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**COMMISSION STAFF WORKING DOCUMENT**

**Improving environmental integration in development cooperation**

## Summary

This document reports on the implementation of the 2001 Environment Integration Strategy (EIS) including the impact of subsequent policy developments such as the adoption of the European Consensus on Development in 2005.

Since the adoption of the Environment Integration Strategy, much has been achieved, but the need has also become clear for:

- enhanced policy dialogue on environmental issues with partner countries, based on rigorous analysis, leading to increased funding for environment-related actions,
- better coordination between the European Community (EC) and Member States and with other donors,
- more effective aid delivery with respect to environmental issues, and
- more effective integration of environment in projects and programmes, based on systematic and coordinated environmental assessments.

Tackling environment and sustainable natural resource management in a more rigorous and systematic way, taking the climate change dimension fully into account, will ensure that external assistance becomes more sustainable, contributing also to the response to the current economic and financial crises by promoting a "greener" global economy.

The Member States face very similar challenges as the European Commission. Some have already developed their own environment integration strategy. They nevertheless all expressed interest in building progressively joint approaches on the basis of existing strategies and tools, with facilitation by the European Commission. An expert group comprising the Commission and Member States as well as civil society is looking in more detail at ongoing improvements and is examining how to reflect or develop these towards a joint EC-Member State Environment Integration Strategy.

### 1. Background and rationale

#### **The environmental situation is deteriorating**

In spite of many global, national and local initiatives to address environmental issues, the unprecedented economic boom from 2001 to 2007 in combination with rapid population growth had quite a negative environmental impact in many partner countries. The deterioration of the natural and man made environment<sup>1</sup> has a crucial impact on the majority of the world's poor, as they depend directly for their livelihood on natural resources (mostly through agriculture, forestry and fisheries), and on ecosystems that provide valuable services (clean water and air, flood prevention, etc). Climate change is intrinsically linked with all the above issues in particular because of increased water stress, food insecurity through droughts and desertification, sea level rise, new health risks, extreme weather events and migration pressures. Competition over scarce or degraded natural resources can also exacerbate conflict. Poor countries and small islands are particularly vulnerable and have the greatest difficulty in coping with environmental degradation and adapting to the effects of climate change.

Environmental degradation is multidimensional and causes many problems: **biodiversity loss** results in disruption of agriculture, decreasing fish catches, and loss of opportunities for medical research and food security. Rapid global **deforestation**, mainly through conversion of forests to agricultural land

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<sup>1</sup> In the remainder of this document, "environment" is understood to include the sustainable management of natural resources as well as the "man made" environment (including cultural landscapes).

and illegal logging, is continuing at an alarmingly high rate of about 13 million hectares per year, threatening the livelihood of an estimated 1.6 billion poor people who rely heavily on forests for their livelihoods, including food security (bush meat, fruits and vegetables), health (medicinal plants), shelter (building materials), and energy (fuelwood and charcoal). Surveys show that nearly 70% of drylands worldwide suffer varying degrees of degradation and **desertification**, deeply affecting around 0.9 billion people living in these areas. **Chemicals and waste**, often badly managed, are a cause of major health and environmental problems, especially in developing countries. The 2007 Stern Review on the economics of **climate change** estimated that the annual cost may reach 5% of GDP if no sufficient action is taken in the near future. A similar "cost of inaction" study will be delivered in the course of 2009 as part of the TEEB (The Economics of Ecosystems and Biodiversity) project.

**Environment offers opportunities for developing countries**

The environment is also an asset for sustainable development, as it offers a wide array of opportunities for local populations and partner countries. As argued in a recent Communication<sup>2</sup>, the current economic crisis will impact significantly on developing countries. However, the crisis may also bring opportunities by steering stimulus packages and more widely economic reform in a "green" direction. The Commission, UNEP and others have made suggestions to focus efforts in areas that offer the best return on investment in terms of jobs, growth, climate change and poverty alleviation, energy efficient buildings, sustainable transport, renewable energy, freshwater infrastructure and sustainable agriculture.

Sustainable management of natural resources and adaptation to climate change, as well as energy saving and promotion of renewable energy<sup>3</sup> are fundamental to poverty alleviation and achieving the Millennium Development Goals (MDGs)<sup>4</sup>. MDG7 on environmental sustainability has not received sufficient attention and is 'off-track' in many countries, with a great risk that further environmental degradation will undermine the progress made with other MDGs. The box below illustrates some of the areas where environment and the MDGs<sup>5</sup> are interrelated.

