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# KEY RECOMMENDATIONS ON THE EFFICIENT USE OF EU FUNDS IN CENTRAL & EASTERN EUROPE

# Key Recommendations on the efficient use of EU funds in Central & Eastern Europe



Zajā brīvība



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The opinions put forward in this document are the sole responsibility of the project partners and do not necessarily reflect the views of BMWK.

# Contents

Introduction	5
Governance & Environmental Policy	6
Environmental & Energy Efficiency	9
Planning & Financing	11
Conclusion	14

## Introduction

In the framework of the [EUKI](#) Project “[Towards a Climate-neutral EU: Efficient Allocation of EU Funds](#)”, nine civil society organisations from across Central and Eastern Europe: CEEweb for Biodiversity, Clean Air Action Group (Hungary), Economic Policy Institute (Bulgaria), Centre for Transport and Energy (Czechia), Green Liberty (Latvia), Institute for Sustainable Development Foundation (Poland), Focus Eco Center (Romania), Združenie Slatinka (Slovakia), and Umanotera (Slovenia), together with European Environmental Bureau have created a “[Best Practice Database](#)” (BPD) showcasing selected EU-funded projects and programs. This database comprises 277 cases highlighting concrete examples of successful grants, mistakes to avoid, and areas for improvement of EU funding. We have cited those which we consider to be the most important recommendations for national governments and EU institutions to ensure the effective and efficient use of EU funds for the climate and environment below.

## Governance & Environmental Policy

In countries with high legal and institutional standards, EU funding can be used in a variety of constructive ways to support sustainable development across multiple sectors and avoid the inefficient or misuse of public money. The following section briefly addresses the key recommendations for EU funding, focusing specifically on different aspects of governance and environmental policy.

### Governmental Bodies

- If high legal and institutional standards are not met nationally, independently of EU funding, then public money is often used inefficiently and even misused. Respect to the rule of law and stringent anti-corruption standards should always be a precondition to accessing EU funds.
- In cases where projects are inappropriately accelerated in order to use EU funding before deadlines run out, some discretion could be used by the EU to allow for the extension of project timelines to ensure proper environmental standards and objectives are met.
- Following the principle of subsidiarity, municipalities should be key actors in realising local EU-funded projects. Each municipality should prepare an adaptation strategy for its territory. Local governments are more aware of local natural assets and the needs of their communities. In Šitbořice, Czechia, the local municipality was responsible for implementing a [new waste management system](#) which rewarded households for sorting their waste more effectively with lower fees. However, success can also depend on municipal governments' level of commitment and ability to cooperate, as well as available administrative capacity. Skills and competences should be assessed, and improved if needed, prior to the disbursement of EU funds.

### Public Engagement & Civil Society

- The capacity of civil society organisations (CSOs) should be substantially increased so that they can be meaningfully involved in the planning and implementation of projects. By building networks and involving citizens early in the process, CSOs can help to create a strong voice in the public debate of

the green transition and foster an efficient policy design process. In facilitating sustainability in personnel and expertise, the capacity and credibility of CSOs can be maintained in the long-term. This is particularly critical for smaller CSOs which are not linked to European-wide networks. The work of CSOs in CEE especially is impeded by the lack of consistent and appropriate funding opportunities.

