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SPECIAL REPORT | 8 - 15 November 2013

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EFFICIENT EU BUDGET 2014-2020

http://www.euractiv.com/specialreport-efficient-eu-budget-2014-2020

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Tight EU budgets usher in new era of efficient spending, innovative finance

When there is less money, the only way to cope is to spend it better and more efficiently. This is the age-old principle behind Brussels' approach to the next EU budget, for 2014-2020.

Efficiency has become the Brussels buzzword, even amongst the college of commissioners.

Yesterday (7 November), EU regional policy chief Johannes Hahn hailed the vote in the European Parliament on the reform of cohesion policy, as one introducing elements to make it more 'effective and oriented towards clear results'."

"To be sure, there needs to be a greater focus on results in meeting EU spending objectives and in financial management. However, there is no consistent view of what those objectives actually are at EU and national level," said Vitor Caldeira, president of the European Court of Auditors.

In its annual report, published this week, the Court found that EU policymakers had missed a number of opportunities to clarify objectives, simplify programmes and schemes, link payments more closely to results, make internal control systems more results-oriented, and enhance monitoring and evaluation arrangements.

But the budget's legislative framework was too complex, the auditors argued and EU countries had little incentive to spend their part of the EU budget correctly.

"If Europe's citizens are to be convinced of the need for EU-level programmes they need to see the added value they bring," Caldeira said.

In recent years, the Court has switched gear and become very vocal on recommending changes and ditching programmes that do not provide tangible results. The number of special performance reports has increased from 12 in 2008 to 25 in 2012.

"Achieving more effective management of the EU's finances will not be straightforward. It is a problem which can be solved only through a partnership between EU and national authorities," Caldeira said.

Added-value of EU funding

Criticism over spending is corroborated by the growing fear that the tightened €960 billion budget for the next financing period, 2014-2020, will not be able to put Europe back on the growth path.

The overall EU budget amounts to only a small share (around 2%) of overall public spending and it is insufficient to deliver the €1.8 trillion of future-oriented investment required to reach the EU's Europe 2020 targets.

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In last year's negotiations for the 2014-2020 budget, which awaits the final green light from the European Parliament, many of the headings considered essential to put Europe back on the recovery track have been either slashed or given meagre funding.

That was the case with the digital support of the Connecting Europe Facility, whose funding was hacked from €9 to €1 billion by EU leaders, compared to the initial Commission proposal. Even though some of the funding might be retrieved from the research and innovation budget line, the so-called Horizon 2020, officials may have to become more creative.

The Youth Employment Initiative also received little funding, with only 0.06% of the budget set for that purpose, in a time when latest figures show that 23% of young people in the EU are without a job. In Spain, 55.6% of under-25s are unemployed and the Commission recently said the figure was 63% for Greece.

Experts suggested a review of the powers of the EU.

"Looking at all the priorities, shouldn't we test the principle of subsidiarity now that we are entering a new seven-year budgetary period to better delineate which policies are better dealt with at EU level," said Mercedes Sánchez Varela, head of the EU office of KPMG, the global professional services company.

Changing the focus from absorption to the impact of spending was a major achievement for policymakers, Sánchez Varela said, underlining the benefits of a more flexible budget.

In the next budgetary period, in fact, EU funds that are not spent will be reinvested in other programmes and not returned to member states. At the same time, the EU will be able to scrap failed projects more easily.

"The goal is not just to spend the money but to spend it wisely," Sánchez Varela said, adding that pooling resources at EU level might in the long run prove more effective.

Innovative financing

KPMG published this week its Future State 2030 report on the mega-trends shaping governments. In the report, experts underlined that public debt is expected to pose a significant constraint on fiscal and policy options through to 2020 and beyond.

Sánchez Varela says innovative financing and the blending of funds across policy areas are possible solutions that are getting further support. She notes that the EU has already moved towards the use some funding from existing programmes to address the current challenges.

According to KPMG EU's head, some evidence shows that loans and innovative financial instruments provided for SMEs have proven they might be more effective than grants.

The European Investment Bank uses a range of techniques to increase the impact of funding, especially for financing innovation.

Going back to the added-value and subsidiarity issue, a group of experts has already noted that EU countries might want to consider pulling resources at the supranational level, especially on defence and consular services.

As the Common Agriculture Policy has proved efficient in saving member states' money, it might be useful to see on what other areas that would be viable, experts said.

Inspired by the money saved by the EU's Common Agricultural Policy, experts are wondering where else EU-level cooperation might present added value.

"Now that a window of innovative opportunities is available for those actors that are capable of using them, there is new potential to reach higher impact with lower levels of investment," Sánchez Varela added.

EIB hints that it will fund energy infrastructure shortfall

Officials from the European Investment Bank (EIB) have given the strongest indication yet that they will fill a €3.25 billion hole in EU plans for modernising the continent's creaky power infrastructure.

Last month, the EU announced a list of 250 'projects of common interest' (PCIs), such as cross-border transmission lines, fuel pipelines and gas storage terminals.

These would glide through permit-granting procedures in three years, enjoying increased access to preferential EIB loans and capital guarantees, in the form of project bonds, risk capital or enhanced loans.

The €9.1 billion proposals were meant to leverage another €200 billion of private sector revenues, integrate Europe's energy networks and end its 'energy islands', thus increasing security of supply.