<b>Box 1. Environment and Natural Resources and the Millennium Development Goals<sup>6</sup></b>	
<b>MDG 1 Extreme poverty and hunger</b>	Rapid global deforestation, mainly conversion of forests to agricultural land threatens the livelihood of an estimated 1.6 billion poor people, while 70% of dry lands worldwide suffer varying degrees of degradation and desertification, deeply affecting around 0.9 billion people living in these areas.
<b>MDG 2 Primary education</b>	Many children, especially girls, do not attend primary schools due to lack of basic sanitation and because they have to carry wood and water to meet subsistence needs. Sustainable management of these resources is essential.
<b>MDG 3 Gender equality</b>	For poor women, safe and easy access to drinking water, sanitation facilities, and energy supplies are crucial aspects of well-being, reflecting women's primary role in managing the household
<b>MDG 4 Child mortality</b>	Water-related diseases such as diarrhoea and cholera kill an estimated 3 million people a year in developing countries, the majority of whom are children under the age of five. Millions also suffer from the negative effects of indoor pollution..
<b>MDG 5 Maternal health</b>	Indoor pollution and carrying heavy loads of water and fuelwood adversely affect women's health and can make them less fit for childbirth and put them at greater risk of complications during pregnancy.
<b>MDG 6 Combat HIV/AIDS</b>	Up to one-fifth of the total burden of disease in developing countries may be associated with environmental risk factors; and preventive environmental health measures are as important as and at times more cost-effective than, health treatment.
<b>MDG 7 Environmental Sustainability</b>	Current trends in environmental degradation must be reversed in order to sustain the health and productivity of the world's ecosystems, and to improve sanitary, health and living conditions.
<b>MDG 8 Global partnership</b>	The World Summit for Sustainable Development called for partnerships between public entities, development agencies, civil society and the private sector to support sustainable development.

<sup>2</sup> COM(2009) 160: Supporting developing countries in coping with the crisis  
<sup>3</sup> Renewable energy projects such as solar energy, hydro power can be put under both climate and energy headings.  
<sup>4</sup> <http://mdgs.un.org/unsd/mdg/Data.aspx>.  
<sup>5</sup> A summit to review MDGs is planned for 2010, while the MDGs themselves will be reviewed by 2015.  
<sup>6</sup> Linking Poverty Reduction and Environmental Management (WB, DFID, UNDP, EC 2002 (adapted))

## The European response so far

The European response to environmental challenges has taken the form of several policy initiatives, such as the 2001 Environment Integration Strategy<sup>7</sup> and the [EU Strategy for Sustainable Development](#) (updated in 2006). These initiatives are interlinked with and complementary to the EU Action Plans on [Climate Change and Development](#), and on [Forest Law Enforcement, Governance and Trade \(FLEGT\)](#) which address more specific issues<sup>8</sup>. The creation in 2006 of the Environment and Natural Resources Thematic Programme (ENRTP)<sup>9</sup> was also a major step forward. These policy commitments are supported by funding for environmental programmes representing approximately 4.3% of EC external assistance. In a broader sense, when programmes that promote (environmentally) sustainable rural development, water and sanitation, natural resources and renewable energy are also included, this figure rises to around 10%.

The table below gives an overall indication of EC financing of environment and sustainable management of natural resources in developing countries. Detailed yearly figures are at this stage only available for the ENRTP. The yearly average amount including the ENRTP is around €95 million.

	2007	2008	2009	2010	Total
ENRTP	76,6	106,2	151,6	135,7	470,1

10 <sup>th</sup> EDF (excluding intra-ACP) 2008-2010	116
10 <sup>th</sup> EDF intra-ACP 2008-2010	55
DCI (excluding ENRTP) 2007-2010	240
ENP 2007-2010	250

The **key elements of deeper environmental integration** are contained in the 2005 **European Consensus**. **First**, the Consensus defines the environment and sustainable management of natural resources as one of the nine areas for Community action, i.e. those that can become focal sectors in country and regional programmes. **Second**, it recommends a stronger commitment to mainstreaming environmental sustainability as a cross-cutting issue and also proposes that environmental assessments be systematically carried out at sector as well as project level. **Third**, the Consensus calls for assisting developing countries in environmental policymaking, particularly as regards implementation of Multilateral Environmental Agreements (MEAs) and promoting pro-poor environmental policy initiatives.<sup>10</sup> Finally, the Consensus engages the Community in supporting partner countries (Governments and civil society) and helping increase their capacity to sustainably manage their environment and natural resources.

<sup>7</sup> Integrating the environment into EC economic and development cooperation, Commission Staff Working Paper SEC(2001) 609 of April 2001

<sup>8</sup> Commitments made the Accra High Level Meeting on Aid Effectiveness (September 2008), the UN Summit on MDGs (September 2008) and the Conference on Financing For Development in Doha (November/December 2008) to increase and better coordinate aid are also relevant in this respect.

<sup>9</sup> Other initiatives include inter alia the [Horizon 2020](#) initiative for the environment [EU Water- and Energy Initiatives](#), the [EU Water Facility](#), the [Global Climate Change Alliance](#), the [EU Action Plan to 2010 and beyond \(biodiversity\)](#), and the [Global Energy Efficiency and Renewable Energy Fund \(GEEREF\)](#), some of which are (partly) funded under the ENRTP.

<sup>10</sup> The Consensus also mentions environment as one of the subjects of Policy Coherence for Development (PCD). However, as this aspect is addressed in a separate work stream, it is not elaborated here except to refer to the [Sustainability Impact Assessments](#) (SIAs). These have been carried out for EU trade agreements since 1999 to analyze their impacts in the EU and in partner countries. SIAs are a key PCD tool aiming to ensure that trade agreements between the EU and developing countries are conducive to sustainable development. They form a basis for the environmental dimension of the EU's Aid for Trade Strategy. The trade SIA results are brought to the attention of trade negotiators and all interested parties. At the same time the European Commission is pushing for sustainable development provisions (including environmental sustainability) to form an integral part of all EU trade agreements.

