



Defining scope of SEAs: particularities of EU development cooperation

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Introduction

Systematic integration of environment and climate change is an obligation under the EU policy framework, in line with Article 11 of the Treaty on the Functioning of the European Union. It is also a priority of the [European Consensus on Development \(2017\)](#) and the 2030 Agenda for Sustainable Development, which the EU is committed to implement. Strategic Environmental Assessment (SEA) is one of the tools available to the European Commission's (EC) Directorate General for International Cooperation and Development (DEVCO) to bring about the integration of environment and climate change.

There is no standard SEA approach in EU development cooperation. SEA is used under different circumstances, and for this reason the approach and scope of each SEA needs to be carefully determined on a case-by-case basis. This paper examines the different cases when SEA can be used in EU development cooperation and provides an overview of success factors and challenges.

Application of SEA in EU development cooperation

Before entering into details we clarify some particularities of the SEA approach adopted by DEVCO:

- SEA findings normally target the EU delegation (to inform its development cooperation programme or strategy) as well as the partner government (to enhance its sector policy/strategies). Both sets of recommendations must be clearly identified. Recommendations that are related to the improvement of government policy can be also picked up by the EU delegation to be addressed with the partner government via policy dialogue.
- SEAs are concerned not only with the potential impacts on the environment associated to the implementation of a policy or strategy, but also examine the extent to which sector policies and strategies (including EU support programmes) are providing an adequate response to the challenges faced by the sector arising from the degradation of ecosystems as well as from climate change. For example, if the performance of the agriculture sector is highly affected by soil erosion and/or climate change, an SEA should be able to identify if the sector strategy adequately addresses land

degradation issues and promotes climate resilient farming practices.

We can distinguish four general cases in which SEA has application in EU development cooperation:

1. When providing budget support.
2. When providing extensive support to an environment- or climate-sensitive sector (e.g. supporting the implementation of a broad range of actions contained in a sector development strategy).
3. When supporting the development or update of a sector policy or strategy.
4. When supporting large-scale investments, together with other donors and financial institutions.

We briefly examine the application of SEA in each of the above cases.

Budget support

An SEA is always recommended when providing budget support to an environment- or climate-sensitive sector (e.g. agriculture, rural development, infrastructure, transport, energy, water & sanitation, private sector development).

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One of the eligibility criteria for a country to access budget support is to have a sound sector strategy. SEA can be used as a tool to ensure the EU is supporting the implementation of a sector strategy that is sound from an environmental and climate change perspective.

SEAs have been used to inform the preparation of EU sector budget support strategies, including the identification of performance indicators (e.g. one of the findings of the SEA of the sugar sector adaptation strategy in Mauritius was the identification of an environmental performance indicator linked to the release of the budget support variable tranches).

One of the shortcomings on the use of SEA in budget support is that the SEA gets triggered when a government sector strategy has already been prepared, limiting the opportunities to influence sector policy. This happens because, for the partner government to qualify for sector budget support, they must show to have a sector strategy (that will be supported by the EU).

This shortcoming may seem to be inherent to the use of SEA in budget support, but this doesn't necessarily have to be the case. The possibility of providing budget support normally arises as part of the policy dialogue between the EU and the partner government, and thus an SEA can already be foreseen as part of the preparatory activities leading to an environmentally-integrated sector strategy. For example, the SEA for the agriculture sector in Rwanda was prepared as part of the government's revision of its agriculture sector strategy, and thus it informed both that process as well as the future formulation of the corresponding EU budget support strategy.

When dealing with budget support in environmentally-sensitive sectors it is encouraged that EU delegations

promote an SEA when the government has expressed an interest to receive budget support from the EU. Preparation of such SEAs should ideally be already foreseen in the programming documents (e.g. Multiannual Indicative Programmes and Regional Indicative Programmes). The next programming will cover the 2021-2027 period.

Extensive support to an environment- or climate-sensitive sector

Even if budget support is not used as an aid delivery modality, in some instances the EU provides very broad support to a sector including, e.g. interventions on the field, capacity development, support to policy-making, to the revision of regulatory frameworks and to governance structures. Such support is necessarily aligned to a government's sector strategy.

In such cases, SEA can be useful to influence both the formulation of the EU support strategy as well as the formulation/revision of the government's sector strategy. As for budget support, EU delegations are encouraged to promote early SEAs as part of policy dialogue when extensive support to an environmentally-sensitive sector is envisaged. When possible, SEAs should be promoted as part of the policy-making and strategic planning processes.