But in tough budget negotiations, the scheme's funding was cut by over a third, raising questions for some about its viability.

Asked by EurActiv how much of the shortfall the EIB could stump up, Richard Willis, a bank spokesman suggested that as a "priority" area, it may be a lot.

"Over last five years, the EIB has provided €60 billion in loans to energy infrastructure projects," he said. "Over the next seven years, I would expect something similar - or more - given the increased lending capacity of the bank, and that a quarter of that is intended to support energy infrastructure."

Bank lending would be increased by 2017 in ways that leveraged twice as much investment from other sources through mechanisms such as project bonds, he added.

The EIB's statement was welcomed by Darryl Murphy, the partner of global

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infrastructure at KPMG, global audit, tax and advisory firm tax.

"The proposed contribution from the EIB to the priority projects is a positive step and many of these projects will be welcomed by the private sector financing market who are ready to work alongside the EIB," Murphy said.

Following a protracted EIB energy lending policy review this summer, "we would expect 90% of the bank's energy lending in the coming years to focus on support for renewables and the associated infrastructure," Willis said. The lion's share of this would be spent in Europe.

Fossil fuels generation

But green campaigners say that most of the projects singled out by Brussels as PCIs are conduits for fossil fuel electricity generation, whether gas pipelines and storage terminals, or oil projects.

Some 108 of the PCIs are exclusively gas and oil infrastructure builds, while the rest will often facilitate fossil fuels in more general electricity-based projects.

"These plans are presented as tools to, amongst other thing, facilitate the transition to a low-carbon economy, yet some of the projects could actually compromise Europe's efforts to limit the impacts of climate change by undermining resilience," said Martina Mlinaric, a senior policy officer at the European Environmental Bureau (EEB), a green pressure group.

A European Commission report by the consultants Booz and Company, which EurActiv has seen, describes the scenario chosen for gas demand in the years to 2030 as "aggressive, given the recent developments of the European market".

The EU expects gas demand to increase almost twice as fast, as the International Energy Agency does, and this expectation informs the PCI selection process.

Yet "a high demand scenario will overestimate the need for infrastructure and a low scenario will underestimate this need," the paper says. Europe's gas industry is currently losing a market turf war with cheaper US coal imports, partly due to its index linkage to oil.

Although it emits around than half the carbon dioxide of coal or oil, gas still pollutes much more than renewable energy sources.

As well as renewables, Willis said that the EIB was mandated to fund energy security and storage projects in its lending criteria. But this is not the only bone of contention facing the PCIs.

'Controversial projects'

Environmental hackles have also been raised by alleged secrecy in Brussels about project selection and the inclusion of projects such as one creating reservoirs in a pristine part of the Austrian Alps, which critics say could damage biodiversity and local livelihoods.

"We have to tackle climate change, secure our energy supplies and protect nature," said Ivan Scrase, a senior officer for BirdLife. "We need some major energy investments, and that requires popular support, but what we don't need is lists containing lots of controversial projects drawn up hastily behind closed doors."

The PCIs, which will be updated biannually, will benefit from streamlined environmental assessments, amongst other things.

Niina Honkasalo, an adviser to Europe's electricity association, Eurelectric, told EurActiv that "in the long term we think it is important that there is progress on the power sector infrastructure as it is needed to integrate renewables." She declined to comment on whether the proposed share of gas and oil projects was appropriate.

Smart grids

Some clean energy enthusiasts were disappointed by the EU proposals neglect of smart grids.

Willis said that smart grid initiatives would remain a "key focus" of EIB lending, even though just two of the 250 projects in contention for a place on a final list to be announced in 2014 will be smart grids.

"I can't comment on Commission funding," he said, "but we clearly recognise the contribution of smart grids elements, and the recent large loans to utility companies in Europe which have covered smart grids."

"There may well be larger (EIB) lending which will focus exclusively on smart grids," he added. "In our discussions with utilities across Europe, smart grids are clearly a focus."

Yvo de Boer: Europe looking for the climate future in the past

European politicians are stuck in the past in their search of climate change solutions, the UN's former climate chief told EurActiv in an interview, adding they need a more "adult understanding" of the tight links between climate, the economy and energy, including energy security.

"I find it fascinating that at this time of economic crisis, Europe seems to be looking for solutions to the future in the past," he said, pointing the finger at recent political discourse over a manufacturing revival and calls for scrapping environmental regulation.

De Boer served as the executive secretary of the United Nations Framework Convention on Climate change (UNFCCC) and previously as the head of the Dutch government's climate change department.

Now an advisor on sustainability and climate change at professional services firm KPMG, de Boer believes that politicians are stuck in short-term electoral cycles and keep postponing the necessary efforts needed to cut greenhouse gas emissions and keep temperature rises under the 2 degrees celsius.

"We need serious efforts to stick to that target of 85-90% emission reduction by the middle of the century. That's important, because climate change is important but also because we need to leave some room for developing countries to grow their emissions," he said, adding every euro saved through energy efficiency was a euro that could be spent on other budget priorities.

The EU currently has three 20% targets for 2020, a CO_2 emissions cut, a share of the energy market for renewables, and an improvement in energy efficiency, although the latter is voluntary. But the Commission has pushed forward a debate on the 2030 climate targets and initial proposals mention a potential greenhouse gas emissions-reduction target of 40%. The door is not closed on a 30% target for the proportion of renewables in the 2030 energy mix.