In the context of the 2005 Paris Declaration<sup>11</sup> on aid effectiveness, the EU has recognised the need for progress on the harmonisation of approaches to environmental assessment, and the need to deepen these approaches to address the implications of global environmental issues such as climate change, desertification and the loss of biodiversity. The EU's research Framework Programmes also played an important role in improving the integration of environment in development cooperation.

Since the adoption of the 2001 Environment Integration Strategy, significant progress has been made. Amongst others, it is worth highlighting the drafting of Country Environmental Profiles, the commitment to undertake Strategic Environmental Assessments, the training of more than 1500 staff and the publication of an Environment Integration Handbook.

### **Gaps and constraints remain**

In spite of these commitments, there remains a sizeable gap between proclaimed environmental objectives (e. g. to halt biodiversity loss by 2010, to mainstream climate change or to systematically carry out environmental assessments) and actual results. The environment still scores low on the political agenda of partner countries and on the agenda of development cooperation specialists in donor countries.

There is a lack of information about the ways in which environmental degradation affects overall development prospects. The benefits of enhanced environmental protection and the fact that these often outweigh the costs in the longer term are also generally unknown. Some studies highlight the economic costs of environmental degradation, but they are not comprehensive and decision makers tend to be unaware of them. It is often difficult to increase financial resources for the environment when critical issues such as hunger, health or basic education are still not adequately addressed, and when the links between these issues and environmental management are not well understood. New approaches such as Payment for Environment Services are only applied on a limited scale.

Several tools have been developed to integrate environmental issues into development cooperation, but their use remains limited and implementation of their recommendations remains difficult. There is a need to build up more expertise and a more holistic view in this field and to demonstrate better the positive impact of environmental integration on development outcomes. In addition, the translation of "metalevel" studies on environmental costs and benefits (eg Stern review) to programme and project level is still lacking<sup>12</sup>.

The need to improve environmental integration was also underlined by the European Court of Auditors in its 2006 in-depth review of the environmental aspects of development cooperation<sup>13</sup>. The Court recognised some progress since 2001, but considered that performance could be better. The report included a range of recommendations, inter alia that the Commission should establish a "comprehensive strategy for the environmental aspects of its development cooperation", taking the European Consensus into account; as well as an operational framework for implementation with performance indicators and improved coordination mechanisms.

This document reports on how the Environment Integration Strategy (EIS) has been implemented so far, including ways in which this is already becoming more effective, partly in response to the recommendations of the Court of Auditors. The approaches described apply to the following development-oriented instruments: Development Cooperation Instrument (DCI), European Development Fund (EDF), European Neighbourhood and Partnership Instrument (ENPI) and, where relevant, also to external trade policy, humanitarian aid and the Instrument for Stability.

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<sup>11</sup> [http://www.oecd.org/document/18/0,3343,en\\_2649\\_3236398\\_35401554\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/18/0,3343,en_2649_3236398_35401554_1_1_1_1,00.html)

<sup>12</sup> A recent Commission initiative to translate global climate concerns into concrete adaptation of infrastructure projects is useful and can be replicated in areas where the EU is active such as agriculture or trade.

<sup>13</sup> Official Journal C 235 , 29/09/2006 P. 1 - 39

## **2. Lessons from past environmental integration**

This section briefly reviews previous experience as regards the three main elements of environmental integration in development policy.

### **2.1. Environment as an area of cooperation**

As recent programming experience has demonstrated there are practical constraints to selecting the environment as a sector. In many cases, beneficiary countries and regions are required to concentrate funding on just one or two focal sectors. The result is that, despite the centrality of environment in the MDGs, EU funding at country level is only rarely focused on environmental issues. Behind this is the fact that in most beneficiary countries the environment is not perceived as an urgent priority as well as a general lack of knowledge about its impact on social, economic and political issues. There is often a clearer perception of the costs of environment protection rather than the benefits. There are only very few cases where environmental issues are selected as a focal sector in a country programme, for example sustainable management of natural resources in Tchad, promoting forestry reform in Honduras, and environmental protection in Morocco. Due to the cross-border dimension of environmental issues, environment as a focal sector or part of a focal sector is more commonly found in regional programmes, for example the programmes for Central Africa and the Pacific, SWITCH-Asia, EuroClima in Latin America and ENP regional programmes.

The Forest Law Enforcement, Governance and Trade (FLEGT) initiative is a good example of natural resource management as a cooperation sector. As part of this initiative the EU negotiates Voluntary Partnership Agreements (VPAs) with interested timber-exporting countries, with the aim of installing a system of certification to demonstrate and foster the legality of logging exports, and thus contributing to sustainable forest management<sup>14</sup> In some countries like Ghana and Cameroon, the 10<sup>th</sup> EDF NIP contains support for FLEGT.

Environment or natural resources can also be a component of programmes in other sectors, for example the 10<sup>th</sup> EDF NIP for Burundi has a focal sector of rural rehabilitation and development, which essentially consists of support for government policy on soil conservation, the rehabilitation of national parks and improvement of lake water quality. The rehabilitation of natural and man made heritage in Porto-Novo, Benin is another example.

