

## SEA in European Commission (EC) development cooperation

### The experience and contribution of AGRECO

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### IAIA Conference – SEA Implementation and Practice: Making an Impact?

21-23 September, 2011 – Prague

Strategic Environmental Assessment (SEA) in the context of European Commission (EC) development cooperation started to develop in 2006, under the technical assistance of the former *Helpdesk for Environmental Integration in EC Development Cooperation*. After five years of applying this environmental mainstreaming instrument, important lessons have been learnt. **AGRECO**, a Belgium-based firm, has been involved in the development and application of SEA in the context of EC development cooperation from its very inception.

This paper presents an overview of the evolution of SEA in the context of EC development cooperation, and draws some lessons for good practice. Findings are based on the experience accumulated by AGRECO over the last five years.

### Policy Background

Over the years the EC has been increasingly committing to mainstream the environment in all its areas of competence and action. This commitment is reflected at the highest policy level. The Preamble to the Treaty on European Union (EU Treaty) includes a commitment to sustainable development; it also recognises sustainable development as a focus of the Union, both within the EU and beyond its borders (Art. 3.3 and 3.5 respectively).

The EC Treaty (Treaty on the Functioning of the European Union) sets out the role of environmental integration in promoting sustainable development (Art. 11). It also sets out the promotion of sustainable development of developing countries, “with the primary aim of eradicating poverty”. The *Renewed EU Sustainable Development Strategy* (June, 2006) called for the EU to promote sustainable

development worldwide, and to ensure that the EU’s internal and external policies are consistent with global sustainable development.

Various policy documents reflect these high-level policy commitments in development cooperation specific policy. Amongst these we can draw attention to the 2001 *Strategy on Integrating the Environment into EC Economic and Development Cooperation* and the 2005 *European Consensus on Development*, which explicitly recognises the links between development and environment, and highlights the need for a “strengthened approach to mainstreaming of cross cutting issues”, making “systematic and strategic use of all resources” available to this effect.

In this context, SEA has been promoted as a key tool for environmental integration. The *European Consensus on Development* calls for carrying out SEAs on a systematic basis, including in relation to budget and sector aid. SEA is also referred to explicitly in the *Instrument for Development Cooperation* (DCI, adopted in 2007), which requires environmental screening and impact assessments to be undertaken as appropriate for project- and sector-level interventions.

Finally it is relevant to recall the 2005 *Paris Declaration on Aid Effectiveness*, under which the major donors have committed to harmonising approaches on environmental assessment, including on SEA.

### Fleshing-out the policy commitments

By 2005 a significant body of policy commitments towards environmental mainstreaming in EC development cooperation were in existence, but little had been done towards their instrumentalisation. It was high time to develop and fine-tune the tools, methods and procedures needed to translate commitments into practice.

In April 2004 AGRECO, under AIDCO contract, was given the task to set up and coordinate the **Helpdesk for Environmental Integration in EC Development Cooperation** (HDE), and which was in operation until its dismantlement in December 2009. The objective of this helpdesk was to aid the EC in the instrumentalisation of the policy commitments for environmental integration in development cooperation. This was done through three main lines of action: (1) preparation of *Guidelines on the Integration of Environment and Climate Change in*

*Development Cooperation*<sup>1</sup>, which implied the development of appropriate tools and methods for environmental integration, including an approach to SEA (described below); (2) training of EC staff on environmental integration and on the use of the Guidelines; and (3) Helpdesk services to EC staff.

## **The approach to SEA in EC development cooperation**

Unlike its cousin tool – EIA – there are no standard approaches or procedures for SEA. The best approach will be that which fits better to the context in which it is to be applied. In the case of EC development cooperation there are two aid delivery modalities where SEA offers an opportunity to enhance the degree of environmental integration: the *sector-wide approach* and *general budget support* (GBS). SEA is explained below for these two aid delivery modalities.

We would like to introduce here a brief note to point out that, in line with the Paris Declaration on aid effectiveness, *the EC is increasingly shifting its aid away from the traditional project approach (where EIA is a more relevant tool) towards a sector approach and general budget support; thus SEA is becoming increasingly more important for environmental integration.*

### **SEA under the sector-wide approach**

Sector-wide approach is used to support the implementation of a government's sector strategy. Such support can be given using a mix of mechanisms, as deemed fit, and which could include, for example: sector budget support (SBS), contributing to a basket fund (or common pool fund) or providing technical assistance<sup>2</sup>. The way the support will be given is set forth in the form of a Sector Policy Support Programme (SPSP).