Subsidies, predictability and courage

Asked if the EU's €66 billion of subsidies for the fossil fuel sector should be rebalanced in favour of renewables, which only receive €30 billion yearly, he said dwelling on the public money debate was short-sighted.

"If I talk to CEOs around the world, which is my job now, and I ask them: What do you want most? Their answer is long-term predictability. They don't say money, subsidies. They say we want to be sure that if you say at least 80% reduction by 2050, that Europe is actually going to stick to that target because then they know that they will need to invest not in coal, not in gas, but mainly in renewables and maybe in nuclear," he stressed.

However, phasing out fossil fuel subsidies should be done in an intelligent way, the climate expert conceded, saying that policy-makers have a "very stupid way of looking at costs".

Fossil fuels are so cheap, he said, because the people who burn them do not have to pay the cost of the environmental damage. "The first thing to do is get a better understanding of costs and the cost of fossil fuels and renewable energy will not be that far apart," he insisted.

According to de Boer, business does not trust politicians because they have the attention span of an electoral cycle.

"The problem with climate is that everybody knows that in the long-term there will be huge benefits, huge savings, the lives of your children will be better, the economy will be more efficient, the air will be cleaner, everything will be wonderful in the long-term. But the long term is after elections," he said.

Politicians, including the European Commission, were not brave enough to properly impose the polluter pays principle, he said, and that "they are even less brave when it comes to asking you and I to invest in the future of our children."

Climate talks: Marriage or living together?

De Boer argued that an international treaty was necessary so that countries could commit t targets and incur short-term costs for longer term gains.

On Monday (11 November), delegates from all over the world arrived in Warsaw for a two-week climate conference to make progress on talks for a new international climate agreement, to be signed in Paris in 2015.

At the moment, there is much uncertainty about the form of such an agreement, whether it would be a protocol or treaty.

"That's like going out on a date with a very attractive man but you don't know at the end of the evening if it's going to be marriage, or living together, or you just get his telephone number. You don't know what's going to happen so that makes you rather careful probably in terms of how you enter into the evening.

"It's the same thing here, if you don't know if it's going to be a treaty or a protocol, then it is very difficult to negotiate," he explained.

Nonetheless, de Boer insisted that the Warsaw talks should deliver concrete proposals on what exactly must be agreed in 2015, what is expected from rich countries, from middle-income countries, from poor countries and how are we going to mobilise finance.

"At the end of the day, I think in Paris in 2015, you will need to consider, discuss finance and commitments, and technology altogether," he concluded.

Yvo de Boer: It's the climate, stupid!

Politicians look at costs in a "stupid" way and need more "adult understanding" of the tight links between climate, the economy and energy, including energy security, the UN's former climate chief told EurActiv in an interview.

Between 2006 and 2010, Yvo de Boer was executive secretary of the United Nations Framework Convention on Climate Change (UNFCCC). A former head of the Netherlands Climate Change department, he is currently working as a climate change advisor to KPMG, the global audit, tax and advisory firm. He spoke to EurActiv's editor-in-chief Daniela Vincenti

The world invested almost a billion dollars a day in limiting global warming last year, but the total figure - $359 billion - was slightly down on last year, and barely half the $700 billion per year that it is believed to be needed to tackle climate change and maintain rising temperatures under 2 degrees Celsius. Are we doomed?

I'm not particularly worried that the EU is going to meet its short-term target for 2020 for a very unfortunate reason. If he EU makes it to its target, it's not going to be thanks to any brilliant policy effort on the part of the EU.

If the EU is going to reach its target is because the European economy is going through a very significant decline, and as a result of emissions.

What does concern me, the more fundamental target that have been formulated for the medium term. So already in 2005, I think, European heads of governments committed to reduce emissions by at least 80% by the middle of the century. Unless you close down the entire economy of Europe, which I'm sure is not the intention, some efforts will have to be made to meet that target--some serious efforts.

What do you mean by serious efforts?

I'll come to that in a second, but of course it's not only a matter of the EU. The EU's emissions I think count for about 11% of total emissions at this moment in time. So it's very important that we see much stronger climate action from other countries around the world, because this is not a problem Europe can solve on its own. You need global engagement to solve it.

Regarding Europe, we need some serious efforts to stick to that target of 85 to 90% emission reduction by the middle of the century. That's important, because climate change is important but also because we need to leave some room for developing countries to grow their emissions. So, the first point is stick to the target.

My second point would be to not be wasteful. We should not emit what you don't need to emit. Europe has a tripartite target – 20% emission reduction, 20% energy efficiency, 20% renewable.

The energy efficiency target relates to not using energy that you don't need to use. So, how can you insulate buildings better? How can you come to better transport systems? How can you use better lighting systems, etc?

Every saving that you make through energy efficiency is a euro saved, is a euro that you don't need to spend on achieving climate goals, but that you can spend somewhere else in the budget.

Plus, efficiency enhances the competitiveness of your economy. Energy is a very significant part of the cost of production. So if you use less energy, you r product is cheaper and you compete better internationally.

The second of the three targets relates to renewables. Any kilowatt or megawatt that you generate through renewables is not a megawatt that you need to generate through fossil fuels that you pay a lot of money for.

So in other words, through energy efficiency, through renewables Europe can save an awful lot of money and make a lot of money by becoming more efficient at the same time.