Environmental support actions must be based on a thorough analysis of the local situation. A tool created for this purpose is the **Country Environmental Profile (CEP)** or for regional strategies the **Regional Environmental Profile (REP)**. The preparation of CEPs and to a lesser extent of REPs has been generalised over the past few years as an input for the preparation of the latest generation of country and regional strategies (for the period 2007-13), representing a significant progress with respect to the previous generation of EC cooperation strategies.<sup>15</sup> The environmental dimension is now systematically addressed as part of the country analysis underpinning response strategies, alongside the economic, social and political dimensions. However, whereas progress has been made in raising the profile of environmental issues in country strategies, attainment of environmental outcomes has been uneven and in a significant number of cases CEPs had limited influence on the process leading up to the selection of country programmes. Climate risks have so far not been the subject of specific attention in CEP/REP. The Mid-Term Review<sup>16</sup> of country and regional programmes presents an excellent opportunity to bring environment and natural resources management, as well as adaptation to climate change, higher up the agenda with partner countries.

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<sup>14</sup> Ghana was the first country to conclude negotiations in September 2008. Negotiations will conclude with Malaysia, Cameroun and the Republic of Congo in 2009, and are ongoing with Indonesia and Liberia. Negotiations are likely to begin in Vietnam, Gabon and Central African Republic during 2009.

<sup>15</sup> [The format for a common framework for drafting country strategy papers \(CSPs\)](#), agreed by the Council Conclusions of 11 April 2006, requires a summary of the CEP to be attached to each CSP.

<sup>16</sup> For countries in Asia, Latin America and the European Neighbourhood Policy region and Russia, the next mid-term review (MTR) is planned during 2009-2010; for ACP countries the MTR for the 10<sup>th</sup> EDF is foreseen during 2010.

It is also important to differentiate between groups of developing countries. In emerging economies, issues of urban air pollution, exposure to chemicals, unsafe treatment of wastes, etc are important areas of concern while in other countries the problems may be rather in preserving natural resources. These different challenges need to be met by a differentiated integration of environmental issues in development cooperation.

It is important that in tackling environment as an area of cooperation there is full coordination and cooperation between the Commission and the Member States, at all stages of the programming and project cycle. Sound environmental policy-making and implementation also depends on a strong voice from civil society and stakeholders demanding improved environmental policies and natural resource governance.

## 2.2. Environment as a cross-cutting issue

Mainstreaming of environment as a cross-cutting issue was at the core of the 2001 Environmental Integration Strategy and reasserted in the European Consensus. It essentially means ensuring that all environmental impacts resulting from development activities (including indirect and long-term impacts) are taken into account and mitigated if necessary to ensure sustainable development. For example, making the environment an integral part of agricultural programmes may help to enhance sustainable pest management with corresponding effects on poverty<sup>17</sup>, helping to ensure more long-term sustainable production and to avoid over-exploitation, and also to diminish externalities like environment-related health problems. Specific recommendations on how to address environment as a cross-cutting issue are included in sector policy documents.<sup>18</sup>

In addition to the Country and Regional Environmental Profiles mentioned earlier, the [Development Cooperation Instrument](#) (Art. 22(4) requires appropriate environmental screening at project level including **Environmental Impact Assessment** (EIA) for environmentally sensitive projects, in particular for major new infrastructure, and also, where relevant, the use of **Strategic Environmental Assessments** (SEA) in the preparation of sectoral programmes. Each programme or project should be screened to determine whether it is necessary to carry out a SEA (at sector level or for budget support) or an EIA (at project level).

The SEA is a systematic process for evaluating the environmental consequences of a proposed policy or programme in order to ensure that they are given the same consideration as economic and social aspects at the earliest possible stage of decision-making. The EIA is a process for identifying and evaluating environmental impacts of development projects, and for working out proposals to mitigate negative impacts. For example, transport projects may open up forests and this can lead to illegal and unsustainable exploitation of natural resources. Tools such as EIAs can be used to ensure that there will be no financing for such projects unless appropriate mitigation measures are taken. Possible impacts of climate change should also be considered systematically in these assessments. Based on the EIA, a project can be approved, modified or judged unacceptable from an environmental viewpoint. There is recent evidence of a modest increase in the use of EIAs and SEAs, but generally these tools remain underutilised.

The increased use of budget support poses a further challenge for environmental mainstreaming. While there are strong arguments for using SEAs in sectoral budget support programmes where environmental impacts are likely to be significant (e.g. infrastructure, communications and transport, water and energy, rural development), this is not yet common practice. At the same time, ongoing discussions within the OECD-DAC on the application of SEA in development cooperation increasingly point to the need to ensure government buy-in as a condition for effectiveness of SEAs

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<sup>17</sup> If mismanaged, pesticides can lead to crop losses and pose a risk to human health and the environment, including the costs incurred due to pesticide clean-up (such as those of obsolete stocks), and increases in pesticide resistance in insects resulting in lost value in agricultural produce.

<sup>18</sup> For example [COM\(2002\) 429 final: Fighting rural poverty](#), [COM\(2000\) 422 final Promoting sustainable transport](#)

and more generally to ensure that efforts of donors feed into locally-based processes, keeping in mind that SEA remains a means rather than an objective.

