



Supplement
to the Synthesis Report
“Climate Change and the EU Budget 2021-2027”

Assessment
of the responses from the questionnaire
and conclusions drawn from them

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Introduction

In the framework of the EUKI project “An MFF for the Climate” the project team developed a **questionnaire** (Annex 1) for civil society organisations (CSOs) to explore their experience and perspectives on needs for EU funding. The questionnaire was sent to over 4,000 experts and representatives of civil society asking their opinion on the implementation of the current MFF (2014-2020) and asking for suggestions for the next one (2021-2027). Altogether, 42 responses (including interviews) have been received from 21 countries and 3 international organisations. The respondents to the Questionnaire “Climate Change and the EU’s Budget 2021-2027” (in the following: the respondents) came from very diverse backgrounds, working in various fields, including not only environment, but, for example, education, women rights, anti-corruption and education. The responses are documented in Annex 2.

Chapter 1 summarizes the respondents’ insights on positive and negative effects of past and present EU funding. Chapter 2 presents their main priorities and recommendations for future funding.

An overall observation of the questionnaire evaluation is the difference in responses from participants from net recipient versus net contributing Member States. It was extremely difficult, and mostly even unsuccessful to get responses from net donor Member States. This indicates a general lack of knowledge and interest in the MFF among CSOs in these countries. Although it was demanding, too, to get responses from net recipient countries, CSOs in these countries are clearly much more interested and knowledgeable about EU funding.

1 Insights from the questionnaire: positive and negative effects of EU funding

The responses to the questionnaire and interviews as well as personal discussions with a number of experts who did not wish to respond to the questionnaire or give an interview (most of them even asked not to mention their name) have offered important lessons on past and present EU funding.

The interviewed CSOs generally acknowledged that in many concrete cases EU funding did contribute to improving the environment and protecting the climate. However, it is generally disputed that EU funding has overall achieved its objectives. The author of this Supplement found that this concern is widely reflected in literature, too.¹

¹ A selection of such literature is presented in the footnotes further on. The Synthesis Report also contains a number of related references.

In several Member States, there is a wide-spread opinion that in general (not only related to the environment and climate) Member States would do better without EU funding. A representative opinion poll² conducted in 8 Member States showed that only a slim majority of those surveyed think that wealthy countries should support poorer countries – although solidarity is one of the EU’s founding principles. 44% of those asked believe that EU member countries should get along financially by their own means, i.e. wealthy member countries should not support poorer ones. It is especially striking that in the Czech Republic, a net recipient of EU money, 61% of those surveyed replied that rich EU countries should not finance poorer ones, and even in Slovakia, one of the less developed EU Member States, 35% think so.³

In Slovakia, an ad hoc delegation of the European Parliament was confronted with the following affirmations made by the representatives of the civil society: “EU funds have always been seen as a gift and as a package of money which goes to oligarchs”, and “some groups are organized to live on EU funds, they know how to get the money before even the calls for tender are being made...” In Hungary, quite a number of pro-European experts and politicians have expressed the opinion that the present system of EU funding causes more harm than good to the country.⁴

Naturally, such a situation is very unfavourable both for the EU in general, and for climate protection, in particular. It is one aim of this report to find the main reasons of the undesirable effects of EU funding and propose solutions to these problems.

The concrete **problems** mentioned in the responses to the questionnaire, in interviews and personal discussions can be grouped in 10 categories, and they are described in more detail in chapters 1.1 to 1.10. The findings represent the respondents’ opinions. Some quotations from the responses are presented in a box at the end of each chapter.

1.1 Contradicting policies

- a) Often, national policies have contradicted EU targets and the purpose of EU funding. For example, while EU funding has been used for environment-friendly transport (e.g. tram renewal, bicycle infrastructure), there have been enormous tax subsidies for company car use.⁵ Another example: while EU money has been provided for improving public administration, changes in the legislation and the institutional system in several cases (in some countries, in many cases) have contributed to increasing the level of fraud and corruption.

² Friedrich-Ebert-Stiftung (2017): “The European Union Facing Massive Challenges – What are Citizen’s Expectations and Concerns?”. library.fes.de/pdf-files/id/ipa/12346.pdf

³ Also see: European Parliament (2018): “Report on the ad hoc delegation to Slovakia”, pp. 22-24. http://www.europarl.europa.eu/cmsdata/140001/Ad%20hoc%20delegation%20to%20Slovakia_report_20180313.pdf

⁴ **Annex 3** to this Supplement to the Synthesis Report “Climate Change and the EU Budget 2021-2027” contains a list of related quotations. The author of this Supplement has talked personally with most of the persons cited in Annex 3, and has received valuable information from them, including references to related literature.

⁵ See, for example: Tax benefits from company cars. OECD, <https://www.oecd.org/tax/company-car-taxes.htm>

- b) Quite often some investments in a certain field have been financed with EU money in accordance with the EU's objectives, but at the same time the national government has taken measures which resulted in a much greater step backwards from attaining the EU objectives than the progress thanks to the investments financed by the EU. For example, there have been some EU investments into higher education in Hungary, but at the same time the Hungarian government reduced spending for higher education by more than 30% – in spite of the fact that high quality education is indispensable, among others, for understanding and tackling climate and environmental problems.
- c) For each seven-year programming period each Member State has to produce a Partnership Agreement (PA) in cooperation with the European Commission. This is a reference document for programming interventions from the Structural and Investment Funds and links them to the aims of the Strategy of the Europe Union. It defines the strategy and investment priorities chosen by the relevant Member State and presents a list of national and regional operational programmes (OPs) which it is seeking to implement, as well as an indicative annual financial allocation for each OP. Furthermore, each year, the national governments submit their National Reform Program (NRP) to the European Commission. Similarly, each year the European Council adopts Country-Specific Recommendations (CSRs) for the Member States. (The NRP is a document that presents the policies of the member country, which aim to achieve the targets set forth in the EU's Europe 2020 Strategy. The CSRs are the yearly assessments prepared by the Commission and adopted by the Council on the progress of each Member State towards achieving these targets, and they include recommendations for improving the country's performance.) The NRPs and CSRs, too, are approved by the governments of the member countries as well, thus they are binding commitments for these governments. In spite of this, the national governments have quite often failed to fulfil their commitments they had agreed to in the PA, NRP and CSRs, and in a number of cases they have been doing just the opposite of what they committed themselves to in these documents. The author of this Supplement has participated in many meetings where this problem was raised. The problem was underlined also by the assessment⁶ by the Economic Governance Support Unit of the European Parliament which came to the conclusion that in 2014 Bulgaria and Hungary made no meaningful progress in implementing any of the Country-specific Recommendations, and several other countries did not do much better either. Its new assessment⁷, in 2017, overall did not show an improvement, in spite of the fact that the number of recommendations had been significantly reduced.
- d) The fact that national policies in practice often conflict with the policies declared in the PA, NRP and CSRs is partly also due to corruption on governmental level. When enormous sums can be pocketed by certain business groups and politicians from, for example, environmentally harmful activities like gas imports or the construction of a

⁶ European Parliament (2015): "Implementation of the 2014 Country Specific Recommendations". [www.europarl.europa.eu/RegData/etudes/ATAG/2015/542649/IPOL_ATA\(2015\)542649_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/ATAG/2015/542649/IPOL_ATA(2015)542649_EN.pdf)

⁷ European Parliament (2015): "Implementation of the 2017 Country Specific Recommendations". [www.europarl.europa.eu/RegData/etudes/ATAG/2018/614500/IPOL_ATA\(2018\)614500_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/ATAG/2018/614500/IPOL_ATA(2018)614500_EN.pdf)

nuclear power station, then the voice of civil society organisations naturally fall on deaf ears at government level.⁸

- e) The situation described above has already raised serious concerns in several net donor countries of EU funding. For example, the author of this Supplement attended the Conference “Shaping Our Future: Designing the Next Multiannual Financial Framework” (Brussels, 8 January 2018) where Nathalie Loiseau, Minister for European Affairs of France stated the following⁹: « ...*les fonds de la politique de cohésion doivent être conditionnés à des soucis de convergence fiscale, de convergence sociale et aussi de respect de l'état de droit. Il paraît très incongru que les mêmes pays reçoivent des crédits européens vers certains objectifs et poursuivent dans le même temps des politiques nationales contraires à ces mêmes objectifs.*» [own translation: “...the cohesion funds policy should have conditionalities for fiscal convergence, social convergence, and also for the rule of law. It seems very inconsistent that countries receiving funding for certain objectives implement national policies that contradict these objectives.”¹⁰] We would add that such conditionalities should exist also for environment and climate issues. Several diplomats from Western Member States, with whom the author of this Supplement talked, said that it is getting more and more difficult to explain to the citizens and decision-makers in their country why their tax money is being used to support other member states where this money is used very inefficiently and even misused.
- f) Another, widespread contradiction has occurred between legislation and its enforcement. In the overwhelming majority of cases, EU legislation was completely and precisely transposed into national law. However, at the same time, institutional capacity to enforce the laws has been often lacking. The problem is exacerbated by the excessive dependence of national and local authorities on political powers (e.g. the heads of the authorities are, in many cases, appointed by the government which expects from them the “right” decisions). Some of the respondents highlighted that all this is very

⁸ See, for example:

European Commission: “However, the true social cost of corruption cannot be measured merely by the amount of bribes paid or public funds diverted. In addition to allowing economic inefficiencies to flourish, **corruption adversely affects government objectives ranging from improving income distribution, to better environmental protection.** Most importantly, corruption undermines trust in governments, public institutions and democracy in general.” https://ec.europa.eu/home-affairs/what-we-do/policies/organized-crime-and-human-trafficking/corruption_en (Our emphasis.)