Precisely, recently Günther Oettinger, the energy Commissioner was accused to suppressing data which shows that the bloc's €30 billion of subsidies to renewable energy sources is outweighed by a de facto €66 billion of handouts to the fossil fuels sector. How to rebalance these amounts?

Well, fossil fuels subsidies are there for a reason. The reason is not generally because politicians want to harm the environment. If you look at a country like Indonesia, the biggest item of expenditure on their budget is fuels subsidies to make electricity available for the poor. That's quite a difficult subsidy to change. We all remember the situation in Nigeria a couple years ago, when they tried to raise the petrol prices, there was almost a revolution.

Many of the fossil fuels subsidies are linked to the poverty eradication. Therefore, you need to be careful in terms of how you phase them out.

There's a G20 agreement for phasing them out, but in some cases it needs to be done carefully. There are other subsidies, for example in Australia for mining vehicles, that's an easier subsidy to remove, although

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you still need to look at the competitiveness of the mining industry. So: yes, fossil fuels subsidies are bigger than renewables subsidies, yes, there's an agreement to phase them out but it's not easy and it needs to be done intelligently.

Still, only two of the long-awaited 248 projects of common interest (PCI) to link Europe's energy network will be smart grids, the European Commission has said, in an oft-predicted setback for plans to rationally manage energy demand and integrate renewable sources ...

If there's an advertisement in a newspaper for a beautiful fur coat, you probably wouldn't buy a fur coat because you're an environmentalist … well, let's say there's a beautiful fur coat and the normal price is €5000 but it's on offer and it's now €4500 for this coat. What is your feeling? Is your feeling that you have saved 500 or that you've spent 4500?

The reason I ask the question is because first of all we have a very stupid way of looking at costs. We did a report a year ago where we looked at what environmental cost is caused by industries and what would happen if those industries had to pay their own environmental costs instead of being able to pass those costs to the society, and we found that on average the industry would see about 50% of their profits wiped out.

So, part of the reason why fossil fuels are so cheap is because the people who burn fossil fuels don't have to pay the environmental costs of the damage that is caused by burning those fossil fuels.

So you have people out there who are screaming "renewables are subsidised", but they're not looking at the extent to which fossil fuels are subsidised and they're not looking at the damage that is caused by burning fossil fuels. The first thing is to do is get a better and more adult understanding of costs. And then you see that the cost of fossil fuels and renewable energy is not that far apart.

The second point is that it's not only about energy and energy costs; it's also about issues around energy security.

I remember years ago when I was working on climate policy in Europe, all the people working on economy policy in Europe thought I was an environmental lunatic, that I should be shot. Then something happened. The Russians for the first time closed the gas pipeline to Ukraine and everybody started realizing that "maybe energy security and climate action can be linked!"

So there are issues of energy security as well, and I know that people in Germany, in Poland, in the Baltic states care a lot about this aspect.

The final element is how do you ensure that you make investments for the future, how do you make sure that you're investing in the technology of the future, instead of the technology of the past?

My country which is Holland is very famous for windmills. The windmills are actually abandoned industrial installations, they're abandoned mills that are no longer used.

If you build a coal fire power plant in Europe today, that plant is going to last for 50 years. If you also want to reduce your emissions by 85 to 90%, there's no way that you can keep that coal plant going for 50 years. So your children if you have them in 20 year- time might be going to see some closed down coal fire power plant as the next industrial monument of Europe.

I believe in March, Europe is supposed to be discussing a climate energy strategy, they asked for that in June, and already you see the electricity sector in Europe sharpening their knives to get ready for that.

Back to linking climate action to energy security, and economic efficiency. The Barroso II Commission decided to separate climate and environment portfolios, but there were talks about merging climate and energy. Would you see this favourably, one person making the right choices for both policies?

I've often thought about writing a PhD about what marks the transition from the short term to the long term. And I concluded that it would be a very short PhD because the transition between short term and long term is called elections.

And the problem with climate is that everybody knows in the long term you will have huge benefits, huge savings, the lives of your children will be better, the economy will be more efficient, the air will be cleaner, everything will be wonderful in the long term. But the long term is after the elections.

In the short term you have to encourage expenses for renewable energy, energy efficiency, higher standards for cars, etc.

And politicians do not like to be on the wrong sides of elections in terms of costs. So, the problem is that although everybody says that climate is very important, including all the people in the European Commission, this one and the next one, they're not so brave when it comes to getting you and I to pay for the costs of pollution and they're even less brave when it comes to asking you and I to invest in the future of our children.

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They're not brave enough to change the behaviour of consumers, but are they brave enough to give the right incentives to companies in this time of crunched budgets? What incentives?

The point is not public money. If you were to ask me where should I go for advice. Should I go to a politician or a palm reader? I would recommend that you go to the palm reader.

The reason is – look at what has happened in Germany, in Spain, in Portugal on feed-in tariffs where European governments respected the people. They said we are going to create special tariffs for renewable energy and the electricity sector invested in the sector. Then the government said: Now we're going to stop the subsidies and suddenly the investment is no longer economically viable.

If I talk to CEOs around the world, which is my job now, and I ask them: What do you want most? Their answer is predictability, long-term predictability. They don't say money, subsidies. They say we want to be sure that if you say at least 80% reduction in 2050, that Europe is actually going to stick to that target because then they know that they will need to invest not in coal, not in gas, but mainly in renewables and maybe in nuclear.