At a more general level it appears that although national development plans, poverty reduction strategy papers (PRSPs) and other planning documents increasingly refer to the environment and climate, this is barely reflected in the budgetary allocations. Additional follow-up in the policy dialogue and through capacity-building is therefore required.

### **2.3. Environmental policy making and implementation**

The formulation and implementation of sound environmental policies is a key requirement for long-term sustainable development. Support for environmental policy making requires relatively modest funding to cover mostly training and capacity-building, and can be included within the non-focal cooperation areas. Again there is very little evidence of this being covered in country programmes. The ENTRP can be used to promote this more strategically, and the ENPI supports capacity-building for environment through the twinning and TAIEX instruments. The EU's experience with environmental policy reform and with the design and implementation of policy instruments (especially in the newer Member States) can also be highly relevant for partner countries.

Adequate implementation of MEAs in partner countries includes integration of MEA action plans into national and regional development strategies through administrative and legislative reforms and capacity-building and adequate reporting. Because of the international dimension there is a strong case to use global and regional funding for such support. This has been done for example in the 9<sup>th</sup> EDF Intra-ACP MEA support project, which aims to reinforce institutional capacities in three regional organisations in ACP countries, in the ENPI East regional programmes and also through the ENTRP governance element.

In this context and for interested countries, advice and capacity building can also include areas such as market-based instruments or even Environmental Fiscal Reform (EFR) or green budgeting with the view to combine environmental, fiscal, economic and social advantages (e.g. by reducing subsidies for environmentally damaging measures and providing incentives for environmentally friendly ones).

## **3. Improvements in integration of environment into development policy**

Drawing on the objectives and key elements of environmental integration as endorsed in the European Consensus, as summarised above, but also learning lessons from the past, the implementation of the environment integration strategy is already becoming more effective and better attuned to the new context. This section outlines a few key examples of what is already being done.

### **3.1. Improvement of the knowledge base and better ownership**

Ownership of environmental programmes by recipient countries is weak and needs to be reinforced, for instance by systematically including environmental integration in the policy dialogue. It is important that partner countries take the lead in environmental assessments and studies. The incorporation of environmental policy quality into aid allocation criteria helps the dialogue process. Ownership is also enhanced by strengthening the knowledge base from which policies and programmes are developed, for example by better exploiting the findings of EC funded research projects, as well as the findings of key reports on environmental issues, such as the Stern review on climate change, the Sukhdev study on biodiversity and the Millennium Ecosystems Assessment. The provision of timely information is necessary not only to governments, but also to a wider group of stakeholders, including civil society, parliament and other relevant national institutions (universities, think tanks...). All of this increases policymakers' "effective demand" for environmental integration.

The Commission already carries out relevant analysis more systematically and endeavours to make environmental information more widely available to partner countries and in a manner directly

relevant to development cooperation. Environmental information, including studies that demonstrate the economic and financial value of ecosystems, as well as the costs of over-exploitation are also increasingly made available to decision makers and opinion formers in an understandable and easily accessible way.

#### **Examples:**

- Seeking opportunities to include environmental integration in the policy dialogue at country and regional level;
- Including environmental policy quality and implementation in aid allocation criteria;
- Identifying needs for additional studies on key subjects related to environment and climate change or on cross-cutting issues and use of market-based instruments;
- Sharing and discussing the findings of environmental assessments and reports with partner country administrations and other interested stakeholders;
- Strengthen the dissemination and exploitation of research results;
- Organising regional-level reviews of environmental policy quality as a way to create peer pressure for achieving better environmental integration.

### **3.2 Better use of tools for environmental integration and capacity-building**

To ensure that environmental concerns properly inform the policy dialogue and development cooperation programming, efforts should be continued, building on progress already made, to improve on the relevance of country and regional environmental profiles both in terms of contents and process. CEPs should be prepared– and updated regularly - in closer coordination with government services, EU Member States and other donors and in consultation with national stakeholders, who also play an important role in monitoring the process. Particular attention should be paid to incorporating findings into the country analysis and design of response strategies. CEPs should also address climate risks.

Lessons learned from the initial application of SEA in relation to sector support programmes should improve understanding of conditions under which SEAs can be more effective in influencing the formulation of development activities, with due regard to discussions on harmonisation within international forums. Ideally, SEAs are conducted and used by partner countries to help inform key decision-makers as new policies, plans and programs are being planned and implemented.

Within the European Commission the application of tools and methods<sup>19</sup> has been supported by the provision of guidance, ad hoc support<sup>20</sup> and an ambitious training programme targeted at staff involved in the programming and delivery of EC external cooperation, both from the Commission and cooperation countries<sup>21</sup>. Efforts to raise awareness and develop staff capacities should be continued and increased coordination within the EU and with other development partners should be promoted through regular exchanges and joint undertakings. Alongside work on environmental integration tools,

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<sup>19</sup> Including but not limited to CEPs, SEAs, EIAs

<sup>20</sup> Environment Integration Handbook ([integration.org/Download/Accueil/Environmental\\_Handbook.pdf](http://integration.org/Download/Accueil/Environmental_Handbook.pdf)) and **Environment Helpdesk**. The European Commission [Environment Integration Handbook](#) was adopted first published in 2006 as a practical reference document on environmental integration. It provides a thorough guidance for environment integration in development cooperation, and is shared with EU Member States. It is being updated to increase emphasis on climate change. Guidance has included notes highlighting main links with climate change in a number of cooperation sectors, with emphasis on possible adaptation options.