- Increasing the capacity of investigative journalists is important so they can report errors or mismanagement before any irreversible environmental damage or financial costs occur.
- It is important to ensure that affected communities are involved in the process from the very beginning of the project preparation. When done well, as in the case of a [Solar-Powered E-Mobility](#) project in Slovenia, where a local cooperative played a key role in the delivery of free renewable-powered bus services for elderly people in Loški Potok, negative repercussions on lives or livelihoods are mitigated and local communities are more likely to accept a project. By contrast, when stakeholder involvement comes too late, problems arise. In Bulgaria, for example, all versions except for the first draft of the National Recovery and Resilience Plan (NRRP) were only made available to stakeholders after they had been submitted to the European Commission, leaving no room for meaningful public participation in the process of designing the planned projects. Similarly, in Slovakia, wind power projects are being planned in biodiversity hotspots due to the national government's poor engagement with stakeholders. As a result, CSOs have opposed the expansion of these renewable projects because of the negative environmental impacts they will have. Insufficient public participation and stakeholder engagement are common issues in CEE and beyond, and as a result, NRRPs do not take advantage of all climate opportunities available.
- Citizens should be provided with access to necessary project information throughout its development, allowing for (anonymous) reporting of concerns or suspicious activity to independent authorities.
- Information on investments financed with public money should be disclosed and widely disseminated to all stakeholders in advance of project commencement, so that feedback can be given to help guide more effective planning and implementation.

## Legal and Oversight Mechanisms

- EU funding can be best used when there is consistent financial oversight from regulatory bodies to ensure that money is used for its intended purpose. Regular progress reports which include project milestones, combined with random periodic audits, facilitate the effective use of funding. In Hungary, the €700 million EU-funded [Halászka Community Reservoir](#) has never held any water, failing to resolve any of the irrigation issues it was intended for. This went unnoticed because of a lack of financial oversight and project development monitoring.
- Transboundary cooperation in CEE countries can be very efficient and successful pilots and practices could be multiplied in the region where appropriate. [Floodplain protection and restoration](#) in Moravia has been very successful thanks to co-operation between Slovakia and Austria, facilitating sustainable tourism in the region. For cross-municipal or regional projects, the benefits and risks should be shared equally across all participants.
- Environmental authorities should have the necessary capacity to identify fraud and administrative glitches (e.g. data modified retroactively in a document). Authorities should be independent, and make decisions based on legal criteria. Relevant authorities must take the appropriate time to conduct permitting procedures in a professional and impartial manner.



## Environmental & Energy Efficiency

If properly managed, EU-funded projects can play a vital role in the energy transition by improving energy efficiency and increasing access to clean energy and infrastructures. The following recommendations highlight areas where particular focus can be given for future projects.

- The improvement of the energy efficiency of residential buildings should be a top priority, particularly for low-income households and communities. In Czechia, the [New Green Savings Light](#) project is designed to support a variety of low-income households by implementing energy-saving measures in their home. Limitations in the scope of this project, in particular that it focuses on energy efficiency without accompanying renewable energy measures, highlight the importance of these measures being implemented in tandem. Renewable energy projects will play a significant role in reducing energy bills, but this should be introduced alongside energy efficiency measures so less energy is needed in the first instance.
- Investing in deep energy renovation is an ideal long-term solution for large-scale energy savings. Offering temporary transfer of social funds to help energy-poor households is often necessary in the short-term, but is less beneficial in the long-term.
- The introduction of market prices for households, accompanied by appropriate monetary compensation for vulnerable households, should be required prior to investments in renewables or grid upgrades. Household energy prices are below market prices in several countries which is counter-productive economically, socially and environmentally. Namely, the energy subsidies for all households predominantly favour more affluent households, i.e. those who do not need subsidies. By eliminating these subsidies, more money would be available for energy efficiency and for supporting less affluent households.
- Energy service companies' (ESCOs) financing of energy retrofits of public buildings must include balanced measures that make them attractive for private actors without losing focus of climate change objectives. Private partners must prioritise comprehensive retrofitting, not the most profitable option.
- Supporting natural gas as an alternative to coal must end, as should EU funding for new gas boilers.

- By supporting heat recovery and reuse projects, large emissions reductions can be achieved at low costs. There is a great opportunity for the industrial sector to reduce its energy consumption, whilst also ending the dumping of low-grade industrial heat.
- Nature-based solutions should be prioritised over hard engineering solutions whenever possible.