Business doesn't trust politicians. That's why an international treaty is so important because one of the advantages is it can commit countries beyond elections over decades. In fact, in 1997 I think, Europe committed to a target for 2012 under the Kyoto protocol and that target still stands although we've had several Commissions and elections, because the target is written in an international treaty.

This week, international negotiators are meeting in Warsaw precisely to advance talks on a climate treaty. What do you expect to come out of Poland? Do you see any light at the end of the tunnel?

First, the rest of Europe needs to start being nice to Poland. That would help. If I have a fight with my wife at home, if I start screaming at her and calling her the most horrible names, that's not going to make her listening to me.

I think Poland has a real problem: It relies a lot on coal, 96% of the economy. It's not Europe's richest member state. They also worry about energy security vis-à-vis the Russians. They have a serious problem, and everybody is treating them as though they are the bad guys in Europe who don't want to act on climate. A good step would be to take those Poles a little bit more seriously.

Now for international negotiations … There's supposed to be a climate agreement in 2015, something new, but at the moment it's not clear what exactly it's supposed to be, whether it's supposed to be a new treaty or a protocol.

That's like going out on a date with a very attractive man but you don't know at the end of the evening if it's going to be marriage, or living together, or you just get his telephone number. You don't know what's going to happen so that makes you rather careful probably in terms of how you enter into the evening. It's the same thing here, if you don't know if it's going to be a treaty or a protocol, then it is very difficult to negotiate.

I think it's important that already in Warsaw, countries have more of a conversation about what exactly is it that we want to agree in 2015, what do we expect from rich countries, from middle-income countries, from poor countries, how are we going to mobilise finance.

Are we seeing the same old divide between developed and developing countries? China has already started saying that the developed countries should help developing countries. Are we back to square one Copenhagen 2009? If we look at climate finance: Three-quarters of the climate revenues originated in the same country it was spent in, while the other quarter flowed from the global North to South, and was dominated by public sector funds. Is that right?

That's a fair point, but here you also need to make a distinction between investment and subsidy. In Europe 85% of the investments in the energy sector are private, not public, so why in developing countries should we suddenly have the reverse equation? It's going to be roughly the same.

Many economies in developing countries are doing really well, and they're doing really well namely because of foreign investments because foreign companies, multinationals are investing in China, Vietnam, etc. And they are putting state of the art technology into those countries.

If you plan to build a wood factory in Vietnam, you don't go to Holland and buy one of the old windmills and take it to Vietnam. You buy state of the art technology and that's what happens. The economies of the South are growing very strongly. They're growing very significantly due to FDIs and FDIs is leading to state of the art technology into those countries.

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But yes, not enough money is going to the poorest countries. Because those poor countries don't have such strong economies, are not such a good place to invest, you clearly need more public sector money going into the poorest countries.

I think it's very important to make sure that if public money is mobilised, that it's mobilised for the people who need it, as opposed to the people who don't need it, and that it is targeted towards modernising the economies of those countries.

Definitely, not enough is happening on finance and the Chinese love to use this as an argument that since somebody else has done what they promised, China doesn't need to do what they promised. They love using that argument.

At the end of the day, I think in Paris in 2015, you will need to consider, discuss finance and commitments, and technology altogether.

A multifaceted deal ...

Well, a deal is a deal. You're not going to give me the fur coat until I give you the $4500 and vice versa.

KPMG is preparing a second report of Expect the unexpected. If you had to make a prognostic, would you say that the world and the politicians are learning from their mistakes on climate—I am clearly referring to Copenhagen. But also are we putting in place the right strategies to combat climate change—mobilizing the right resources?

At the moment, no. Very clearly, no. I said it's about the transition between short term and long term, and very few politicians are willing to incur short term costs for longer term gains. The stupid thing is that if you look at it from a macro point of view, it's actually cheaper to act on climate change than not to act.

I find it fascinating that at this time of economic crisis, Europe seems to be looking for solutions to the future in the past. Europe is talking about "shouldn't we all become manufacturing economies, like Germany again. Shouldn't we get rid of all the stupid environmental regulation?

So you think we have the wrong strategy?

I think we have the wrong strategy and I think there will have to be some quite significant shocks before people become really serious about this, and some of those shocks are pretty terrible.

There's a pretty good chance that we will get an ice age in Europe because of climate change. Why? Because it is the Gulf Stream that keeps Europe warm. The Gulf Stream is fueled by the ice sinking on the North Pole, if that stops—the Gulf streams stops, it will suddenly get very cold in Northern Europe because of climate change.

The other thing that worries me is that now there is in Alaska and in Siberia, there are huge quantities of frozen methane under the ground and permafrost. If that thaws and that's beginning to happen, then suddenly massive amounts of methane are released into the atmosphere, you could get temperature increase of 8,9,10 degrees.

Once a process like that begins to happen, it's pretty much irreversible.

I'm afraid that we need a shock to get serious, and I'm a little bit afraid that the shock could be a bullet in the head, which is not very good to wake you up, if you see what I mean.

The scientific world got it, politicians haven't, at least not many.

I think there's a consciousness. It's like putting the frog in the water, slowly making the water hot, and suddenly the frog pops out of the water when it gets too hot.

I think politicians have a very strong sense of "yes it's important but we can deal with this tomorrow." Then they wake up the next morning "it's important but we can deal with this tomorrow".