<sup>21</sup> More than 1500 staff were reached as a result of over 200 environmental integration seminars held overseas and in Brussels. These have also been open to participants from other locally-based development agencies and non governmental organisations.

continuous efforts are required to ensure that: 1) EU development operations, including those through multilateral channels are subject to scrutiny for environmental integration and 2) findings and agreed recommendations of environmental assessments are followed up in the cooperation cycle during the implementation of operations.

**Examples:**

- Improving the quality, relevance and use of environmental integration tools (CEP, SEA, EIA), giving consideration also to climate change, in close coordination with international forums such as OECD and further developing these tools jointly with Member States and in coordination with key multilateral and global actors (e.g. UNEP);
- Maintaining an (easily accessible) inventory of the application of EC mainstreaming tools;
- Improving collaboration between implementation agencies, different environment helpdesks or similar support structures of the EU and encourage effective application of tools possibly followed by (joint) training;
- Updating CEPs to address climate risks, in the frame of the Mid-Term Review of EC Country Strategies.

### 3.3. Improved mainstreaming environment in new development issues

Over the past few years several new issues have become prominent on the development agenda (good governance, conflict prevention, climate change) and some others have received a new impetus (food security). It is important that environmental integration continues to be applied also in these areas.

**Environmental governance** is an integral part of the good governance concept and policies, including strengthening the partner country's own capacity to deal with environmental issues. Under the EDF the Governance Profiles<sup>22</sup> are reviewed in order to better reflect the importance and diversity of environmental challenges. In the area of **human development**, emphasis is being placed on awareness-raising (including environmental education in a broad sense) and drawing attention to the importance of environmental health for poverty reduction, for example reducing indoor pollution resulting from cooking fuels.

Transparent, legal and equitable management of natural resources is important from a **conflict prevention** perspective. Accordingly, several initiatives have been developed such as the Conflict Resources Facility under the Instrument for Stability, whereby third countries can be offered assistance to ensure that natural resources are used and managed in a conflict-sensitive, legal, transparent and equitable manner for the benefit of communities rather than contributing to tensions, fuelling instability or financing conflict.

It is important to ensure that development cooperation supports partner countries in taking a low carbon development path, inter alia by undertaking relevant SEAs and EIAs or programmes and projects. In addition it is important to look into methodologies to ensure that the EU's development-oriented policies and activities account for climate risks and are resilient to the impacts of **climate change**. Adaptation to climate change can be integrated into activities across a number of areas like agricultural research for more suitable crop varieties, increasing resilience of ecosystems services by protecting biodiversity and combating land degradation, infrastructure to improve flood protection, health programmes to counteract the spread of diseases such as malaria to new zones. In partner countries, it is important that climate change issues are placed under a coordinating institution (e.g.

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<sup>22</sup> According to the ACP 10<sup>th</sup> EDF Programming Guidelines, a Governance Profile is to be prepared for each CSP. It currently includes 4 environmental indicators (FLEGT, EITI, Kimberley process and FAO code of conduct for fisheries) under the economic governance title.

Vice Presidents office, Ministry of Planning, rather than Ministry of Environment) given their increasing importance and also the increasing availability of funds for adaptation. The ongoing Mid-Term Review of the DCI Country and Regional Strategies identifies climate change as a primary priority for consideration. One climate change specific policy response of the Commission is the Global Climate Change Alliance (GCCA)<sup>23</sup> which, through deepening dialogue and increasing support promotes the integration of climate change into the development strategies of the most vulnerable countries, and aims to increasingly provide adaptation assistance through budget support.

The recent **food security** crisis underlined the need to revitalise investments in the agricultural sector, a strategy which must be designed with long-term environmental sustainability in mind. While it is clear that short-term actions are needed in order to provide a fast response to the most pressing needs, it is also clear that no lasting solution can be found without a shift towards more sustainable agricultural production systems. Sustainable management of land and water, lower dependence on costly external inputs, higher diversification of production adapted to local conditions, are some of the environmental aspects to be taken into account in the agricultural sector.

A final new element is the current financial and economic crises, which is confirming the need to re-orient the global economy towards efficient and clean technologies and 'natural' infrastructure as the best bet for growth, while at the same time combating climate change. For instance by proper valuation of ecological services, employment generation through green jobs, and designing policies, instruments and market signals to accelerate the transition, while not re-igniting the old 'brown' economy but, rather, moving to a greener and more sustainable economy. A revised environment integration approach can contribute to this goal (see also UNEP proposals for a "Global Green New Deal"<sup>24</sup>) by helping developing countries in pursuing a more sustainable economic growth path.

#### **Examples:**

- Better reflecting environment and natural resources issues in the governance profile;
- Better addressing health-environment issues strongly affecting the poor;
- Exploiting synergies between equitable and sustainable natural resources management and conflict prevention policies;
- Supporting climate integration in development cooperation through the use of climate risk screening and assessment tools and by incorporating climate risks into SEA and EIA methodologies;
- Ensuring that food security response strategy duly reflects long-term environmental sustainability;
- Contributing towards a "greener global economy".