CEE Bankwatch Network (2016): “Revealed: the EU’s flagship energy project is built by companies with a legacy of corruption”. https://bankwatch.org/press_release/revealed-the-eus-flagship-energy-project-is-built-by-companies-with-a-legacy-of-corruption

Hungarian Spectrum (2015): “The Great Fidesz Gas Theft”. <https://hungarianspectrum.org/2015/06/22/the-great-fidesz-gas-theft/>

Corruption Research Center Budapest (2014): Corruption Risks of the Nuclear Power Plant Investments: What Can We Expect in the Case of Paks II? <http://www.crcb.eu/?p=738>

European Commission, Directorate General for Internal Policies (2017): Fossil Fuel Subsidies (see point 7.4). [https://www.europarl.europa.eu/RegData/etudes/IDAN/2017/595372/IPOL_IDA\(2017\)595372_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/IDAN/2017/595372/IPOL_IDA(2017)595372_EN.pdf)

Corporate Europe Observatory (2019): “New Commission: Shadows of corruption and conflicts of interest”. <https://corporateeurope.org/en/2019/09/new-commission-shadows-corruption-and-conflicts-interest>

⁹ European Commission (2018): “Conference “Shaping Our Future: Designing the Next Multiannual Financial Framework (MFF)”, video: min. 31:00. ec.europa.eu/avservices/video/player.cfm?sitelang=en&ref=1149110

¹⁰ Translation by the author of this Supplement.

characteristic for the authorities and other institutions dealing with environment and climate change.

“EU funding also makes it possible for the Hungarian government to use national money for inefficient, unnecessary or even environmentally (socially, economically) harmful investments. ... The main problem is, however, not technical or economic, but political. Without a general transport policy focused on climate protection, the transport development projects will not reduce the threats of climate change.” – Respondent from Hungary

“I fear that without a price on emissions, we are not at the races. I fear that there is no effort to get this across.” – Respondent from Ireland

“A lot of EU money (funds and EIB loans) was spent on smart grid investments intended to enable RES integration, while the development of RES was deliberately stymied with regulatory measures. ... Our experience shows a lot of cases where the EU spends money on projects aimed at biodiversity conservation or climate protection, while at the same time spending even more money on projects that adversely affect biodiversity and lock-in fossil fuels (such as gas pipelines).” – Respondent from Poland

“There is the question of continuing the subsidies, especially the legality of the indirect subsidies for coal mining via the mandatory purchase of the brown coal by the electricity company resulting right now in 115 million Euros a year of additional funding that we pay though our electricity bill for the burning of lignite, not even brown coal in Slovakia.” – Respondent from Slovakia

“The culture in Spain in general works in that way: there is a problem, we adopt a law – and the problem is considered solved.” – Respondent from Spain

1.2 Inefficient use of EU money

- a) Even if an investment could be justified, and even if there was no corruption behind it, it has been often implemented in a very wasteful manner because it was financed with “free money.”
- b) The use of EU money has often been restricted to infrastructure developments which in itself has steered a great amount of resources to areas which have a high opportunity cost, i.e. these resources could not be used for purposes which would have been much more useful for society. An example of such purposes (according to some respondents and also according to the author of this Supplement) is the raising of the salary of teachers or health workers or increasing social allowances to low-income families – although funding for the development of human resources is the most efficient way to improve the quality of life which is declared as the primary aim of the EU policies. Another example mentioned by a respondent was that EU funding could help eliminate environmentally harmful subsidies (including tax subsidies). Namely, this measure would mean that prices for the products and services concerned (e.g. car use) would increase, so such a measure could be implemented successfully only if there would be proper compensation for citizens, but this could not be financed by EU money even if there would be political will for it.¹¹

¹¹ Such subsidy and tax reforms have been generally successful in countries which, while raising taxes on energy, at the same time provided monetary compensation for citizens. See for example the case of Ghana, Indonesia, and especially Iran. See, for example:

- c) EU money spent on dubious or inefficient purposes coupled with the necessary own financial contribution by net recipient countries has drained away resources from education, health care, and social issues, and all this has greatly contributed to the fact that each year tens of thousands of persons left these countries to live in the net donor countries. Most of these people are young, well-educated, and independently thinking, i.e. those who would could best contribute to country's development and who would be most willing and capable to take steps against corruption and other malfeasances. This emigration is also an enormous economic loss to the countries from which these people emigrate.
- d) The national governments have strived to spend every last cent of EU money, rendering the efficiency of spending much less important. Coupled with corruption and other factors (market distortion, low efficiency, etc.), this has led – among others – to investments that were not really necessary or did not represent the most efficient way to spend public money in a given period of time. In speaking with experts, some of them said that latter is one of the biggest concerns regarding EU budgetary spending, i.e. that national governments and local authorities under time pressure often don't respect the basic principle that EU money must be used with the highest efficiency.
- e) For the governments, it has been much simpler to spend EU money on a few big projects than a lot of small ones. Therefore, the governments have tended to implement big projects even if implementing many small projects would be more efficient economically and/or environmentally. For example, they rather provided funding for the construction of motorways and big new hotels than for making residential houses more energy efficient. This has also meant that big investments have attracted the highly qualified labour force. The author of this Supplement attended, in September 2019, a meeting on climate change convened by a Member of the Hungarian Parliament where several politicians and experts agreed that due to such big investments it became extremely difficult for households to find specialists for improving the energy efficiency of their home – and even if they found one, it came at an extremely high cost, and this has a very detrimental effect on climate mitigation and adaption as well as on the life of the people.
- f) “Free” EU money has been often happily accepted for investments, but the need to finance operation and maintenance after the project has ended has not been always taken into consideration, later often causing enormous problems for the owners.¹²

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- International Monetary Fund (2013): “Case Studies on Energy Subsidy Reform: Lessons and Implications”. <https://www.imf.org/external/np/pp/eng/2013/012813a.pdf>
 - International Monetary Fund (2011): “IMF Working Paper WP/11/167. Iran – The Chronicles of the Subsidy Reform”. <http://www.imf.org/external/pubs/ft/wp/2011/wp11167.pdf>
 - K. Chelminski (2018): “Fossil Fuel Subsidy Reform in Indonesia”. <https://www.cambridge.org/core/books/politics-of-fossil-fuel-subsidies-and-their-reform/fossil-fuel-subsidy-reform-in-indonesia/69E6706F3ABFB80052B20E3772404138/core-reader>

¹² Napi.hu (2012): “Bekeményít a számvevőszék”. (The news portal reports about a statement of the President of the Hungarian State Audit Office, László Domonkos who, speaking about the results of their examination of the use of EU funds by local municipalities, said the following: “When they implement an investment, they do not consider how much it will cost to maintain and operate it during the next 10 to 20 years. Regarding the whole period, it might be that the EU funds cause more harm than good.”) www.napi.hu/magyar_gazdasag/bekemenyit_a_szamvevoszek.540898.html

“European funds represent a major source of investment funding in the Czech Republic, which is a great thing. I don’t think they are always used effectively. Another problem has been that the EU funds have been pushing out national sources of funding, so now there is a discussion about how the Czech state budget is going to be able to sustain all these investments when the EU funds will be gone or directed to other areas.” – Respondent from the Czech Republic

“Spending in haste (better to spend than lose money; efficiency & capacities not sufficiently considered).” – Respondent from Croatia

“There are a number of cases when the investment was implemented, but after that nobody used it. ... For example, some fish processing factories were built at Lake Peipsi and those are empty. On paper it looked good but in reality, they never started to work. We built roads which few are using; on some big roads built with EU money we have 10 cars per day.” – Respondent from Estonia

“The main aim of the government is to use as much money as fast as possible – we call this the pressure of absorption. Planning is secondary – even at the planning phase the projects are not prepared properly – they might not be justified or overplanned as we have to spend as much money as possible. Proper controlling is not present because it would go against the notion that money needs to be spent as soon as possible.” – Respondent 1 from Hungary

“It is also telling that in the MFF period 2007-2013, 25% of the EU funds were allocated to direct economic development, i.e. direct subsidies to enterprises. However, even research commissioned by the government came to the conclusion that all this spending did not contribute to increasing the competitiveness of Hungary; the companies that received EU funding did not perform better than those companies that received no EU funding.” – Respondent 2 from Hungary

“There are some educational institutions in the regions whose buildings were insulated, however, were later closed due to lack of students. ... Basically, it often occurs, that you build the infrastructure just because the money available, not because you need it.” – Respondent from Latvia

1.3 Damages to the environment and the climate

- a) Investments have often been made without taking into account the environmental damages caused by the investment. For example, river regulation harmed ecosystems, road construction destroyed valuable natural areas.
- b) A large part of EU funding has been used for road construction and – to a lesser extent – airport development. Such funding clearly contradicts the principles of market economy and “the polluter pays” principle, enshrined in the Treaty on European Union¹³ (Article 3) and the Treaty on the Functioning of the European Union¹⁴ (Article 191), respectively. This is all the more apparent, considering the enormous external costs of road transport and aviation. The user/polluter should fully pay for such investments, and not the taxpayer.
- c) It has been quite common that there was no proper environmental assessment either before the approval of projects, or after they ended. In many cases, proper environmental

¹³ Official Journal of the European Union (2016): “Consolidated Version of the Treaty of the European Union”. eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:12016M/TXT&from=EN

¹⁴ Official Journal of the European Union (2012): “Consolidated Version of the Treaty on the Functioning of the European Union”. eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:12012E/TXT&from=EN

assessments had been carried out, but their results have not been taken into account during the final decision on the project.