Commission claws back up to €200 million broadband funding in budget breakthrough

The EU executive hailed victory in winning back vital funding for its European broadband funding rollout programme following trilogue talks last week that saw up to €200 million in spending secured over the 2014-2020 budget period.

Under its digital strategy, the Commission wants Europeans to have access to fast broadband by 2013 and make sure at least 50% of households are able to subscribe to internet access above 100 megabits per second (mbps) by 2020.

To reach that goal, the Commission originally proposed a €50-billion "Connecting Europe Facility" (CEF) for cross-border infrastructure projects under the EU's 2014-2020 budget.

Of this, €9.2 billion was earmarked to expand broadband and digital networks, amid concerns Europe was falling behind Asia and the United States in the sector.

Original budget deal slashed

But a deal struck by European heads of states and government in February (see background) on the long-term budget saw broadband slashed by €8.2 billion to just €1 billion.

"It is clear that there can be no support

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for broadband with a pot of only €1 billion, so this funding will be exclusively for digital services," Neelie Kroes, the EU commissioner for the digital agenda, said at the time describing the cut as "a missed opportunity."

The Commission is now confident that the up to €200 million required to meet the 2020 digital broadband targets can be made available over the 2014-2020 multi-annual financial framework.

Last Friday (8 November), member states' ambassadors approved an agreement reached between the Lithuanian EU Council Presidency, the European Parliament and the Commission in trilogue discussions earlier last week on an amended proposal for trans-European telecommunications regulations.

Broadband to receive 15% of Connected Europe Facility

These regulations are part of the CEF and stipulate the funding of broadband networks, prioritizing projects on digital service infrastructures. The newly amended guidelines will take effect as of January 2014.

The negotiators reached agreement that the total amount of budget allocated to financial instruments for broadband will be 15% of the CEF, which would total between €150-200 million, according to current estimates.

Under the deal, a third of all the broadband projects financially supported by the Commission will be required to aim for speeds above 100 mbps.

A consultative expert group will be set up to oversee decision-making by the CEF Committee, to ensure that member states play an active role in pushing for super-fast broadband rollout.

Regional funding breakthrough for broadband

The Commission has already achieved another broadband funding fillip, when trilogies ending in October secured the listing of broadband as one of the four priorities – there were previously only three – for the spending of regional structural funds.

It is not yet clear how much of the regional structural funds could be allotted to broadband projects. Regional funds are grants offered for proposed projects, whereas the CEF will operate as a seed fund in which the EU offers a seventh of the total funding of a project, if external investors are willing to make up the difference.

Rimantas Sinkevičius, the Lithuanian minister of transport and communications, acknowledged that the deal took into account the severe slashing of the braodband budget within the CEF, agreed in February.

That decision led to a barrage of criticism from Kroes and industry sources.

Commission welcomes outlook after "grim" January decision

An industry source who preferred to remain anonymous told EurActiv earlier this year that the result would add €70 billion to Europe's broadband bill, explaining that the €8- billion cut represented "seed money for loans that now can't happen", leaving the private sector and member states to stump up the cash.

"It looked very grim in February but there is now a real prospect of super-fast broadband pilot projects getting finance. Plus there will be billions on offer for the right applications for regional funds. That is a new and positive development," said Ryan Heath, the spokesman for Kroes.

"If we can reach agreement on the Telecoms Single Market reforms, then the combination of all these actions will mean we can still reach our 2020 broadband targets," Heath added.

