures implemented in the classic way. Discussions have also been held with the European Commission on the development of a new indicator for the reduction of emissions and how this can be monitored (e.g. [FI](#)). In [Finland](#), a specific challenge relates to calculating emissions in the context of their predominant project type, which relates to the development of businesses.
- **Difficulty demonstrating achievement of intermediate indicators.** Given that implementation systems, including procedures and appraisal criteria for sustainable projects, need time to be developed, it can be a challenge to demonstrate the achievement of the intermediate indicators at the review stage in 2024 ([W-M](#)).
- **New administrative tasks.** Climate tracking, i.e. monitoring the adherence to climate goals, is viewed as a new administrative challenge in [Austria](#). Developing procedures and appraisal criteria for sustainable projects along with other tasks (e.g. preparation of documentation, cost estimates, environmental decisions) may create an administrative burden, especially where new types of projects are introduced ([W-M](#)).
- Other challenges relate to: the monitoring of operations that will be only partially 'eligible' for the Green Deal ([CZ](#)); biodiversity monitoring (e.g. [EL](#), where an integrated national system for the monitoring of biodiversity has not been established); and the circular economy theme (e.g. [AT](#), where it is not clear if an OP-specific indicator is needed).

#### 8.1.4 Coordination challenge

Given the significant amount of funding and the large number of EU and domestic instruments supporting sustainability transitions, ensuring complementarities between the different measures will be an important challenge for IQ-Net authorities.



**Concerns are raised about potential competition between various financial tools which give different conditions of support** for beneficiaries, and the **need for increased effort to avoid overlaps and exploit synergies in the light of the high number of funding streams operating within this space** (e.g. [AT](#), [CZ](#), [FI](#), [IE](#), [NL](#)). Ensuring synergies with sustainability interventions under the RRF is of particular relevance given the prominent role of this instrument in supporting green transition and the significant amounts of associated funding.



In [Austria](#), the main concern is competition from other measures which might be more attractive, e.g. due to less administrative burden or higher co-funding. This includes mainly domestic frameworks, but also the RRF, investing in many similar areas.



In **Czechia**, despite an effort to deliver ESIF projects aimed at sustainability challenges, particularly due to the regulatory requirements, common policies/strategies other than Cohesion Policy will be preferred.

Ensuring **careful demarcation of investments under the different instruments is of crucial importance** in avoiding overlaps and maximising effects. Such delimitation is sought between the different ESI Funds and with other instruments.



In **Austria**, delimitation between ERDF and EAFRD sustainability-related support areas in 2021-27 is expected to be clearer. It has been agreed that the ERDF OP will support energy efficiency, while the EAFRD OP will support renewable energy projects.



In the **Netherlands**, the link between ERDF and JTF will be particularly important in the future as the latter is also implemented regionally. It will be important to coordinate when it comes to project calls in order to avoid overlap and ensure synergies.



In **Portugal**, articulation between the ESIF PA and the RRF is of crucial importance. Work has been conducted to ensure appropriate demarcation and complementarities between interventions under the two frameworks. Many areas supported under the RRF will not be funded by ESIF, and demarcation lines have been defined based on investment phase, implementation timeline or project typology (Table 9).

**Table 9: Complementarities between the RRF and the 2021-27 Partnership Agreement, Portugal**

NRRP Components		2021-27 Partnership Agreement				
		PO1	PO2	PO3	PO4	EMFF
Resilience	National Health Service				♦	
	Housing					
	Social Responses				○ ♦	
	Culture	○ ♦			○ ♦	
	Business capitalisation & innovation	♦				
	Qualifications & competences				○ ♦	
	Infrastructures	♦		♦		
	<b>Forests</b>		♦			
<b>Water management</b>		♦				
Climate Transition	<b>Sea</b>	○ ♦	○ ♦			○ ♦
	<b>Decarbonisation of Industry</b>		○ ♦			
	<b>Sustainable Bioeconomy</b>		♦			
	<b>Energy efficiency in buildings</b>		○ ♦			
	<b>Hydrogen and renewables</b>		○			
	<b>Sustainable mobility</b>		♦ ■	♦		
Digital Transition	Enterprises 4.0	○ ♦				
	Quality & sustainability of public finances					
	Economic justice & business environment					
	Public Administration	♦				
	Digital school				♦	

Types of complementarities: ■ distinct phases of large investments; ○ distinct calendars; ♦ different typologies (by scope or by promoter)