Depending on the timing the scope of the SEA needs to be adapted. For example, if the sector strategy is already in place, the SEA may focus more on influencing the design of the EU support strategy or even on feeding into the policy dialogue and programming for the next development cooperation period.

For example, the SEA for the fisheries and aquaculture sector in Cambodia focused on informing the design of the fisheries component of the EU support programme,

which was in the process of being formulated; in addition, recommendations were also addressed to the Government in relation to their sector policies. In the case of the SEA for the rural development sector in Timor-Leste, the SEA focused on enhancing the EU's support strategy to the sector, including the approach to be promoted under the next programming period; engagement with national stakeholders was fundamental and allowed to bring to light key environmental concerns in the sector that are expected to influence national policy making.

Supporting the development or update of a sector policy or strategy

Often EU projects support the development or update of a sector strategy. In this case it is recommended to include SEA as an integral component of the policy-making or strategic planning process. For example, the EU support to the urban planning sector in Haiti will include either an SEA or SEA elements in the formulation of Haiti's urban development policy, as well as in the formulation of urban plans. In these cases SEA takes place as part of project implementation.

Support to large-scale investments

The EU is increasingly supporting large-scale infrastructure through the use of blended finance. The support to investments is expected to increase significantly under the upcoming Neighbourhood Development and International Cooperation Instrument (NDICI) that will be the basis for EU international cooperation and development for the 2021-2027 period.

The EU contributes funds that have a leverage effect and allow investments to be financed. This can take the form of e.g. investment grants and interest rate subsidies (that reduce the initial investment and overall project costs for the partner country), technical assistance (ensuring quality, efficiency and sustainability of a project), risk capital (attracting additional financing) and guarantees (unlocking financing for development by reducing risk).

Despite blended finance by the EU is supporting infrastructure projects that clearly have environmental and climate change objectives (e.g. renewable energy, water & sanitation), this may not be the case for other projects such as roads or hydroelectric developments. As highlighted by the 2018 [New Climate Economy Report](#) of the Global Commission on the Economy and Climate, large-scale infrastructure projects have the potential to lock countries into carbon intensive or environmentally unsustainable infrastructure that will be in place for the coming decades. For this reason it is important to carefully examine the project pipelines and ensure their alignment to environmental sustainability and climate objectives. This is an issue that has been recently highlighted in reports by e.g. OECD, UN Environment and the World Bank.^{1,2}

When investments are financed in EU member states, infrastructure pipelines normally stem from environmentally-integrated sector strategies, as these

would have been subject to an SEA under the SEA Directive.³ In the case of finance to infrastructure projects outside EU member states the SEA directive is not applicable. SEAs can be promoted amongst partner governments, together with the relevant financial institutions, as a way to align project pipelines to sector strategies that have integrated environment and climate change concerns. SEA has not yet been used by the EU in the context of investments, and is an opportunity to be further explored.

Key considerations for SEA in EU development cooperation and related guidance

Experience in the use of SEA in EU development cooperation has identified a number of lessons learnt. Amongst these we can highlight the importance of building ownership of the SEA process by national authorities. In this context it is now becoming standard practice for EU delegations to engage with national partners at an early stage to build a common understanding of the SEA process and its objectives.

Emphasis is also placed in highlighting that, in addition to the SEA findings, the SEA process itself always brings benefits in terms of e.g. bringing to the surface and opening up debate amongst stakeholders on key environmental and climate change issues related to sector development. Sometimes issues that were not part of the original scope of the SEA gain government acceptance and are brought into discussions for policy-making and strategic planning processes.

These and other lessons learnt on the use of SEA in EU development cooperation have been synthesised into a number of tips to EU staff involved in promoting SEAs: [Strategic Environmental Assessment in EU development cooperation – A handful of tips to get it right!](#) Other lessons identified by SEA practitioners on the use of SEA in development cooperation were shared in an SEA Community of Practice discussion forum held in the [Environment, Climate Change and Green Economy public group of capacity4dev.com](#). These have been synthesised in the document [Strategic Environmental Assessment \(SEA\) Community of Practice Discussion Forum](#) (2018).

The [Guidelines for integration of environment and climate change in international development and cooperation](#) (2016) include an environmental screening process to help decide on the convenience or preparing an SEA. It also provides model ToR for an SEA.

1. OECD (2018) Developing robust Project pipelines for low-carbon infrastructure.
2. OECD/The World Bank/UN Environment (2018), Financing Climate Futures: Rethinking Infrastructure, OECD Publishing, Paris, <https://doi.org/10.1787/9789264308114-en>.
3. Directive 2001/42/EC on the assessment of the effects of certain plans and programmes on the environment.