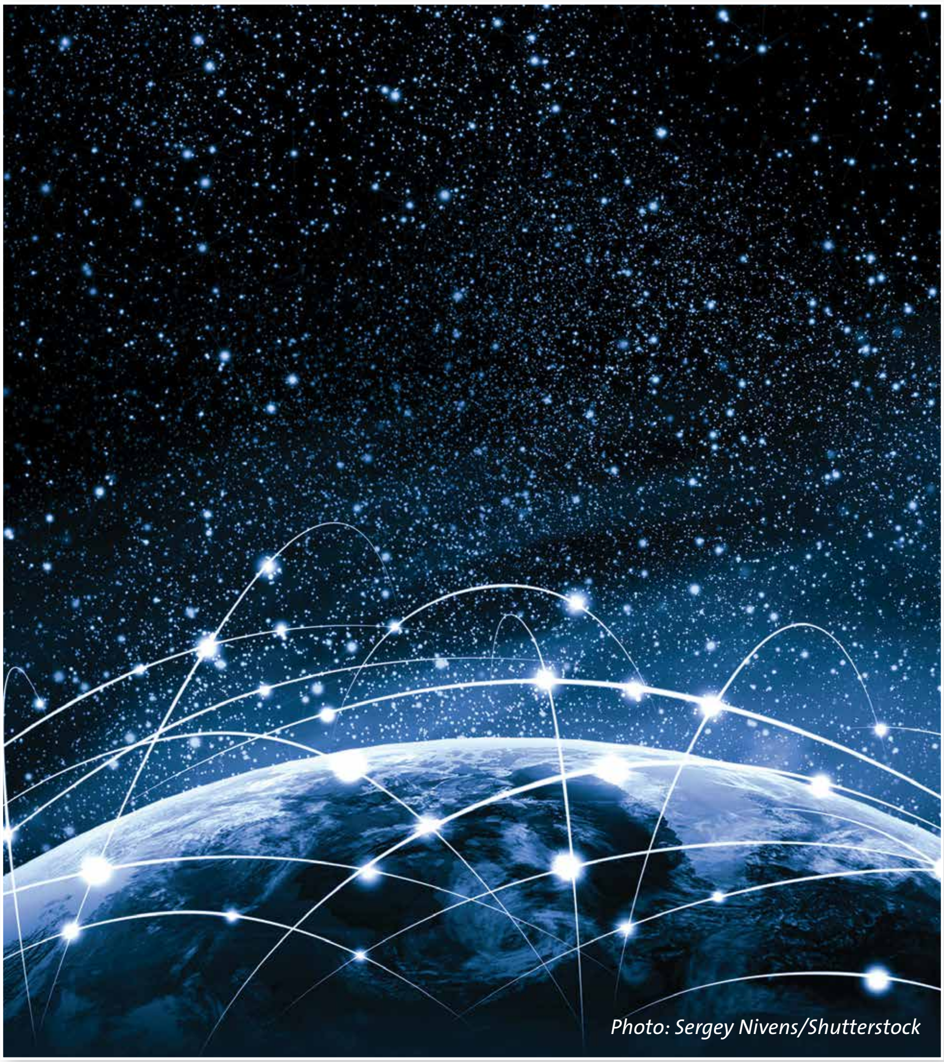

Photo: Sergey Nivens/Shutterstock

Political will, not only cash, needed to fight youth unemploy-ment: experts

Photo: Jirsak/Shutterstock

With youth unemployment at 23%, twice the level of the older population, the EU has earmarked €6 billion to put young people back to work, but more political will is needed to make sure that the national programmes are ambitious and deliver tangible results, experts said.

7.5 million young Europeans are currently without a job. With the rate soaring especially in the crisis-hit countries of Eastern and Southern Europe, establishing specific programmes designed to put a generation into work will cost member states €21 billion a year, estimates the International Labour Organization (ILO).

But this is an insignificant amount compared to the €150 billion price states would have to pay if they do not act, the Commission has said.

During a high level conference on youth unemployment held in Paris on Tuesday (12 November), heads of state and government reiterated their commitment to properly implement the Youth Guarantee and help millions of young people between the ages of 15 and 24 to successfully enter the labour market.

The Youth Guarantee scheme, based mainly on best practices from Finland and Austria, will push forward deep structural reforms in the hardest hit countries, reforming the public employment services, helping young people to stay in education or start up their own businesses or giving support to the most vulnerable groups, such as migrants.

€6 billion from the EU budget

However, the Youth Guarantee will mainly depend on member states' political will, as employment and social affairs is in the remit of national powers.

For the next multi-annual financial framework (2014-2020), the Union will contribute to solving the European youth unemployment crisis by putting €6 billion into the Youth Employment Initiative (YEI).

€3 billion will come from a specific EU budget line and another €3 billion will be provided by the European Social Fund (ESF), on top of the expected €10 billion to be spent yearly during the the next financial period.

The money is dedicated specifically to regions where youth unemployment reaches 25% or more and will target young people that are not in employment, education or training, the so-called NEETs.

But youth experts have criticised the amount allocated by the EU.

Giuseppe Procaro, the secretary general of the European Youth Forum (EYF), said that the money allocated was simply not enough to get young people into work, as compared to the €20 billion needed for the next budget period, 2014-2020.

Moreover, the Commission's 'one size fits all approach', the Youth Employment Initiative, was inefficient, Procaro said.

"A case by case analysis is needed. We need to look into the specific needs of each region with targeted measures, look at the best practices in other member states, such as Finland, and involve the young people in defining those measures."

From roads to youth

But German Green MEP Elisabeth Schroedter, vice-chair of the employment committee in the European Parliament, did not share this view. Schroedter said there was plenty of money available to fight youth unemployment in EU structural funds, but that it was up to the member states to show political will and make use of it.

"The money made available by the Youth Employment Initiative is additional money," Schroedter told EurActiv.

"The structural funds are the most successful fund of the EU and the best instrument, but it's a big political question whether member states will earmark them for youth unemployment, instead of, let's say, building new roads. In the end it's up to them to decide how they'll use those structural funds."

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Front-loading concerns

To make more money available faster under the Youth Employment Initiative, EU leaders have agreed to front-load the €6 billion, making it available in the first two years of the new budget, 2014-2016.

While the move has been generally praised, the European Youth Forum warned that it could be a double-edged sword, leaving countries penniless after 2016.

The EYF said in a written statement: "This front loading is a good signal to start pushing the initiative forward and with needed resources. However, its concentration on two years could create uncertainty about the sustainability and efficiency of this instrument.

"We expect the Council to set up, as soon as possible, a clear mechanism of monitoring and evaluation of such spending and the guarantee for possible further allocation to the Youth employment initiative after 2015."

A question of political will

Back in June, when EU leaders agreed on the youth funds, Finnish Prime Minister Jyrki Katainen, whose country is seen as a role model for the youth guarantee, warned that "the main responsibility lies in the hands of governments, and the tools must be used or taken at the national level. European solutions can partially help, but it is not the main story".

The Commission has praised Helsinki and Vienna have been praised for their approach to youth unemployment issues by the European Commission.

In a written statement, the EU executive said: "In Finland, a review of a youth guarantee-type scheme that operated there showed acceleration in the drawing up of personalised plans for young people as well as a reduction in unemployment since the scheme's introduction. Austria also has youth guarantee type measures and at the same time one of the lowest youth unemployment rates in Europe."