- d) Often funding has been allocated to problematic landfill systems instead of circular economy infrastructure.
- e) Among the subsidies counting towards the climate target are subsidies known to be ineffective in reducing GHG emission and contributing to keeping the status quo concerning the intensive farming system.
- f) The Common Agricultural Policy (CAP) has pushed farmers to specialise in a reduced number of crops which heavily depend on chemical inputs in order to provide enough feed for animal production. This system has left the sector even more vulnerable to changes, and is a major cause of biodiversity loss, water and air pollution, unhealthy diet.
- g) Compensation for farmers for certain losses caused by climatic events and swine fever has encouraged farmers not to manage business risks.
- h) EU funding has promoted an export-oriented agricultural model which relies on the overuse and depletion of our natural resources. The EU is also a major importer of raw materials to feed at low cost its intensive agricultural systems. Hence the Common Agricultural Policy has a negative impact on natural resources beyond European territories.
- i) The indicators measuring the environmental efficiency of the projects and investments funded by EU money have been often inadequate.
- j) The CEE Bankwatch Report “Climate’s enfants terribles: how new Member States’ misguided use of EU funds is holding back Europe’s clean energy transition”¹⁵ lists many concrete examples of environmentally harmful spending of EU money.

“In the area of air quality, colleagues say that money is simply wasted as the municipality programmes for clean air are made by the companies that trade with filters. Most of these programmes are breaching Art. 23 of AAQD (Directive 2008/50/EC of the European Parliament and of the Council of 21 May 2008 on ambient air quality and cleaner air for Europe.” – Respondent from Bulgaria

“Several wastewater treatment facilities were built but their capacity significantly exceeds the needs of the local community. They are expensive and people are refusing to get connected so the results are not as good as they could have been.” – Respondent from Croatia

“So far, the EU budget has been supporting large scale industrial farming which is disadvantageous for the climate.” – Respondent from Denmark

“...the supported projects are not always in line with EU climate and biodiversity targets.” – Respondent from Finland

“There is practically no control what this money [EU funding for agriculture] is spent on. Part of it is spent e.g. to buy a new tractor or other agricultural equipment, but a substantial part is used for private purposes, e.g. buying a new house or a new car.” – Respondent 1 from Hungary

¹⁵ Bankwatch & Friends of the Earth Europe (2015): “Climate’s enfants terribles”.
<https://bankwatch.org/sites/default/files/enfants-terribles.pdf>

“Road construction needs a lot of gravel. More and more gravel pits are operating in Hungary, especially in the region south-east of Budapest in spite of strong protests by local residents ... The gravel pits in this region have already eliminated large areas of high quality cropland and nature areas, significantly contributed to the reduction of the ground water level in the region, and the transport of gravel by heavy trucks through the towns and villages made life almost unbearable for many people, and has caused considerable damage to roads and buildings. In short, EU money provided for road construction has greatly contributed to the unfolding ecological disaster in the region.” – Respondent 2 from Hungary

“...agricultural direct payments and investment support under the Rural Development Programme still have only very little link to the objectives of public goods and they do not create real incentives for large farmers to implement climate-friendly measures. Huge public funds have been spent for agriculture, but it did not fulfil the SDGs and is not even coming closer to them.” – Respondent from Lithuania

“The biggest advantage has been the substantial funding for clean transport (urban and rail). However, in many other cases (e.g. some road investments), EU-funded projects had a negative impact on biodiversity due to lax environmental controls and obstacles to effective public participation.” – Respondent from Poland

“In Romania in the use of the EU funds can hardly be identified in projects whose aims are the protection of the climate and the environment. Even the funds specifically designated for the protection of the environment, for example the funds used for the water management are used for water regulation works which are destroying the river ecosystems (see the regulation of the Niraj river).” – Respondent from Romania

“How can the EU declare that we have will have zero carbon emission as soon as possible and at the same time use massive public funding to support the building of gas pipelines? ... the EU has been financing things against these aims, against its own interest and its own pledges on climate. ... The EU has been co-financing the construction of highways which also creating big environmental problems; this basically helps transportation based on fossil fuels. ... I know it from my experience in the past from my work on development that the EU has been dumping subsidised agriculture products to other countries, which caused massive problems in developing countries, especially in Western Africa.” – Respondent 1 from Slovakia

“EU funds till 2020 allow Slovakia to prioritize car-transportation at international, national as well as at municipal level.” – Respondent 2 from Slovakia

“In agriculture, Slovenia always finds a way how to spoil the good intentions of European Union and make a lot of damage for environment with European agricultural money.” – Respondent 1 from Slovenia

“Funds may be earmarked for climate related measures, but the actual impact is questionable. For instance, some 86 million EUR have been dedicated to support transition of businesses to a low carbon economy, but revision has shown merely half of the tenders contained environmental criteria and in no case have these been decisive in obtaining funds/winning the tender. Funds may seem to be dedicated for a certain goal, but the implementation shows otherwise or brings very limited effect.” – Respondent 2 from Slovenia

“...you have to fulfil certain requirements on environmental issues, and you have to include an environmental clause in the contract, however, there is no evaluation on whether these environmental clauses were fulfilled or not.” – Respondent from Spain

1.4 Distorted market, waste of resources

- a) EU funds are often distributed to companies in a way that seriously distorts the market in an undesirable way. Many companies make an enormous effort to receive as much EU money as possible in order to gain a competitive advantage, instead of improving their products or services. All this has had a very negative effect on business; among others, it makes businesses unpredictable, if competitors might receive public money.
- b) When only public money is at stake, businesses often do not evaluate properly risks.
- c) The private sector has been closely following the agenda of the operational programmes and not the market needs. This put them on life-support provided by EU funds which means that they are not competitive on the market.
- d) Lobbying interests have pushed for specific selection criteria on project calls, making it easier only for them to get funding.
- e) Selection criteria in public procurements have been often based on the cheapest price for a project or the longest time experience of a company, and not the best quality of implementation.
- f) Selection criteria for public procurements have often been based on the experience of the company which in most cases was gained from previous procurements thus not giving a chance to newer actors.
- g) The fact that EU money is to be spent on “development” (i.e. mostly investments for creating new physical assets like roads, buildings, machines) makes it relatively easy for certain groups to misuse EU money.
- h) This situation described above has led to an enormous waste of resources which could have been otherwise used for funding climate and environment protection.

“One of the big disadvantages is actually the fact that the economy is in general dependent on EU funding, and you can see that in several sectors, whose performance is closely bound to the available funding from the EU. ... you can see that companies in Bulgaria, including small and medium size enterprises, are entirely focused on the available EU funding, and sometimes they work on projects only because of the fact that they are funded by the EU, not because there is a real market need for them. You can see that sometimes companies relate their activities according to the available funding and not according to the real needs of the economy, or of the country in general.”
– Respondent from Bulgaria

“The way we use EU funds is distorting competition, especially when we talk about public procurements. On average 50% of the Hungarian public procurements are financed by the EU. This leads to a structural change for the worse. The companies which benefit from the system take for granted these public grants, and they are not forced by competition to make innovations, lower their prices, etc., and as a result, new companies cannot enter the market. Thus, this is a long-term harm and danger to the Hungarian economy. Furthermore, smaller companies are very much relying on the support of these EU funds; most of them would not survive in normal market conditions; this also will have serious negative consequences in the long-term.” – Respondent 1 from Hungary

“The money for enterprises went to a small inner circle of the government and party people, who have absolutely no idea how to run a competitive firm. A large part of the money has been misused, and has disappeared, enriching private wealth.” – Respondent 2 from Hungary

“In Spain, even if the money is spent for proper purposes, there is often an increase in the price of the investment by 20-30%, which finally will be in the taxes that citizens pay.” – Respondent from Spain

1.5 Widespread corruption and fraud

- a) Corruption related to EU funding has been widespread.
- b) In several countries the present system of EU funding has even become a strong driving force for state capture, i.e. the present system of distributing EU funds is in itself a major source of corruption. (For example, one study relating to the Czech Republic and Hungary states the following: “Propensity score matching estimations suggest that EU funds increase corruption risk by up to 34%.”¹⁶) Free money has irresistibly attracted all those looking to get rich (or much richer) within a short time by illegal or semi-legal means. These circles have done everything they could to capture the national and local governments, and, as practice proves, they often succeeded. Thus, environmental and social concerns became irrelevant.