Source: Adapted from Portuguese RRP "Recuperar Portugal, Construindo o futuro", 22 April 2021, p.214



### 8.1.5 Other challenges

A number of other challenges related to implementing sustainability transitions under the new ESIF programmes include the following:

- **Balance between ambition and funding.** While the agenda for climate action at both EU and national level is very ambitious, some IQ-Net managers find that the ESIF financial amounts allocated to sustainable priorities under their OPs do not match this ambition. For instance in [Ireland \(NWRA\)](#), the ERDF amount is seen as insufficient to achieve the climate requirements/targets, creating a tension between ambition and available resources. [Austria](#) also notes limited financial means in this area.
- **Complex and resource-intensive procedural processes** and demanding administrative requirements, particularly related to **public procurement and state aid**, were among major obstacles in the past and are expected to continue hindering progress in 2021-27 ([Biz](#), [IE](#), [PT](#), [Vla](#)). [Portugal](#) notes that regulations relating to state aid offer very little flexibility for implementing sustainability actions under PO2. State aid rules are particularly challenging for larger sustainability projects. In the [Netherlands](#), for example, where such projects receive state aid as part of an exemption agreement, the MA is responsible for monitoring the conditions under which such exemptions are granted. This increases the complexity of the project in terms of monitoring and increases capacity pressure for the MA but also causes challenges for the beneficiaries. The main challenges foreseen are associated with lengthy and complex public procurements rules e.g. in [Bizkaia](#), or [Ireland](#), particularly around sustainable urban development.
- **Internalising the sustainability agenda, and adopting a longer-term approach.** [Warmińsko-Mazurskie](#) foresees that full understanding of the concept of sustainable development by beneficiaries may be a challenge. In [Czechia](#), the challenge is to influence overall thinking in society on the importance and opportunities brought about by the climate topic. According to the EC, the approach to delivering green investments will need to change towards the adoption of a more long-term vision of projects and their effects.
- **Balance between emphasis on sustainability and 'original' cohesion objectives.** In the view of the [Czech](#) NCA, a strong focus on climate-related actions in Cohesion Policy implies that the original cohesion objectives (i.e. mitigation of regional socio-economic disparities) have been sidelined. There is a perceived trade-off between the need for 'classical' investments (e.g. transport infrastructure) and a shift towards more progressive investment types.
- **Challenges with delivering sustainable projects under specific themes** have also been flagged, e.g. related to circular economy ([W-M](#)) and waste management ([EL](#), [W-M](#)), biodiversity ([IE NWRA](#)) or bioeconomy ([W-M](#)).

## 8.2 Reaping the benefits of sustainable investments



While the delivery of sustainable projects under the new round of Cohesion Policy programmes is expected to bring new challenges, IQ-Net managers are also welcoming new opportunities for their programmes, regions and countries but also the society in general which a reinforced focus on sustainability may bring.



In a broader sense, as expressed by one interviewee, the use of ESIF in an effort to achieve major EU and global objectives such as carbon neutrality is an opportunity for Cohesion Policy to “contribute to the greater good, the good of humanity”. The existing regulatory framework, despite presenting a number of operational difficulties, generally offers a framework that can allow the Funds to focus on pressing sustainability challenges and put the right conditions in place to reach the ambitious targets. In this sense, concentration on sustainable investment will hopefully lead to the “improvement of the functioning of society as a whole”, through a focus of available financial resources on achieving important environmental objectives including the reduction of GHG emissions, air pollution and energy poverty, the improvement of energy efficiency and security of supply, cleaner energy sources and better urban mobility, and a greater respect for natural and environmental resources.

The shift towards sustainability brings about an **impetus for a transformation of the entire economy**, providing a unique opportunity to integrate new green technologies and investment in more standard practice e.g. related to infrastructure, housing and mobility. It also drives **greater awareness and understanding** of the urgency of climate action and the value of sustainability-oriented transformations. In this sense, it helps **bring about important behavioural changes**, e.g. regarding the need to reduce energy consumption and **shift to new models of production and consumption in line with sustainability principles**.



For **Portugal**, the reinforced policy discourse on sustainability provides an opportunity to create a new rationale around business support that could generate and promote more sustainable production processes.



For **Bizkaia**, it creates an impetus for a new model of production and behaviour in line with just transitions principles that contributes to the reduction of the negative impacts of development on the environment.