## Planning & Financing

EU funding plays a critical role in the implementation of energy efficiency and renewable expansion projects across Europe. The following recommendations highlight areas where planning and financing considerations can improve the quality of projects enacted with EU funding.

### Project Planning & Implementation

- Do not mix mitigating measures into the Do No Significant Harm (DNSH) analysis just to counterbalance an otherwise significantly harmful project.
- If, however, mitigating measures are included in the scope of the DNSH analysis, they have to be an integral part of the project, with clearly defined outputs, timelines and financing.
- Mitigating measures of DNSH analyses should have a higher approval threshold and monitoring of its implementation should be scrutinised more closely. For example, there are cases of mitigating measures that are unlikely to be implemented fully after project approval, such as in the [Third Development Axis](#) project in Slovenia, where new roads have been built with EU funding, yet it is unclear whether and when all DNSH mitigation measures will be implemented. These issues can be mitigated by thorough oversight of these projects when they are deemed essential, and ensuring that funding for the project is used for both the original project and the mitigation measures.
- To avoid unnecessary and oversized developments, the justification of the necessity of a project should be pre-approved by an independent professional body.

### Financing & Contracting

- Long-term financial sustainability should be a key factor at the planning phase of EU-funded projects. Ensuring financing for operation and maintenance should be a key requirement of EU-funded projects, with a focus on self-sustaining and low-maintenance solutions such as many nature-based solutions. Ensuring the retention of skilled staff is also essential within the financing of projects.

- Contractors of EU-funded projects should not be selected based only on the lowest price, but also on a number of indicators that are in line with EU's long term climate goals.
- Electricity companies should be encouraged where possible to provide funding for the integration of weather-dependent generators. With electricity companies complementing the funding required, less public money will be required to achieve this.
- In general, discretionary funding for private companies should be stopped, as it can harm competition, cause undesirable market distortion, and incite corruption.
- No public money should be used to correct market failures in case these failures could be corrected by applying 'the user pays' and 'the polluter pays' principles. In Sibiu, Romania, an [electronic parking system](#) was implemented with public EU funding instead of increasing parking fees and using market solutions.
- Projects that make a significant contribution to mitigating climate change while simultaneously improving people's quality of life should receive substantial support. For example, an [air quality project](#) in Gorna Oryahovitsa, Bulgaria, engages the local population in meetings and discussions of alternative heating methods, gaining their support for the process before rolling out new heating systems which do not use coal or wood. Not only has this been a successful climate mitigation measure in the reduction of air pollution in the municipality, but the cleaner air improves the health and quality of life of its residents.
- Funded projects should only be closed after the agreed project has been fully completed.
- Financing institutions should retain the right to require an environmental impact assessment (EIA) even if authorities decide not to require one; they should also ensure an adequate assessment of the project's cumulative impacts. EU financing institutions should also prohibit the division of a large project into multiple, smaller ones in order to avoid carrying out an EIA. The effects of this are clear when considering a [waste water canal](#) in Ljubljana which was broken into smaller sections and thus was not required to produce an EIA. As a result, it was unclear what the environmental impact of the project would be or if there were less damaging alternatives. If an EIA had

been done before construction began, unnecessary uncertainty and conflict about potential environmental damage could have been avoided.

## Conclusion

These guidelines have been drawn up based on extensive analysis on the ground of many EU-funded projects in Central and Eastern Europe, drawing insights from their successes and obstacles. The European Commission should continue to negotiate green reforms with member states that are in the interest of the respective member state and help to achieve environmental policy objectives. The disbursement of funds under the European cohesion policy and similar funds could then be tied to achieving the jointly agreed reforms. The valuable information gathered from these experiences should be used for the optimisation of future investments in renewable energy expansion and energy efficiency projects in CEE. Independent oversight of projects, meaningful community engagement, and prioritisation of investments in proven technological projects were key themes across project feedback. These lessons can chart a course toward a future where EU funds play a crucial role in supporting the green transition and fostering prosperity across the region.