“Corruption amounts to up to 50% of project money.” – Respondent from Bulgaria

“It is also unacceptable that if the money is misused, and the government has to repay it, then later it can be used by the same government for some other purpose.” – Respondent 1 from Hungary

“In many cases, a certain percentage of the EU support has to be offered in advance for actors in the background. In other cases, and this is typical with large projects, the specification is compiled in such a way that only one applicant can comply with that. Public procurement processes are manipulated, and the involved players have no courage to protest against it, as practically everybody is dependent on ‘the system’.” – Respondent 2 from Hungary

“...the whole EU framework allows corruption risks to be built into the system. The whole assumption is that the member state/national mechanism has good controlling mechanisms on the use of EU funds. It is all made under the assumption that the governments want to use the money in a prudent way. The EU does not (cannot really) deal with the problem that the controlling mechanisms don't work.” – Respondent 3 from Hungary

“I was taken aback by the fact that the EU follows a non-refundable grant model, even in contexts where market forces should prevail, as this creates a hotbed of corruption, regardless of the underlying intentions.” – Respondent 4 from Hungary

“There is no transparency of how the EU budget is spent in Spain, there is no clarity in how to allocate the budget following the competition policy of the EU, etc. ... The government uses EU funds for funding those, who are near them. In the past it was the same with all other governments, it is as simple as that.” – Respondent from Spain

¹⁶ This problem has been raised by several respondents and it is also described in detail in studies by Transparency International and other institutions See, for example:

M. Fazekas & L. P. King (2018): “Perils of development funding? The tale of EU Funds and grand corruption in Central and Eastern Europe”. <https://onlinelibrary.wiley.com/doi/abs/10.1111/rego.12184>

M. Fazekas et al. (2013): “Are EU funds a corruption risk? The impact of EU funds on grand corruption in Central and Eastern Europe”. http://www.crcb.eu/wp-content/uploads/2013/12/Fazekas-et-al_EU-funds-and-grand-corruption-in-CEE_v2_2013.pdf

Transparency International (2019): “Corruption risk of EU funds in Hungary”.

<https://transparency.hu/en/kozszektor/kozbeszerzes/eu-s-forrasok-vedelme/unios-forrasok-korrupcios-kockazata/>

European Parliament (2016): “The Cost of Non-Europe in the area of Organised Crime and Corruption, Annex II – Corruption”.

http://www.europarl.europa.eu/RegData/etudes/STUD/2016/579319/EPRS_STU%282016%29579319_EN.pdf

See also Annex 4 to this Supplement.

The author of this Supplement did talk personally with the authors of some of the above studies.

1.6 Deficiencies in monitoring and control

There is a widespread discontent with the present system of monitoring and control of EU funding. The following main reasons have been identified for this:

- a) The control of EU funding depends mainly on the general state of the legislative and institutional system of the given country. No matter how good the monitoring and control on EU level might be, they can never substitute a proper national legislative and institutional system.
- b) The national authorities are generally not independent (as already mentioned above). In some countries the authorities allocating the funds and controlling the use of funds belong to the same ministry, i.e. they practically control themselves.
- c) As practice proves, the Commission also has no capacity to control the projects funded by EU funds.
- d) When civil society organisations have raised the problems of corruption and fraud to the European Commission, the Commission's reply was that it is the task of the national authorities and OLAF (European Anti-Fraud Office, an organ of the Commission) to investigate and disclose corruption and misuse related to EU funds. (The author of this Supplement participated in several meetings where this issue was raised.) However, OLAF encounters insurmountable obstacles when it tries to perform these tasks due to the following reasons:
 - OLAF has a capacity to control about 0.1% of the projects. Such a small number of investigations is clearly insufficient to disclose the widespread corruption and misuse of EU funds.
 - OLAF does not have the right to bring a case to court. It has to submit its findings to the national prosecutor's office, which, in quite a number of cases, has no consequences. In some countries, in most cases, even no further investigation takes place.
 - If there is a concrete case where OLAF finds an irregular use of EU money, OLAF has the right to recommend to the Commission that the Commission make the national government repay the sum concerned. However, even if this takes place, it will not affect the further behaviour of the national government concerned, because the sums concerned are very small compared to the total amount of EU funding. The national government (i.e. the taxpayers of the given country) will simply repay to the Commission the sum concerned. Moreover, in most cases, the national governments have the right to use the repaid sum again for other projects. As far as the culprits are concerned, on many occasions none of them are charged with a crime or misdemeanour, so they will live happily ever after with the stolen EU money.
 - OLAF has the right to investigate concrete cases of fraud, but it is not entitled to investigate whether a country's legislative and institutional system has been transformed in a way which makes it easier to use EU funds in a non-eligible manner.
 - OLAF has the right to investigate whether the project was implemented according to the EU rules, but it does not investigate whether the project is an efficient way of spending EU money or whether it was necessary to implement it at all. It also does

not investigate whether a completed project will be even financially sustainable in the coming years (not speaking even about environmental sustainability).

- e) It causes serious concern among many experts and CSOs that the European Commission under President Juncker has not taken the necessary measures even if it is evident that EU money is systematically and widely misused in a country.¹⁷ It has been noted that under President Barroso the Commission has used its powers to suspend EU funding to member countries in cases where it experienced systematic misuse of EU money.¹⁸
- f) The lack of proper public participation has been one of the main causes of misuse and corrupt use as well as inefficient use of EU money. (See the next point.)

“Apart from the objective factors, the EC is so far part of the problem as well. Hundreds of millions of EUR has been provided for training, technical assistance and so for, but never ever has the Commission made an adequate assessment of the results.” – Respondent from Bulgaria

“Monitoring committees are working mainly in “meta” level, taking note to statistical figures, not commenting individual projects. In addition, nobody has any clue about energy saved or emissions reduced in quantity in these projects; usually the evaluations are only qualitative ones (is this project low carbon or not?).” – Respondent from Finland

“I think that conditionalities attached to EU funding has often not been checked very carefully by the EU whether they have reached the target and whether the purpose, which was foreseen was realized. For example, a lot of funds were given for transforming agriculture in the country. Apparently, after decades people in the rural areas have been receiving funds, and they should have changed their agricultural model, effective reform has not been achieved yet, and despite the large amounts of funds that were consumed. This is probably also due to the not proper follow up by the EU of the destination of the funds.” – Respondent from Greece

“The representatives of the European Commission in the monitoring committees are often too passive, in many cases they do not criticize even evidently wrong decisions. I don't know how this behaviour of the Commission representatives can be changed.” – Respondent from Slovakia

“The European Commission has no power or resources to enforce the proper use of EU funds. – Respondent from Spain

¹⁷ There have been quite a number of articles about this problem, for example:

EURACTIV (2018): “The Brief – Juncker’s mysterious ways”. www.euractiv.com/section/politics/news/the-brief-junckers-mysterious-ways/

Hungarian Spectrum: The European Commission’s Shameful role in the victory of Fidesz. hungarianspectrum.org/2018/04/16/the-european-commissions-shameful-role-in-the-victory-of-fidesz/

¹⁸ See, for example:

BBC (2008): “EU suspends funding for Bulgaria”. news.bbc.co.uk/2/hi/europe/7520736.stm

Radio Praha (2012): “Fonds Européens: L’union européenne punit la corruption tchèque”. www.radio.cz/fr/rubrique/faits/fonds-europeens-lunion-europeenne-punit-la-corruption-tcheque

Budapest Business Journal (2013): “Suspended EU funds: Hungary could lose €2 billion”. bbj.hu/economy/suspended-eu-funds-hungary-could-lose-eur2-billion_67678

1.7 Lack of sufficient public participation

- a) In many Member States the provisions of the European Code of Conduct on Partnership (ECCP) have been implemented only partially or even mostly not implemented.
- b) There has been a lack of necessary conditions for the participation of civil society in the planning, implementation and operation of investments funded with EU money. In many cases, proper information has not been provided by the authorities.
- c) CSOs have often been lacking the capacity to study and analyse huge amounts of documents, and to make appropriate proposals as no financing for them has been provided for this purpose. (This is in clear contradiction with the ECCP which states: *“Effective partnership should be facilitated by helping the relevant partners to strengthen their institutional capacity in view of the preparation and implementation of programmes.”*)
- d) The monitoring committees consist mostly of government representatives, and the comments of CSO representatives have generally not been taken into account. This has often resulted in the fact that the decisions of the monitoring committees were based on politically motivated instructions from high level, and not the best options were chosen.
- e) CSOs could have in principle influenced the decisions by raising public awareness, but their meagre means did not allow them to widely publicize their views e.g. in the media or social media. In several countries, a large part of the media has not been sensitive to climate issues, and there has been a huge lack of professional environmental journalists.
- f) Although information in many cases could be in principle easily accessed by the citizens as they have been available on different governmental websites, this information did not reach most of the citizens. (Citizens have not been watching regularly these websites.) Even if the information did reach some citizens, they had no capacity to proceed further. Many people, especially from rural areas did not even know how to use the information available on the planning and the implementation of projects.
- g) In some states, public participation in the drafting of Partnership Agreements, programming of Operational Programs, and preparation of calls for proposals have been difficult (partly due to the lack of capacities) or even non-existent.
- h) Often there are have been opportunities for the local communities to give an opinion on projects which directly affected them. But in many cases these opinions have not been taken into account.
- i) It was often unclear what happened with the submitted public opinions on project proposals. In a lot of cases, they might have been considered but they were not implemented.
- j) In some member states when there was a bigger project, the application conditions were so specific that only one applicant could comply with them.
- k) In some member states, real representatives of CSOs have been purposely excluded from monitoring committees, evidently because they posed a danger to corrupt practices.
- l) The fact that many actors depend on EU money distributed by the national governments is an enormous threat to democracy because, for example, practically no business group would be willing to criticize the government for fear of not receiving public money. In a

number of cases, even experts independent from the government and CSOs fear to criticize the national government due to this reason. (This has been also regularly experienced by the author of this Supplement when he strived to collect responses to the questionnaire and make the interviews.) This situation is also a threat to the environment, because it leads more and more to the elimination of public participation and the access to information, and also because quite often unnecessary and environmentally harmful projects are implemented.