Specific themes that have risen up the agenda in the context of ESIF support also provide new opportunities. For example **circular economy is expected to provide new business opportunities** (e.g. related to sharing economy) and increase the competitiveness of the supported enterprises (FI, W-M).

In more operational terms, the width of the new policy objective dedicated specifically to ‘green’ issues, as well as a reinforced mainstreaming of sustainability concerns across all types of ESIF-supported activities, provides scope for greater synergies between a wider-ranging set of areas (e.g. FI, PT). This has the potential to help maximise the effects of supported interventions.

**The reinforced focus of the Cohesion Policy framework on the sustainability agenda is, in many cases, in line with domestic climate concerns and ambitions. This, in turn, is expected to strengthen the momentum** for pursuing the green agenda **and amplify the effect** of policy efforts.



For **Denmark**, the ‘greening’ of the Structural Funds is perfectly timed in terms of linking European and national initiatives. The parallel shifts in political priorities between the



European and national levels make the mainstreaming of green sustainability ‘an uncontroversial choice’.

In many programmes, the new sustainability commitments are in line with the objectives of the programme and with wider EU climate and energy targets, which means that synergies can be expected in an area in urgent need of increased public policy efforts (e.g. [DK](#), [FI](#), [IE](#)). Domestic ambitions in some cases go beyond the EU sustainability targets, which demonstrates commitment to the green agenda.

**ESIF investment in sustainable initiatives can also have a catalytic effect for related shifts in domestic policy initiatives.**



In [Vlaanderen](#) ERDF projects often serve as an example for domestic policy measures, and a high proportion of ERDF projects result in similar initiatives using more regular funding streams. One example is the cycling highways which often include expensive infrastructural projects which cannot be financed by local authorities. After a number of successful ERDF projects that demonstrated the benefits of these investments, the government decided to extend their subsidies scope to include these type of initiatives. Thus even though the programme has a relatively small budget, it can achieve quite large shifts domestically.

All in all, the new programme period, despite bringing about new challenges, may be viewed as an opportunity in itself. **The key is to overcome some of the more practical obstacles to reap the benefits offered by a new regulatory and policy framework** and ultimately achieve the ambitious sustainability transitions fit for a healthier planet.

## 9 CONCLUSIONS

Against the backdrop of the pressing challenges of tackling climate change, achieving climate neutrality, and aligning economic growth with sustainability and inclusion, **the 2021-27 programme period is making sustainability a pivotal theme underpinning all EU policies, strategies, and actions.** This is manifested in the European Green Deal that sets the blueprint for ambitious sustainability transitions.

Cohesion Policy has a long history of supporting the transition to a low-carbon economy, and climate objectives will remain central in the 2021-27 programme period. While the new ESIF regulatory provisions do not refer to the European Green Deal explicitly, **the 2021-27 Cohesion Policy is expected to place even more emphasis on climate and environmental sustainability, in line with the overarching EU climate targets and the Green Deal objectives.** The links to the latter will be ensured through various regulatory mechanisms, including the application of horizontal principles such as ‘do no significant harm’, budget targets for climate spending and the overall framing of the policy discourse focused on green transitions.

Across IQ-Net programmes, this reaffirmed and growing emphasis on environmental priorities is expected to be seen in a variety of ways including: **an increased spending on green activities and a greater ambition of sustainability actions; a more cross-cutting focus on**



**sustainability**, including a more integrated approach, **reinforced mainstreaming**, and a greater focus on the social dimension of sustainability; **incorporation of new themes** and priorities under the 'sustainability' heading; and **streamlining of delivery mechanisms**.

While the planning of specific approaches to delivering sustainability in 2021-27 is still under way across many programmes, a number of key shifts are expected compared to the past, including:

- **greater policy integration** under the new architecture of policy objectives;
- a **reinforced mainstreaming of sustainability concerns** across different types of ESIF-supported activities; and
- **adjustment of project selection procedures and monitoring arrangements** to take account of the reinforced focus on delivering green objectives.

While the vast majority of sustainability actions will be delivered under PO2, other POs will also take the sustainability element into account or contribute directly towards sustainability objectives. The actual scope and scale of mainstreaming sustainability across the supported activities, however, remains to be seen.

IQ-Net programme managers are planning their approaches to delivering sustainability in 2021-27 in the context of their past experiences with the topic and the main lessons learnt. Key challenges hindering progress in 2014-20 include: **restrictive regulatory frameworks**, particularly relating to *ex-ante* conditionalities, thematic concentration and restrictive eligibility conditions; **complex procedural processes and administrative requirements**, particularly related to public procurement; **financial and administrative capacity issues**; and **coordination** across various support instruments.