An SPSP will indicate, *inter alia*, things such as the particular aspects of the government's sector strategy that will be supported, the indicators used for measuring progress (especially if sector budget support is used), the budget allocated and the mechanisms used for disbursement.

It is important to understand the nature of **budget support** (be it sectoral or general), as EC aid is increasingly relying on it. In a

nutshell, under budget support the financial resources are transferred to the national treasury, and the donor has no control over how these resources are managed. This approach is in line with the commitment to alignment set out in the Paris Declaration (basically, allow the government to implement its development strategy according to its own procedures). Performance indicators are, however, agreed between the EC and the government, and established in the form of a Performance Assessment Framework (PAF). In this way, the donor is not interested in how the financial resources are managed, but wants to ensure progress is made on key indicators.

Indicators may be linked to fixed tranches (i.e. if the objective associated to the indicator is not met, the tranche cannot be disbursed) or to variable tranches (i.e. a percentage of the tranche money is disbursed according to the degree to which the objectives associated to the agreed indicators are met). Thus, selection of appropriate indicators becomes key in the use of budget support.

*Where does SEA come in, then?*

The government strategy to be supported through the SPSP may produce significant impacts on the environment. This could occur because it generates new impacts, or because it fails to address current negative trends.

SEA is used by the EC to measure the potential environmental impacts associated to the sector strategy in order to provide recommendations both to the EC and to the partner government:

- Recommendations to the EC on how the SPSP should be drafted so as to minimise adverse environmental impacts and optimise positive environmental effects; and
- Recommendations to the government on how their sector strategy could be modified so as to enhance its environmental performance.

Some examples from actual practical implementation of SEA are given below.

### **SEA in the context of General Budget Support (GBS)**

The nature of budget support was explained above for the case of sector budget support. General Budget Support (GBS) follows the same logic. The only difference is that, under GBS it is the implementation of a national development strategy (or equivalent policy) that is being supported, and that the indicators are of a more general nature (in the case of sector budget support, the performance indicators should only be related to the sector being supported).

<sup>1</sup> The first edition was produced in 2006 under the title of "Manual for Environmental Integration in EC Development cooperation". The current version is of 2009.

<sup>2</sup> Although the aid delivery modality allows also to include specific projects as part of the aid delivery strategy, this is normally discouraged.

*If all the donor is doing is transferring funds to the national treasure and measuring improvement in a set of indicators, how can SEA be applicable under this aid delivery modality?*

Actually the donor is supporting the implementation of a national development strategy, which could be environmentally sensitive. These impacts could be reduced by adapting the national strategy (recommendations to the government) and also by introducing appropriate safeguards in the GBS Programme (e.g. selection of performance indicators). This is the purpose of an SEA for GBS in the context of EC development cooperation.

### Setting the ground for SEA in EC development cooperation

AGRECO, being in charge of the *Helpdesk for Environmental Integration in EC Development Cooperation* (2004-2010), was involved in the following key activities for the development of SEA in the EC:

- Development of the SEA approach, including the *SEA screening* procedure and the model ToR for SEAs;
- Representation of AIDCO in the OECD DAC SEA Task Team;
- Training of EC staff on SEA;
- Assistance in the launch of the first pilot SEA in the context of EC development cooperation: SEA of the Maldives' national development strategy (2006);
- Assistance to AIDCO in the follow-up and review of early SEAs;
- Development a framework for assessment of SEA effectiveness in the context of EC development cooperation.

### Implementation of the SEA approach

The use of SEA has not yet become as widespread in EC development cooperation as we initially thought; however there is no doubt that the numbers are increasing.

AGRECO implemented some of the early SEAs, which have been key to the identification of good practices, and which focused mainly on sugar sector reform strategies<sup>3</sup>:

<sup>3</sup> Other sugar sector SEAs have been carried out in Belize, Trinidad and Tobago, Fiji, Tanzania, Swaziland, Congo, Madagascar and Malawi.