OPINION

Blending funds will be the new way to finance EU projects

With less money at hand, the EU will have to become more efficient and innovative in the way it seeks to finance new initiatives and blend funds from different sources, but will actors be able to quickly align to this new way of thinking, asks Mercedes Sánchez Varela.

Mercedes Sánchez Varela is a partner and head of EU office at KPMG, the global network of professional auditing, advisory and tax firms.

Smart solutions to boost growth; the creation of sustainable infrastructure; actions to reduce youth unemployment and increase of social inclusion; innovation, partnerships and result orientation: these are the keywords that we hear every day in EU context and especially when discussing our ambitious goals for the next seven years.

The mix of priorities, as set in the agenda for Europe 2020 enables resources to cover new areas which might challenge the extent to which we apply the subsidiarity principle in different areas. This is the driving idea sustaining the pursuit of efficient spending.

One of the new target areas is the Youth Employment Initiative, which represents 0,06% of the multi-annual financial framework (MFF), the long-term budget. This seems rather marginal. On the other hand, further measures address employment issues directly or indirectly in other transversal EU funds, whose amounts have increased compared to the last framework, 2007-2013.

The question to ask is whether we have carefully assessed to what extent a common EU initiative fits better this purpose than national responses that can be adapted to the specifics of the labour market.

The 'Digital Agenda' was the biggest victim as member states slashed the amount by 89%, from €8 billion to €1bn, under the heading of the 'Connecting Europe Facility', even if further ICT investments will be possible under the 'Horizon 2020' innovation programme.

At the same time, the 'Europe 2020 Competitiveness Report' points out that EU cohesion policy should better focus on main competitiveness weaknesses, including support for innovation, information and communications technology development.

The 'Social change and innovation' heading is targeted at reducing unemployment, poverty, social exclusion and to tackle issues arising from an ageing population. However, the amounts dedicated may be perceived as low. In 2011, a staggering 16.9% of the population in the then EU-27 was at risk of income poverty.

Looking at all these priorities, it is clear that the principle of 'subsidiarity' is being tested. Now that we are engaging in a new seven-year budget period should we not delineate which policies are better dealt with at the European level?

In such a crucial time when we are anticipating a gradual economic recovery but knowing that things will not be the same as before this crisis, we can grasp the opportunity to better anticipate common

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problems and challenges together.

Increased integration of the banking sector, for example, has become more of an EU issue than it was before, we see that it was needed and it makes sense. However, it was reactive. Here I am suggesting that we can approach things in a proactive, forward-looking way. Are there therefore any specific policies, such as migration, that could be more efficiently targeted from an EU perspective, and other areas that should be redirected to the national level?

If at the EU level, strategic developments are driven by Europe 2020, how much of these EU priorities are really set as national priorities and thus leveraging and sparking a multiplier effect across Europe?

Efficiency and Effectiveness

A major change for the next period is that unused funds will be reallocated to ensure that the total amount budgeted for 2014–2020 will be spent on EU priorities. Budgets will thus be more flexible and this is welcome.

Does this also mean that the EU budget will become more effective? Let's not only focus on numbers. The goal is to no longer 'just' spend the money, but to spend it wisely. I consider it as one of the main achievements of the last years that policy makers and public authorities started to change their focus from absorption to impacts achieved. This also relates to the current financial crisis, with taxpayers needing the EU to be accountable in spending public money.

Some areas are exclusively governed by the national authorities. The pensions system is one example, an area where certain systemic inefficiencies are inevitable. As the EU has fewer such tasks, EU spending is under pressure to be even more efficient.

Going back to the point on effectiveness, it is interesting to see that the focus on results is also visible in the auditing of EU Funds, to assess and review the performance instead of focusing only on compliance matters. This is a valid approach especially in times of austerity, when efficient spending becomes even more important than before.

Of course this will mean new challenges and an ambitious, interesting role for all those managing and verifying EU funds. All members states, authorities, even private firms such as KPMG, need to follow these new trends and be innovative in terms of tools and methodologies that reflect a new type of angle and also blending funds from different sources of financing. But will all actors be able to quickly master this new thinking and align their practices accordingly? Will Europe be ready?

Innovative financing

The same argument can be put forward for the so-called new financing mechanisms, which are arguably not new, strictly-speaking. We might be at a crossroads where we are considering their potential and surely planned regulations changes might help them to be used better and more frequently by all parties. Already, some evidence shows that loans provided to SMEs with favourable conditions are in many cases more effective than grants.

The Commission has chosen the right direction to go towards innovative financing solutions, and it will be important not to lose track of efficiency at the same time. Now that a window of innovative opportunities is available for those that are capable of understanding and using them, there is new potential to have higher impact with lower levels of investment.

But are the actors involved in shared management, as well as beneficiaries ready to take advantage of these new opportunities? Are member states ready to apply all new rules to reach ambitious plans whether we talk about strategic planning, multi-level partnerships, evaluation, application of innovative financing tools; or will the lack of preparedness prevent countries to use these opportunities at the right levels?

So for the coming years the importance of 'coherence' is unquestionable. Let's see whether all the priorities and new prospects will be coherent with the amounts of the MFF, with the requirements laid down for EU countries and even for the final beneficiaries.

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