### **3.4. Integrating environmental issues in budget support**

As a means to disburse financial assistance, budget support, which has become a major delivery mechanism for the Commission, offers many advantages. Improvement is still possible, however, in terms of integrating environmental issues in budget support. Policy dialogue on budget support should systematically include environment, building on the objectives and indicators (environment, natural resources management and climate change) set forth in the government's reform program and also looking at the level of integration of MEA action plans with the national development policy.

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<sup>23</sup> Building a Global Climate Change Alliance between the EU and poor developing countries most vulnerable to climate change. COM (2007) 540 of 18.9.2007

<sup>24</sup> <http://www.unep.org/greeneconomy/>

Typically the dialogue will also address the links between environment and the more limited number of key performance indicators agreed between government and providers of budget support (e.g. agricultural growth, health). It is important to support and inform the PRSP process so that policy makers have sufficient information on to what extent environment and climate change constitutes a constraint/opportunity to the reform program and the extent to which the program contributes to an improvement in the quality of ecosystem services needed for future poverty reduction.. All sector budget support programmes should be screened to determine whether an SEA is needed and options to undertake joint SEAs should be carefully analysed. The integration of the findings of the SEA in the sector strategy should be ensured and the SEA should provide guidance on environmental indicators, in order to keep track of the country's performance, even if they are not taken up at the level of conditionality. Specific environmental measures such as new regulations or standards can be promoted within a wider macroeconomic programme, and environmental issues should be included in Public Expenditure Reviews.

Environment and natural resources programmes including coping with climate change can also be implemented as such in the form of sector budget support, inter alia through promoting environmental fiscal reform as well as other environmental policies as the main thrust of the programme.

Further analysis is needed to develop sound practical approaches on this subject. Integration of the environment in sector or general budget support presupposes the continued raising of the profile of environmental policy issues as outlined above.

**Examples:**

- Including environmental integration in the policy dialogue in countries benefiting from budget support.
- Increasing use of Strategic Environmental Assessments to identify how environmental issues can be mainstreamed and addressed in budget support.
- Identifying key entry points for addressing environmental issues in budget support, including through environmental indicators, monitoring systems, and performance reviews;
- Promoting environmental fiscal reform as a component of general budget support and the inclusion of environmental issues in Public Expenditure Reviews.
- Strengthening local capacities to undertake Strategic Environmental Assessments, Public Expenditure Reviews and Environmental Fiscal Reform

**3.5. Improving monitoring, evaluation and reporting**

Reporting on environmental issues has improved, but there is still need for further improvement through specific monitoring and reporting actions and by increasingly making project-monitoring systems more suitable for internal and external reporting on environment and natural resources issues.

**External indicators** for the environmental integration are based on the sustainable development indicators as agreed at various international levels<sup>25</sup>. This includes progress with respect to MDG7 (the number of countries implementing sustainable development strategies etc) based upon monitoring reports prepared by the United Nations system as well as other environmental indicators agreed by the international community in the framework of MEAs (for example: number of protected areas, rate of deforestation and land degradation). The Observatory for Sustainable Development of the Joint Research Centre will also be used. **Internal indicators** will relate to relevance and types of environmental outcomes in country and regional cooperation strategies and may include the number

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<sup>25</sup> See for instance OECD/DAC, Eurostat, EEA, CSD

and quality of environmental assessments as well as other types of integration measures at the level of projects and programmes. Indicators will also relate to funding levels for environment and natural resources programmes and projects.

Improved reporting is also key to external environmental policy planning, where updated information is frequently needed on EC support for specific environmental matters. Multilateral Environmental Agreements often contain obligations to report on support given to developing countries. Environmental issues are interrelated and partially overlapping, requiring a move from an ad hoc approach towards a comprehensive set-up covering the full environmental spectrum, while identifying sub-themes such as climate change, biodiversity, desertification, deforestation and handling of waste and pollution. The OECD/DAC (Development Assistance Committee) is the best forum in which to develop such an approach involving not only the Community, but also other donors/agencies, as they are already working on a better reflection of environmental issues in its creditor reporting system, including via the Rio markers as well as work on an adaptation marker.

**Examples:**

- Strengthening project monitoring systems to make them more suitable for internal and external reporting on progress made in integrating environment and sustainable natural resources management;
- Refining methodology and indicators to enable the monitoring of progress in environmental integration;
- Working towards a more comprehensive and comparable environmental reporting system that contains consistent information for all the main subthemes;
- Collaborating, within the DAC, to agree on improvements to the environmental reporting system that would be applied by all the donors, including a climate adaptation marker.

### **3.6. Better coordination and division of labour**

In the spirit of the 2005 Paris Declaration on Aid Effectiveness and the 2007 EU Code of Conduct on Division of Labour<sup>26</sup>, the new concepts of lead donor and delegated cooperation<sup>27</sup> also apply in the environmental area. This enables EU donors to effectively divide the work and at the same time deepen the focus of their activities. The new ‘delegated cooperation’ structure should lead to a stronger and more visible EU identity in the area of environment, including safeguards to ensure for example that no priority sector, including environment, is left without an EU lead donor.