“NGOs have limited possibilities for direct influence. We are invited to hearings, workshops and alike in the ministries, but in reality, the decisions are made by politicians most often without taking into account the opinion of NGOs.” – Respondent from Denmark

“In Estonia, NGOs are invited to seminars where we are told how the money will be spent without any real chance to influence the process. In order to make smart proposals, NGOs should have developed links, networks and experts. In Eastern European countries civil society is generally weak and underdeveloped.” – Respondent from Estonia

“Public participation in the drafting of the Partnership Agreement, programming of OPs and preparation of calls for proposals is problematic and illusory in many cases. In particular, the current setup of monitoring committees places a disproportionate burden on the few organisations that are MC members (they have insufficient institutional capacities to deal with all the subject matter and can be marginalised within the MCs by the public administration side). The current system also offers no genuine opportunities to participate to local communities to be affected by projects, local CSOs that are not regularly involved in the monitoring process but might have a legitimate interest in specific local projects, etc.” – Respondent from Poland

“It is not so easy to participate, as there is not much information available. We don't know very well how the money is spent, even if it is said that it was spent on environmental issues. I have a strong suspicion that they use the money intended for the environment on other issues.” – Respondent from Portugal

“In the past there were several opportunities for the participation of civil society in the EU funds programming and implementation process, but actually the opportunities were reduced significantly, and generally the civil sector is weaker than it should be.” – Respondent from Romania

“High-level government officials make all decisions in the agriculture in the end... They take into account only the arguments of the strongest players, who are not nature conservationists, not NGOs, and not small farmers. They are big farmers and big agriculture companies, and everything is shaped according to their short-term financial interests.” – Respondent from Slovenia

“...the design of policy and allocation of funds on the local and regional levels are not suitable for the participation of the civil society.” – Respondent from Spain

1.8 Lack of proper indicators

The indicators by which the efficiency of a project, a program, or even the attainment of a national target is measured have been often insufficient, and, in a number of cases, even misleading. Here we give only three examples (several persons with whom the author had personal discussions mentioned such examples).

- a) The European Commission's Guidance Document on Monitoring and Evaluation for the European Cohesion Fund and European Regional Development Fund for the Programming Period 2014-2020¹⁹ recommends as the main indicator of progress "the number of enterprises receiving support" from EU funds. In contradiction to what this indicator is intended to show, the greater the number of enterprises receiving support, the more the market is distorted, the more unpredictable is the business environment and the more the economy is characterised by chaos.
- b) A main indicator of the success of the Europe 2020 Strategy²⁰ is the following: "3% of the EU's GDP to be invested in research and development (R&D)". Firstly, this indicator does not say anything about the quality of R&D. Secondly, R&D projects today are one of the areas most prone to corruption. For example, in Hungary, in many cases, a large part (in some cases even 90%!) of the EU money allocated for R&D projects have been simply stolen, but at the same time these sums, too, are reported as expenditures for R&D.²¹
- c) Another main indicator of the success of the Europe 2020 Strategy is: "greenhouse gas emissions 20% lower than 1990 levels". However, this indicator does not include GHG emissions "imported" to the EU, i.e. GHG emissions during the production of products and services in countries outside the EU for use in the EU.²² The UNFCCC standard territorial emission accounting scheme does not include emissions embedded in products and commodities, which would be included in a consumption-based accounting of GHG emissions. If consumption-based accounting would be applied, imports to Europe, e.g. machinery and cars would need to be accounted for. The shortfalls of the territorial accounting can also be blamed for the "outsourcing" of the EU's GHG emissions and potentially contributing and responsible for the increase of these emissions in other parts of the world.

¹⁹ European Commission (2014): "The programming period 2014 – 2020. Guidance documents on monitoring and evaluation". ec.europa.eu/regional_policy/sources/docoffic/2014/working/wd_2014_en.pdf

²⁰ European Commission: "Europe 2020 strategy". ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/eu-economic-governance-monitoring-prevention-correction/european-semester/framework/europe-2020-strategy_en

²¹ See: Korrupcióinfo (2019): www.korrupcioinfo.hu/

²² OECD (2019): "Carbon dioxide emissions embodied in international trade". www.oecd.org/sti/ind/carbondioxideemissionsembodiedininternationaltrade.htm

“Another big problem we encountered has been the highly questionable EU guide on cost-benefit analysis (https://ec.europa.eu/inea/sites/inea/files/cba_guide_cohesion_policy.pdf). Namely, including “time savings” as a benefit completely distorts the results of CBA of transport investments. For example, in the most recent Budapest SUMP (Sustainable Urban Mobility Plan) it is written that “time savings” calculated according to the official ITOP CBA guide generally constitute 90% of the benefits of the planned project. Environmental sustainability level is represented only in part of the remaining 10%! However, it is a well-established fact that new transport investments do not reduce total travel time. People on average spend the same amount of time for transport all over the world (about 1.1 hours daily). New transport infrastructure result in people traveling longer distances (and the same is true for freight transport). If this erroneous factor would be removed from the CBA, practically no major road infrastructure investments would be qualified for implementation.” – Respondent from Hungary

“Horizontal principles are designed relatively well at EU level, but they are badly designed and/or implemented on Slovak level. At EU level it is clearly said that the horizontal principle of sustainable development should be a priority. If we look at the Slovak horizontal principle of sustainable development, it is written that the horizontal principle has three equal levels: social, economic, and environmental. And this makes it very complicated and practically uncontrollable, because any project might be positive either from social, or from economical, or from environmental point of view. Therefore, there is no control in practice. And no conditionality, because you include all requirements. If you say that the horizontal principle for sustainable development includes social, economic and environmental targets, and you need to fulfil at least one of these targets, then of course you will fulfil it with almost any project. This is a practical example how this implementation of this principle should not be designed.” – Respondent from Slovenia

1.9 Lack of efficient communication by the European Commission

There is an enormous lack of literacy among citizens about the aims and functioning of the European Union, including also the aims of EU funding and its relation to climate protection. This is often misused by national governments which blame “Brussels” for the mistakes or unpopular measures they themselves make. However, even if the Commission reacts to a falsification relating to its aims and actions²³, this reaction has almost no chances of reaching the wider public.

“I am not sure whether people actually understand and appreciate what is being done by the EU for the Member States. People need to know better what the EU is doing for them, therefore I think that part of the money needs to be channelled there.” – Respondent from Greece

“Many of us are already tired of turning “Brussels” into a punching bag for populist politicians. It is high time that the EU stands up for itself and also for its values, because no community of any kind can be successful without holding to common values.

Of course in a strong democracy citizens need to make well informed decisions, and when it comes to the functioning of the EU, the role of national and European decision makers, and particularly to specific European decisions in areas from food security to energy performance of buildings or youth unemployment, people today are surprisingly ill informed.

²³ See, for example:

European Commission (2019): Facts matter: European Commission responds to Hungarian government campaign. https://ec.europa.eu/commission/publications/european-commission-responds-hungarian-government-campaign_en

European Commission (2017): “Stop Brussels”: European Commission responds to Hungarian national consultation. https://ec.europa.eu/commission/publications/stop-brussels-european-commission-responds-hungarian-national-consultation_en

Especially if it lies in the interest of national governments to keep it that way. Otherwise it would be hard to carry out national consultations when false claims such as: “Hungary is committed to reducing taxes. Brussels is attacking our country on this” are being made. If you are not aware: tax rules are unanimously decided in the EU, with the consent of each Member State. The EU would be doing itself a big favour if the future budget also supported programmes to improve the ‘EU literacy’ of the people.” (Excerpt from the article “How could we use the EU budget to strengthen democracy?”²⁴ written by one of the respondents, representing an international organisation in Central and Eastern European member states)

1.10 Practical financial problems relating to the use of EU funds

- a) Requirements for partial own funding have often been an obstacle in the cases where funding was for a social good as many applicants could not provide own funding.
- b) In some cases, slow and untimely payments from the funds to the project implementers has caused them financial problems.

“One big disadvantage is in our LIFE Project, which is the main source for nature conservation projects. You need to provide co-funding, which is a problem for NGOs. On the other side, this co-funding in agriculture subsidies is not very large, in fact, farmers don’t need to provide any co-funding. This is one of the problems. Why only nature conservation has to provide co-funding?”
– Respondent from Slovenia

²⁴ openDemocracy (2017): How could we use the EU budget to strengthen democracy? www.opendemocracy.net/en/can-europe-make-it/how-could-we-use-eu-budget-to-strengthen-democracy/

2 Priorities and recommendations for future EU funding

From the responses to the questionnaire and interviews as well as personal discussions with experts have offered the following proposals have emerged for improving EU funding in the next MFF (2021-2027). Probably the most important conclusion that could be drawn from the responses to the is the following: The EU budget can effectively serve the implementation of climate and environmental goals only if certain general conditions (pertaining not only to climate and environment) on national level are fulfilled.

2.1 Strict enabling conditions

- a) **Strict conditionalities (enabling conditions) must be set for EU funding.** The enabling conditions must be robust, precise, clearly controllable, and in full conformity with the EU's aims.
- b) According to the overwhelming majority of the respondents, EU funding must not be provided to governments which do not fulfil the enabling conditions. If the enabling conditions are violated at any time during the financial period, EU funding must be suspended immediately.²⁵ This is absolutely necessary to avoid further aggravation of the problem. Quite a number of respondents stated that tolerating the violation of EU rules undermines the very foundations of the EU. In the longer term, this would have much graver consequences for the local communities than the suspension of EU funding.
- c) The European Commission must continuously monitor the fulfilment of the enabling conditions.