Many of these challenges are expected to remain relevant in 2021-27 – including compliance with rigid regulatory requirements, capacity gaps, complex procurement procedures, and coordination. At the same time, **new challenges are emerging**, reflecting the new regulatory provisions but also domestic shifts in priorities and approaches. These relate for instance to: **more rigid requirements in terms of the concentration of funding on green objectives** (including through thematic concentration and Fund-specific climate targets); **reinforced horizontal principles** (including DNSH) **and related monitoring and evaluation challenges**; and the existence of a **wider array of EU instruments supporting green transition** (including the RRF, REACT-EU and JTF), which increases the urgency to achieve synergies and complementarities.

While a significant amount of time and capacity will be required to address these challenges and internalise the reinforced sustainability agenda, this should not overshadow the fact that the new Cohesion Policy cycle and the heightened focus on sustainability also bring new opportunities. To reap these benefits and achieve the ambitious sustainability objectives, programme authorities will need to give careful consideration to a number of issues in an effort to define the most suitable approaches, including the following:

- **Striking a balance between regulatory rigidity and specific programme needs and capacities**. An important concern will be ensuring that the funding intensity and



prioritisation of sustainable investments is appropriate for the context of their delivery, while still complying with the new regulatory requirements. In this sense, account will need to be taken of a wide range of factors including: the specific sustainability challenges; financial and administrative capacity; the level of maturity of the topic and understanding among stakeholders; the history of ESIF support for sustainable initiatives (specific difficulties and good practices); existing domestic legislation in relevant areas and governance structures for delivering sustainability.

- **Finding an appropriate priority structure for delivering and mainstreaming sustainability.** This involves defining the approach to framing sustainability investments in terms of policy objectives / specific objectives but also horizontal actions. Programme managers need to determine, for instance, whether their key sustainability challenges will be more effectively addressed through a concentration of green investments under a single policy heading / a limited number of targeted specific objectives, or their wider spread across a large range of objectives and priority axes. At the same time, ways to ensure compliance with horizontal principles, including DNSH, will need to be considered. Choices will need to be made regarding the most suitable ways of mainstreaming sustainability across programme activities (while at the same time complying with thematic concentration requirements). Would, for example, the separation of 'green' issues under a distinct PO reduce the scope for their genuine mainstreaming, or conversely provide new opportunities?
- **Strengthening coordination and ensuring clear demarcation and complementarities between different instruments.** Given the large number of EU and domestic instruments supporting sustainability transitions, and the significant financial reinforcement for green actions under the new recovery measures, avoiding overlaps and setting clear delineation boundaries will be paramount. Different conditions of support, differing implementation timelines with often competing deadlines, and distinct institutional responsibilities need to be taken account, calling for timely planning and coordinated governance approaches.
- **Promoting wide participation and building partnerships while managing expectations and reducing complexity.** Broad participation and the involvement of various stakeholders in the design and subsequent implementation of support instruments will allow the definition of the most relevant priorities and support measures. However, promoting consultation processes and managing large and complex partnerships might also be challenging, particularly given the complexity and cross-cutting nature of many sustainability interventions and the breadth of potentially conflicting interests that need to be taken into account.
- **Promoting institutional collaboration, building cross-sectoral networks and ensuring systematic cooperation** between implementing bodies and beneficiaries will be crucial for integrating sustainability aspects in ESIF projects. Lack of such cooperation may hinder progress and lead to fragmentation of investment.
- **Building capacity for delivering sustainable projects.** Given that effective implementation of green projects is often constrained by insufficient capacity, skills and knowledge in the area of sustainability, ensuring ongoing capacity-building for both implementing bodies and beneficiaries will be crucial. With the reinforced mainstreaming of sustainability principles, in-depth knowledge and expertise on green issues will be particularly relevant, and ways will need to be found to build or bring in such expert knowledge into programme management. This could include training or enhanced cooperation with other actors / institutions in the existing governance systems.





## Notes

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<sup>54</sup> *Ibid.*

<sup>55</sup> Vironen et al. (2019)

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<sup>57</sup> E.g. see Ferry and Kah (2021) *op. cit.* for details, e.g. on ERDF, ESF and EAFRD coordination via the regional-level Regional Management Committees and their Secretariats.

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