With its agreed Code of Conduct, the EU can achieve a more effective division of labour at country level, based on comparative advantages for each of the cooperation areas. Other institutionalised co-ordination mechanisms between donors and with partner governments are crucial to promote accountability for national policies and a continuous commitment to coordination. Strengthening the role and leadership of the partner countries is of key importance, and here Joint Assistance Strategies (JAS) have proved to be a valuable mechanism for advancing these critical policy issues as development priorities. Studies are best carried out jointly with partner countries, and need to be aligned with country processes like the PRSP revision, development of sector programmes etc. Better cooperation and coordination includes not only Member States, but also agencies such as the World Bank, UNEP and UNDP, and civil society. There are indeed a number of important international processes for which a strong and coherent EU input will be crucial to achieve ambitious outcomes,

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<sup>26</sup> [EU Code of Conduct on Division of labour in Development Policy](#) COM(2007) 72 of 28.2.2007

<sup>27</sup> Delegated cooperation is a practical arrangement where one donor (a “lead” donor) acts with authority on behalf of one or more other donors (the “delegating” donors or “silent partners”)

such as the MDG reviews in 2010 and 2015, the follow-up of Climate change Copenhagen conference or the work on a Green New Deal.

More structured coordination is being developed, within the European Commission, between research departments (RTD, JRC) and those involved in programming and implementing development assistance (RELEX, DEV, AIDCO) and environment policies (ENV).

Synergy and complementarity is required, avoiding overlap between EC- or Member State financed-activities under the [Joint EU-Africa Strategy](#) (with a partnership on climate change and desertification) and the [EU-Africa Infrastructure Partnership](#) (need for environmental assessments). Furthermore, the dedicated initiatives/programmes/plans<sup>28</sup> launched to deal with specific environmental issues at global /regional /local levels add to the effort to move the environment and development agenda forward in close coordination between the European Commission and Member States.

Besides delivering better EU-wide coordination, both at headquarters and in the field, and encouraging more systematic interaction between different networks, stronger coordination is being developed with other partners (including donors, partner country administrations, non-state actors, etc.) at all relevant levels. Small grant schemes are used to provide adequate support to capacity-building and participation of small and medium size civil society organisations in order to facilitate their involvement in the process. Member States' policies and strategies aimed at integrating environmental issues in the development field also show many similarities that can be built upon.

#### **Examples:**

- Coordinating EU positions on environmental issues and speaking with one voice vis-à-vis development partners (administration, non-state actors, other donors including the UN system and Multilateral Development Banks);
- Establishing a regular exchange mechanism between the Commission and EU Member States agencies on environmental integration focusing inter alia on:
  - Joint use and peer review of mainstreaming tools (CEPs, SEAs, EIAs) as well as joint analytical work;
  - Joint training on environmental integration and on specific environmental themes, interlinking of websites.

#### **4. Practical follow-up**

An expert group on environment integration in development policy has been established: to support the work on improved mainstreaming, to share lessons and to improve reporting. This group comprises the Commission and Member States as well as civil society organisations working on environmental issues in developing countries. It will look in more detail at ongoing improvements and will examine how to reflect or develop the presentation of a proposal for a joint EC-Member State Environment Integration Strategy by the end of 2011. Such a revised strategy would feed amongst others into the main processes relevant to this subject such as the next programming period for EU development cooperation, the review of the MDGs and the Conferences of the Parties of a number of key environmental conventions such as UNFCCC, UNCCD and UNCBD.

During 2009, the expert group will develop a work programme listing deliverables and responsibilities. It will also help to prepare and coordinate EU positions in international fora such as OECD/DAC and with UNEP and World Bank. The expert group's reports will be passed to the Council Working Party on Development. There will be regular information exchange and discussion with delegations and field offices.

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<sup>28</sup> See page 3

## List of Acronyms

ACP	Africa – Caribbean – Pacific
CEP	Country Environment Profile
CSD	Commission for Sustainable Development
CSP	Country Strategy Paper
DAC	Development Assistance Committee
DCI	Development Cooperation Instrument
EDF	European Development Fund
EC	European Community
EEA	European Environmental Agency
EIA	Environmental Impact Assessment
EITI	Extractive Industries Transparency Initiative
ENPI	European Neighbourhood Policy Instrument
ENRTP	Environment and Natural Resources Thematic Programme
EUEI	European Union Energy Initiative
EUWI	European Union Water Initiative
FLEGT	Forest Law Enforcement, Governance and Trade
GCCA	Global Climate Change Alliance
IEA	International Energy Agency
IFI	International Financial Institution
IPA	Pre-Accession Instrument
JRC	Joint Research Centre
MEA	Multilateral Environmental Agreement
MDG	Millennium Development Goals
MTR	Mid Term Review
NIP	National Indicative Programme
OECD	Organisation for Economic Cooperation and Development
PES	Payments for Environmental Services
PRSP	Poverty Reduction Strategy Paper
RTD	Directorate General for Research
SEA	Strategic Environmental Assessment
TAIEX	Technical Assistance Information Exchange Unit
TEEB	The Economics of Ecosystems and Biodiversity
UNFCCC	United Nations Framework Convention on Climate Change
UNDP	United Nations Development Program
UNEP	United Nations Environmental Programme
VPA	Voluntary Partnership Agreements