“It depends on the degree, but the EU should definitely have sanctions otherwise it would not function. If there are no sanctions, countries will breach the laws by saying they would be more productive and competitive if they do.” – Respondent from Denmark

“There should be sanctions in a form of reimbursement of funds to the EU, if the impact was not achieved. You should look for the benefit of the EU funding, but you should also be responsible for making it work. The general policy of the government should be in line with the EU targets and strategy. The EU legislation should be transposed by each and every member state. EU funding should go along with legislation and its enforcement.” – Respondent from Greece

“If the Commission tolerates the breaching of the conditionalities then this sends a terrible message to EU citizens, namely, the message that the rule of law does not prevail in the EU, and those who violate laws and contracts can get away with their misdeeds. Such an attitude by the Commission undermines the foundations of the European Union.” – Respondent from Hungary

“Probably all [funding should be suspended], because if a national government decides it doesn't care about climate reduction activities at all, then under extreme circumstances they might decide to let go the specific funding all together. However, if it impacts funding for other areas as well, it directly impacts the areas that they do care about, which would be politically suicidal. However, it would be rather extreme approach, but perhaps it might be needed if we are serious about climate change.” – Respondent from Latvia

²⁵ EU legislation even today enables the Commission to suspend funding to any Member State that seriously violates the conditionalities of EU funding (see footnote 20). The new Common Provisions Regulation proposed by the Commission would strengthen this power of the Commission. The big question is whether the Commission will use this power if its proposal will be adopted.

“Enforcement of the legislation and of the commitments is a basic pillar that the EU is standing on. So continuing funding for countries, especially net beneficiaries, which are not fulfilling basic democratic criteria, means that the EU is undermining itself. ... If the country has agreed to implement a certain reform program and it is not delivering, there is no reason why the EU should keep continuing to fund the country.” – Respondent from Slovakia

“I think the EU should have more power to be able to sanction those, who do not spend properly the money of the EU taxpayers. ... The only way to fulfil the aims of the EU budget is to implement proper sanctions and to exclude from funding those administrations and governments which violate the EU rules. Fines are not sufficient, the suspension of funding is necessary.” – Respondent from Spain

2.2 The most important enabling conditions

From the replies of the respondents, it can be concluded that the most important enabling conditions for receiving EU money, should be the following:

- a) The National Energy and Climate Plan (NECP) must be in line with the Paris Agreement objectives and it should be continuously implemented.
- b) An appropriate Partnership Agreement (PA) must be signed and continuously implemented.
- c) Appropriate National Reform Programmes (NRPs) must be submitted to the Commission and it should be continuously implemented.
- d) The Country-specific Recommendations must be implemented.
- e) The zero tolerance attitude towards fraud and corruption must be enforced. (This should mean that call of the European Parliament²⁶ for measures “to be implemented right across the spectrum of EU policies, and for action not just in response to cases of fraud but also to prevent them” must be put into practice. It should be required that the governments receiving EU funds implement all possible best practice measures within a reasonable time to reduce corruption and other malfeasances. To this end the Commission should prepare a guidance for national governments based on, among others, the recommendations of GRECO²⁷, Transparency International and the People’s Budget Campaign.²⁸)
- f) The Member State must join the European Public Prosecutor’s Office.

²⁶ European Parliament (2016): “P8_TA(2016)0071”. <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//NONSGML+TA+P8-TA-2016-0071+0+DOC+PDF+V0//EN>

²⁷ The Group of States against Corruption (GRECO) was established in 1999 by the Council of Europe to monitor States’ compliance with the organisation’s anti-corruption standards: <https://www.coe.int/en/web/greco>

²⁸ People’s Budget (2017): “The EU budget should strengthen common European values in Europe and globally. It should, amongst other things: ● Introduce regular independent assessments of the rule of law in all MSs coupled with potential financial incentives and the requirement of corrective measures within the MFF planning framework, which can ensure the deployment of EU funds in line with European values and the right enabling environment for efficient investment. ● Set up a new internal funding instrument for enhancing democracy and protecting civil space in the MSs, which can safeguard European values and fundamental freedoms throughout Europe, support European citizens’ engagement in building the future of Europe and can also react to unfavourable trends in the erosion of European values, upon which the EU is founded.” <https://www.peoplesbudget.eu/position-on-the-post-2020-mff/>

- g) Discretionary funding (i.e. funding decided by individual choice or judgment in public offices) to enterprises must be drastically reduced. Such funding should be provided almost exclusively to enterprises performing public services.
- h) Higher co-financing by member state should be a requirement as this would result in more responsible use of EU money. This does not mean that funding for projects that cannot be financed by the market (e.g. biodiversity conservation) should not receive up to 100% financial support; however, a substantial part of such financing must be provided by the national, regional or local government.
- i) It must be proved that there will be sufficient financial resources for operation and maintenance during a certain number of years after the completion of the project concerned.
- j) If EU money is misused, and the government has to repay it, then the same government should not receive it even for other purposes.
- k) An environmental lawyer whom the author of this Supplement contacted in relation to the MFF, told about the “principle of non-retrogression” that has been promoted in various instances concerning human rights and the environment.²⁹ This principle means that no measures should be taken that downgrade or limit existing levels of the right to education, health, environment, etc. He proposed that this principle should be applied when determining whether a Member State is entitled to receive EU funding. This can be deducted, among others, from the Treaty of Accession, in which all EU Member States declared: “Our common wish is to make Europe a continent of democracy, freedom, peace and progress. The Union will remain determined to avoid new dividing lines in Europe and to promote stability and prosperity within and beyond the new borders of the Union. We are looking forward to working together in our joint endeavour to accomplish these goals.” This should mean that all Member States will improve their legislative and institutional systems as much as possible in order to achieve these goals, but at least they will refrain from any backward measures. Therefore, it must be stipulated that each Member State repeal all legislative and institutional measures adopted by that Member State since its accession to the EU that contradict the principle of non-retrogression as far as “working together in our joint endeavour to accomplish these goals” is concerned.
- l) The European Code of Conduct on Partnership must be fully implemented (see also the next point).

²⁹ For example, in the „Compilation of general comments and general recommendations adopted by human rights treaty bodies” by the UN International Human Rights Instruments, <http://docstore.ohchr.org/SelfServices/FilesHandler.ashx?enc=FhOD6sgqgzAhFXD9F%2FeKaEJl2%2FxgoMstRAco6nVCah8PhMDaNiB9RVBuYs9GZRdtbycJ1EflzvEt8Me0qBcWInctXr30lwWHs4fSJ9pqR7B87M49%2BFfrOnBLI6HtUrsL>

“Experience has shown that the most efficient and effective way to fund climate and environmental change is through performance-based incentive funding, i.e. the Member States must match an important part of the finance that is needed in order to acquire EU funding + EU funds are provided on the basis of progress/performance.” – Respondent from Belgium

“I think increasing the share of co-financing is essential, although the official position of countries like Bulgaria is against increasing of co-financing. However, it would make public institutions much more cautious about how to spend EU funding. ... Conditionalities are important, as they might play a crucial role in making local authorities more focused on their way of spending of EU money. Decision-makers are less likely to support this, but it will make them more cautious and aware that this funding is not coming as granted and it should be used according certain criteria. ... To my mind one of the issues here is conditionalities concerning the rule of law. At the moment this topic is not as important in Bulgaria as in Hungary and Poland, but I think conditionalities should be used, otherwise local decision-makers will not be so apt to fulfil their obligations to the European institutions.” – Respondent 1 from Bulgaria

“Setting conditionalities is not enough – they must be also fulfilled.” – Respondent 2 from Bulgaria

“I think that conditionalities are really useful. For example, in terms of strategic planning they have kind of forced the ministries to prepare their strategic plans for areas for which such plans did not exist earlier. ... One the conditionalities certainly should be the NECPs. Conditionalities shouldn't just be a matter of discussion between the European Commission and the national governments, but other stakeholders should be actually included in it as well. They should also have their say as to whether conditionalities have been fulfilled or not.” – Respondent from the Czech Republic

“It depends on the degree, but the EU should definitely have sanctions otherwise it would not function. If there are no sanctions, countries will breach the laws by saying they would be more productive and competitive if they do.” – Respondent from Denmark

“It is absolutely necessary to cut the blind funding I described above. In a number of cases it is causing more damage than good.” – Respondent from Estonia

“EU funding should go along with legislation and its enforcement.” – Respondent from Greece

“The rule of law must be one of the main conditionalities. There should be strong anti-corruption mechanisms in place in the country receiving EU funding. ... The laws are obligatory for everyone. If a government does not abide by the laws, it should not be financed.” – Respondent 1 from Hungary

“We should arrange an agreement, first of all, among all the member countries, because it is not only EU money that should provide financing for the climate; national budgets should also give priority to financing environmental issues in order to avoid a catastrophe.” – Respondent 2 from Hungary

“Funding should be immediately suspended! Immediately! That would be a very important learning process for those who violate the rules of law. If there are only promises that the next time we will investigate, but the investigation lasts several years, the investigation itself loses its credibility. Then the government would say, okay, no problem, and they continue, and the situation will further deteriorate.” – Respondent 3 from Hungary