- SEA of the Multi-annual Adaptation Strategy for the Mauritian Sugar cane cluster (2006);
- SEA of the implementation of the Multi-annual Adaptation Strategy (sugar) 2006-2015 of Jamaica (2009);
- SEA of the Sugar Sector in Zambia (2010).

### Guidance and promotion of SEA

Apart from the actual implementation of SEAs, AGRECO has been involved in the development of guidance for the application of SEA, as well as in the development of SEA systems.

Guidance for SEA was developed for the context of **EU Overseas Countries and Territories (OCTs)**<sup>4</sup> (2009). This guidance responds to specific challenges in the EU, i.e. how to define the approach for SEA in OCTs which are dispersed world-wide, extending from the tropics to the polar regions, including the world's largest island (Greenland) and the tiny territory of Pitcairn (47 km<sup>2</sup>).

An approach to SEA and associated guidance was also developed and adapted to the specific context of the **tourism sector in the south-west Indian Ocean** (2008). This included an initial scoping study of the environmental impacts associated to coastal tourism in the countries concerned<sup>5</sup>, and the development of model ToR for SEAs, with country-specific guidance. This product was developed as part of a wider programme for the sustainable development of coastal areas in the south-west Indian Ocean, under the Indian Ocean Commission (IOC).

AGRECO is also helping develop the **national SEA system in Chile**; this is an on-going process that began in 2009. AGRECO has been involved in the initial stages of this process, including the definition of the SEA approach, the drafting of the SEA legislation and official guidance, and the preparation of a pilot case study for regional development in Aysén (southern Chile).

<sup>4</sup> *Manual on good practice of Environmental Impact Assessment and Strategic Environmental Assessment in the EU Overseas Countries and Territories* (2009).

<sup>5</sup> These are: Mauritius (including Rodrigues), Comoros, Madagascar, Tanzania, Zanzibar, Kenya, Seychelles and Reunion (France).

## **Lessons learned from the implementation of the EC approach to SEA (development cooperation)**

AGRECO has been involved both in carrying out SEAs in the context of EC development cooperation, as well as in providing assistance to AIDCO in the follow-up of some other SEAs. Through this involvement we can distil lessons for good practices and to avoid stumbling blocks. We keep in mind the end purpose of SEA, i.e. the enhancement of the environmental performance of policies, plans and programmes, and not the faithful reproduction of specific procedures (which must always be adapted to the country- and sector- specific context).

The key lessons identified are described below, for the benefit of future SEAs and future revisions of the SEA approach.

### **1. Highlight the importance of a good scoping**

The SEA approach in EC development cooperation consists of a scoping phase and an SEA Study phase. The scoping phase has proved extremely useful to identify the key environmental aspects related to the sector and sector strategy. This has allowed focusing the SEA Study on those aspects that are really important.

As well, the scoping stage offers the EC delegation a good control point, to ensure the SEA is on track and responding to expectations. In at least one case<sup>6</sup> the SEA was allowed to reach the draft SEA Study report phase, when it was clear from the scoping report (if anyone would have taken care to review it carefully) that there was a complete misunderstanding by the consultants on what the SEA was to achieve.

### **2. Adapt the ToR, but don't try to advance conclusions**

The EC staff in charge of preparing ToR for SEAs obviously have a relatively detailed understanding of the challenges for the sector. It is thus tempting to advance long-lists of 'key issues' that should be assessed in the SEA Study. However, this undermines the role of scoping.

It is encouraged that EC staff suggest what the key issues may be, but it is best to allow the SEA process (in its scoping phase) to identify and validate, through a participative process,

<sup>6</sup> The particular SEAs for bad practice examples are not cited, as the intention of this paper is not to pinpoint responsibilities of particular EC delegations or consulting firms.

the key aspects that should be the focus of the SEA Study. Otherwise there is a risk on 'having' to focus on a long list of issues pre-perceived as key, in detriment of other issues which may prove to be more important.

### **3. Stick to key issues and prioritise them**

This may sound like we are reiterating the previous points, but it is worth doing so.

A sector policy (or plan, or strategy), especially if it is an environmentally sensitive one (e.g. rural development, agriculture, energy), necessarily has enormous amounts of interactions with the environment. This is more so when some so-called 'sectors' turn out to be 'multi-sectors'. See the example of the 'sugar sector' in various countries: it often consists of actions relating to agriculture (growth of sugar cane and diversification to other crops), energy (production and commercialisation of biofuels), transport (improvement of roads), water management (irrigation schemes), and rural development (promotion of out-grower schemes).