“Funds should be made available in accordance with comprehensive climate action plans of the member states. Such plans should be based on the evaluation of former spending programs and the general climate policy of the governments. ... There should be strict environmental and climate conditionalities as well as conditionalities for transparency not only related to EU funded projects but for the country as a whole in order to receive EU funding. National policies should not contradict the aims of EU funding. ... The EU should behave like a serious body. If conditionalities are set, they should be enforced. Letting the climate funds leak in an uncontrolled way would be against the interests of climate protection, and against the interests of Hungary.” – Respondent 4 from Hungary

“First of all, the general institutional and legislative system should be transformed. Namely, EU funds will never be used prudently and without corruption, if the whole institutional and legislative system of the country has been created in a way that promotes corruption.” – Respondent 5 from Hungary

“Hungary should be required to join the European Public Prosecutor’s Office. In this way, EU grant-related corruption could be partially suppressed.” – Respondent 6 from Hungary

“Appropriate conditionalities could be: setting more ambitious renewable energy proportion target; ensuring that local policies reflect the striving towards these aims (tax and other instruments); ensuring that no conflicting policies/priorities exist (like investing in fossil gas infrastructure at the same time as striving to reduce GHG emissions). In general, if EU funding is given towards a specific goal (which reflects EU goal), then country must prove that is prioritizing the specific cause as well and not be implementing opposing activities.” – Respondent from Latvia

“There should be a check-list, which would reflect the most serious global threats or challenges we have in the EU. And this check-list should be part of the partnership agreement. For example, there should be such a sentence: “Spending EU funds through public procurement must comply with the guidelines for Green Public Procurement”. This simple sentence could do really a big change, because now it is recommended that EU funds are used with Green Public Procurement, but this is not compulsory. It is not written either, how this should be implemented. As far as I know, EU funding has been very rarely allocated in accordance with Green Public Procurement, because this is voluntary.” – Respondent from Slovakia

2.3 Enhancing public participation

- a) The composition of the monitoring committees must be balanced: the share of government representatives should not exceed one-third; the rest should consist of representatives of CSOs, business organisations and scientific institutions, elected democratically by these organisations.
- b) The necessary funding must be ensured for CSOs in order to make them capable of meaningfully participate in the monitoring committees and other processes relating to EU funding. “Effective partnership should be facilitated by helping the relevant partners to strengthen their institutional capacity in view of the preparation and implementation of programmes.” (ECCP)
- c) Access to documents and data concerning the environment must be possible for CSOs at a reasonable cost.
- d) More help should be provided to the population in clarifying the aims of and processes relating to EU funding.

“That is the matter of democracy – the matter of proper and honest involvement of civil society organisations. This the only guarantee against the frankpledge of the all level bureaucracy from local governments up to the European Commission.” – Respondent from Estonia

“We need strong partnership regulations to keep NGOs in preparation and monitoring. ... We need technical assistance money to keep basic monitoring work running in Member States.” – Respondent from Finland

“Mandatory participation of recognised environmental associations in all programming processes and in the development of the partnership agreement.” – Respondent from Germany

“It is absolutely necessary to “professionalize” members of the monitoring committees, who are not representatives of the state, because we lack capacity to be present and absolutely no capacity to study the materials provided by the government and to communicate with stakeholders. I should represent NGOs and normally I would communicate with NGOs, which are interested in all those issues, but if there is no money and we should run other projects, then this is absolutely unrealistic. In this case, the partnership principle is just the words, and it will never work in practice if we will not balance the capacities, finances and access to information; those 3 points should be equal for all members of the monitoring committees and other committees, which are dealing with EU funds.” – Respondent from Slovakia

“...partnership and public participation mechanisms should be strengthened, with more public involvement in the implementation of OPs and preparation of calls for proposals – our experience shows that this could provide a stimulus for climate-friendly projects and ensure better compliance with EU environmental rules and climate policies.” – Respondent from Poland

2.4 Better indicators

The indicators on which the Member States’ performance is assessed should be substantially improved.

- a) Further well measurable indicators showing the progress on national level should also be applied (for example, the Innovation Union Scoreboard, the results of OECD’s PISA, the change in the GINI Index, and the change in healthy life years). It is much more important to have indicators on national level than for projects financed by the EU.
- b) The indicators should be as SMART (specific, measurable, attainable, realistic and timely) as possible.
- c) In cases where no concrete indicators can be worked out, it should be required that the Member State apply the best practice possible (e.g. concerning legislative and institutional measures to combat corruption and tax fraud).
- d) The indicators (priorities) must be worked out in a transparent process, involving all stakeholders, and providing for these stakeholders the necessary means for meaningful participation, in accordance with the European Code of Conduct on Partnership.

“We need strong criteria and indicators, ex ante and mid evaluations.” – Respondent from Finland

“There should be also reconstruction of the Horizontal principle for sustainable development with precise description, compulsory implementation, good indicators & monitoring process. This horizontal principle exists, but it is very wrongly designed, at least in Slovakia. The decisions concerning this horizontal principle are taken just by state representatives, which means that although we are in the monitoring committee, we have no vote to decide on some changes. So, the design should be improved. Furthermore, it is not implemented well, or I would say it is even non-implemented.” – Respondent from Slovakia

“Quite some efforts are already given to the control of the use of EU funding. Maybe the most important would be the development of some well-designed indicators that would be really objective, because if you don’t design these indicators independently then certain interest groups try to influence and make the indicators which are not objective, but show some reality which is not realistic, and serve only their interests. ... 333The European Union should put more effort in making really good indicators.” – Respondent from Slovenia

2.5 Increasing the controlling capacity of the Commission and putting project control under the Commission

- a) The Commission must have the capacity to perform up-to-date control on how Member States fulfil their national commitments in all policy areas.
- b) The national organs controlling EU-funded project must be put under direct supervision of the Commission.

“There should be more stringent control from the EU institutions as the Bulgarian judicial system does not work properly towards corruption with EU funding.” – Respondent 1 from Bulgaria

“In my opinion the monitoring of the use of EU funds could be increased, it would make sense if there will be a combined national and EU level monitoring, but it will hardly be accepted by politicians who will oppose an intensive control on behalf of EU institutions, more control than right now. But I think that this kind of cooperation could increase the added value of EU projects, since beneficiaries will be aware that such a control is much more far reaching than the one of the national institutions and they are supposed to be much more concentrated on the quality of the works funded by the EU. – Respondent 2 from Bulgaria

“Also, the Commission needs resources to check national programmes. Nowadays they don’t have any more enough staff to do it properly. In some cases, in e.g. DG ENV most desk officers are responsible for many countries. In some units there is nobody who can read e.g. Finnish, so they must work by google translators. In addition, foreign desk officers lack "tacit knowledge" and know-how about national situation and specialities.” – Respondent from Finland

“Independent institutions must control the use of EU money, and sufficient capacity must be ensured for this. Civil society organisations and the independent media (especially investigative journalism) should be greatly strengthened.” – Respondent 1 from Hungary

“The EU should control much more directly the spending of this money. I would really curtail and seriously limit the so-called national competences. It is European money, EU taxpayer’s money, it is not the Hungarian taxpayers’ money, it is German taxpayers’ money, it is Dutch taxpayers’ money, etc. We have one basket which is distributed according to the goals of the EU.” – Respondent 2 from Hungary

“All spending should be strictly monitored by players independent from the Hungarian government and Parliament, and violation of the rules should be penalized. Without these measures, the EU climate funds would serve on as a source of free money for the friends of the Government.” – Respondent 3 from Hungary

“There are special programs, which were controlled directly by the Swiss and Norwegian funds. This kind of method could be applied by EU.” – Respondent 4 from Hungary

“EU level should have closer supervision on national programmes, since this is where deviations can be built in to serve certain lobbyists.” – Respondent from Latvia

“First of all, the Commission should continue to be responsible for approving major projects. Its services should handle environmental complaints concerning EU-funded projects faster and with more resolve. An independent review/complaints mechanism should be established whereby affected parties could challenge the Managing Authority’s decisions on social, climate or environmental grounds.” – Respondent from Poland

“I think that the Commission representatives should have a right of veto or something similar [in the monitoring committees]. Their voice should be very strong, at least much stronger than it is now (we are spending the money of EU taxpayers), and second, they should be in much more active position to different stakeholders, to understand opposing proposals, to understand what is the problem, to understand what is the possibility for solution. Not just formally coming to the monitoring committee, sitting there, listening, saying something, but not very important and then going home. They also need to communicate with non-governmental stakeholders to understand what is the problem on the table. – Respondent from Slovakia

“Stronger control of implementation by third parties, EU representatives would be beneficial. For instance, a random selection of EU funded projects that would then be monitored/visited on the field/terrain could be an interesting approach. Increased paperwork etc for monitoring would properly not bring the desired outcome.” – Respondent from Slovenia

2.6 Better communication by the Commission

The Commission should have more financial and other means to communicate its viewpoint. It must have the possibility to reach citizens with its messages clarifying the aims and activities of the EU. It must not let national governments get away with unjustly accusing the EU in order to make the EU seem responsible for the mistakes or misdeeds these governments committed.

“Apart from asking the citizens, better efforts should be made to reach the everyday citizen in regard to how the money is allocated in each period. This is an effort that the EU should make, in plain words and plain pictures, but if the everyday citizen knew exactly where they money went, I think the EU projects and vision as a whole would be more successful.” – Respondent from Greece

“The public has very limited information of what EU money is doing for us. It is surprising for me that there are strong voices against EU, against EU funds, etc. and there is the belief that EU funding is only to support political parties, corruption, ministries and so on. This is true, but only partially. The other side is that from EU money were created many-many good and useful things, environmental projects and so on, but this is not communicated well. For sure, this communication should be not in the hands of Member States, of national governments, this should be a governance by the European Commission and representatives Member States together; so, there should be some capacities for doing this work, really looking and finding good practice, good projects and have the budget for communicating well in the national media. It would be normal that if you have this communication campaign designed well, then there should be really no inhabitant in any Member State, who will be saying that EU is just negative for us. This will be an indicator for us of how good it is designed.” – Respondent from Slovakia

2.7 Another way of implementing the subsidiarity principle

An interesting proposal was made by one of the interviewees, a university professor of economics who has written several publications on EU funding and has ample practical experience of the use of EU money in national circumstances. He proposes that the European institutions should have the right to make decision only about funding programs and projects which have European/international dimensions (common defence, migration, international research programs, Erasmus, international cooperation of NGOs, LIFE, etc.). At same time, the EU should give all EU money, destined for national purposes, directly to the national governments without any requirements for the precise use of these funds, i.e. each national government should decide that for itself. There should not be any operational programs and projects which would be approved by the European Commission. The Commission should control only whether the commitments in the NECP, PA, NRP, CSR are fulfilled on national level, and immediately suspend funding to the national government if these are not fulfilled. (In the opinion of the author of this Supplement, although it is doubtful that this proposal could be implemented for the next MFF, but it might be useful if the MFF process would move in this direction.)

“I have argued many times regarding EU subsidies that they should only be used to reduce government debt. Not only Hungary, but all Eastern European countries would have benefitted from such a solution. They would have revised their budgets, there would be no government deficit, government debt would have been significantly reduced, the SME sector would be able to develop better than it is now, there would be much less cheating, corruption and market distortion than there is now. It could have initiated an upward spiral. Naturally, there should be strict conditions for such subsidies, too. ... By resolving the disgraceful issues around EU grants, the European Commission can demonstrate that it is capable of shifting its paradigm. The essence of this shift would be that the provision of EU funds become strictly linked to the ability of the recipient country to make its political-economic institutional system more ‘inclusive’, to a predetermined extent within a specified timeframe (i.e. moving up on the competitiveness lists, improving the corruption index, reducing CDS prices, etc.) This paradigm shift in the efficiency of the European Union, the strengthening of its internal cohesion and effective climate protection, would be greatly aided if states were to receive a lump sum from the EU entirely dedicated to reducing government debt, instead of the wasteful tendering allocations that reinforce the ‘extractive’ nature of the economic system, the riskiness of which even jeopardises access to EU funds. – Respondent from Hungary

Proposals specific for the climate and environment

- a) As far as climate is concerned, a state of emergency exists, therefore much more funding should be provided for climate mitigation and adaptation.
- b) There should be no funding for projects or measures harmful for the climate and environment. This means, among others, that no EU funding should be provided for the construction or renewal of motorways and other roads and for the development of airports. These costs must be fully covered in accordance with “the user/polluter pays” principle. Neither should there be funding for agricultural purposes which do not contribute to the EU’s climate and environmental goals.
- c) There should be no EU funding for nuclear energy and nuclear energy research. (Funding for such purposes must be paid by the users.)

- d) Proper environmental risk assessment and impact studies with strict criteria must be required for bigger projects before their adoption and several years after their end.
- e) Environmental monitoring of projects must take place a few years after they end.
- f) Low-interest loans should be provided for energy efficiency instead of direct funding.
- g) More funding should be allocated to regions which need to deeply change their economies as part of the decarbonisation process.
- h) Investment into circular economy should take place not only through infrastructure, but also soft measures.
- i) More funding is needed for training the working force for the market transition to decarbonisation.
- j) More investment needed in railways and intermodal projects.
- k) More support is necessary for renewables (solar, wind, etc.).
- l) More funding is needed for climate science and research.
- m) More support is necessary for integrated approaches and complex air quality measures.
- n) Projects for sustainable urban mobility should be connected (e.g. a whole bike path system, not only separate lanes).
- o) Support should be available for the development of sustainable food supply chains and direct distribution of food from local farms.
- p) Measures should be financed to combat desertification in Southern regions.

“No funding for any fossil & nuclear projects anymore.” – Respondent from Austria

“The funding priorities should be clearly towards zero-carbon energy options; e.g. funding for natural gas should be excluded.” – Respondent from Cyprus

“At least 30 % of total EU expenditure, 40 % of ERDF projects and 50 % of Cohesion Fund projects must contribute to the achievement of both climate and biodiversity objectives. The remaining projects must not have negative environmental, health or climate impacts.” – Respondent from Germany

“In my opinion, the most efficient use of EU funds for the climate would be financing education, awareness raising, health care, social investment, including woman and child protection as well as independent NGOs. Unfortunately, very little money has been spent on these purposes. Local developments in these areas are very important. ... Much more money for social aims, women, civil society organisations, education, health, awareness raising etc. and much less for physical infrastructure, except for housing, connected with special social programs for those living in very poor circumstances, and for homeless or vulnerable people. Only those projects should be financed, for which the costs of long-term operation and maintenance can be covered, too. The raising of salaries of people working in education and health care should also be considered as development eligible for EU financing, because if highly qualified people stop working in these areas (and this often happens nowadays), all other investments there will become useless.” – Respondent 1 from Hungary

“All the first pillar payments are economically, socially and environmentally harmful, there is no real reason to spend this money. I don't think we need more funding, just the opposite: we need much less public funding in agriculture.” – Respondent 2 from Hungary

“In order to achieve the EU’s environmental and climate targets in transport, in my opinion, financing should be mainstreamed first of all to the following fields:

... In order to achieve a breakthrough in the process towards sustainable transport, the most important (and most difficult) task is to change the mindset of people. The present situation is characterised by the overwhelming dominance of the promotion of car culture and consumption society: in the media, social media, advertisements, speeches of politicians, etc. this culture is continuously presented as something very positive which must be continued. Supporting all this is the enormous power of the related industry. (For example, the media is dependent, to a large extent, on advertisements by car and oil companies.) On the other hand, the voices of those promoting sustainable transport systems are extremely weak due to the lack of resources. For example, in Hungary, a few hundred thousand Euros are spent each year to promote sustainable transport modes, while a thousand times more is spent just on advertising cars. This is like trying to extinguish a forest fire with a glass of water. ...

Transformation of the institutional and legal system. ...

Overcompensation for raising taxes and fees on environmentally harmful transport modes. Environmentally harmful transport modes are heavily subsidized. For example, a common study (https://www.levego.hu/site/assets/files/5819/social_balance_transport_hungary_20110131.pdf) by the Institute for Transport Sciences (Budapest) and CAAG, published in 2011, came to the conclusion that road transport in Hungary each year receives a state subsidy equalling to 7 to 13 percent of the GDP. A study (https://ec.europa.eu/transport/themes/sustainable-transport/internalisation-transport-external-costs_en) published recently by the European Commission shows that road transport is heavily subsidised all over Europe. No subsidy for sustainable transport modes will ever be able to compete with such an enormous subsidy. Therefore, it is absolutely necessary to remove this subsidy as soon as possible. As this would mean a drastic increase in the prices of road transport, such a measure can be implemented only with appropriate compensation. (There are excellent best practice examples for such measures in a range of countries, see, for example: <http://www.imf.org/external/pubs/ft/wp/2011/wp11167.pdf>, <https://www.cambridge.org/core/books/politics-of-fossil-fuel-subsidies-and-their-reform/fossil-fuel-subsidy-reform-in-indonesia/69E6706F3ABFB80052B20E3772404138/core-reader>, <https://www.imf.org/external/np/pp/eng/2013/012813a.pdf>). In view of the magnitude of the increase, simple compensation (i.e. just returning the revenue from the increased taxes and fees) will certainly not be sufficient to avoid political unrest: therefore, overcompensation is necessary.” – Respondent from Hungary

In the case of agriculture, farms that receive direct payments or investment aid must prove that public money has helped to fertile (enrich) the soil, reduce air and water pollution. – Respondent from Latvia

“It is really weird to see that fossil fuel projects are supported with public money. One of the first things we need to cut is subsidies in any form for the use of fossil fuels – not only from EU money, but all public money. At the same time, we have to put more funding into energy efficiency, renewables, smart networks and research & development in these areas.” – Respondent 1 from Slovakia

“I find as very important implementation at EU level of binding economic tools as carbon tax or green public procurement, which will motivate any person, any politician, any officer, any EU citizen or visitor to think and act climate-friendly. This is the most effective way how to reach the aim not too late.” – Respondent 2 from Slovakia

“The most important is that European money that goes to agriculture should be paid for the public benefit. No money should be paid for intensive farming, only for the farming which provides public goods. Public funding for agriculture should be provided only for organic farming, environmentally friendly farming which is nature conservation compatible. Public money must be used for public goods, and not for some large companies which are just making profits out of the subsidies.” – Respondent from Slovenia

Annexes

1. Questionnaire on Climate Change and the use of EU's Budget in Member States sent to civil society organisations (6 pages)
2. Responses to the Questionnaire (244 pages)
3. Quotations from highly qualified, pro-European Hungarians about EU funding to Hungary (5 pages)