Exploring in detail all possible environment-sector interactions is not possible in the framework of an SEA. Not only that, but it also dilutes and draws attention away from the most important aspects (due to the environmental risks involved). Key issues can then be prioritised.

The scoping phase should be used to identify and validate the key environmental issues, on which the SEA Study should focus. Thus it becomes extremely important to ensure the scoping phase is highly participatory, and that the EC delegation and relevant government staff closely follow (and validate) this phase.

### **4. Don't limit the focus on 'potential environmental impacts'...look also around you, and take a glance at the past**

SEA in EC development cooperation has tended to emphasise the assessment of potential environmental impacts. This means: what undesired environmental effects can we expect from implementing the policy/strategy in question?

There is nothing wrong with this. However, key environmental aspects are not only associated to the effects (impacts) of new actions or policies; they are also associated to current impacts which are not being addressed by the policy/strategy.

We thus recommend to start by looking at what are the current environmental aspects in the sector. The key questions for analysis thus become: is the policy/strategy addressing the current challenges? Is the implementation of

the policy/strategy likely to create new impacts?

The model ToR for SEA, as they now stand provide the more limited focus for SEA (impact-oriented). A revision towards a more open approach would thus be desirable.

### **5. Early application of SEA / early- and on-going awareness raising**

It has become a mantra of SEA theorists that SEA should start as early as possible in the policy-making/planning process. We will not contradict this mantra; we actually re-emphasise it. Nevertheless, the nature of SEA in EC development cooperation poses a particular situation where too early use of SEA is difficult to achieve. Let us explain.

EC support to a sector is triggered because the partner government requests such support from the EC. To qualify for sector support, one of the conditions is that the government has a sound sector strategy in place.

Procedures are never black and white, but in a strict sense, this means that the EC can only trigger an SEA once the relevant strategy has already been completed. So much for an early SEA!

This leads us to two observations:

(1) we can make the best possible out of this (limited) situation, and practice has shown that if there is political will (from the government and the EC) to enhance the environmental performance of the sector, then significant improvements can be made; and

(2) we can suggest ways to achieve earlier SEAs (we touch on this below).

The key message we want to highlight is: *the EC delegation and the partner government should trigger SEAs because they are convinced that it will enhance the environmental performance of the sector in question.* This necessarily implies a relatively high level of awareness about SEA, including its benefits and how it should be implemented (apart, of course, of being aware of the importance of the environmental dimension for sector development).

Unfortunately this is not always the case, as sometimes SEAs are triggered only in response to an obligation imposed from Headquarters. Let us repeat: *if the partner government and the EC delegation are not aware and convinced of the benefits of an SEA (and do not have a clear idea as to what to expect from an SEA), then it is very likely that the process will prove futile.*

Prior to the launch of an SEA process for the Zambia National Sugar Strategy (ZNSS), the EC delegation organised a workshop with participation of key stakeholders, and aimed at drafting the ToR for the SEA. This allowed raising awareness of SEA and what to expect from it; and building ownership from both the EC staff, the partner government and key stakeholders.

On-going training on SEA of staff from the EC and partner governments is highly recommended, as well as the setting up of dedicated fora for dissemination and sharing of experiences.

### **6. Close involvement of key government stakeholders**

According to the Guidelines for Environmental Integration, SEAs are led by the EC, and their primary objective is to inform the EC on how their SPSP can better address environmental concerns. Recommendations are channelled to the partner government through the policy dialogue.

Happily the general understanding of SEA by EC staff is increasingly one where the SEA is 'owned' both by the partner government and the EC. And so it should be.

Unfortunately this understanding is often reflected on paper only and the degree of 'ownership' by the government remains very limited.

This situation can lead to a series of undesired situations, such as a feeling that the environmental safeguards are imposed by the EC, limited involvement of government experts, limited access to key information and, eventually, limited effectiveness of SEAs.

We must thus emphasise again the importance of awareness raising on the SEA process amongst the partner government, and highlight the importance of developing a joint strategy and approach towards SEA. Some positive experiences can be discerned in this sense (e.g. in relation to the SEAs for the sugar sector in Zambia and Swaziland).

Closer involvement from the partner government should be seen in the key stages in the management of the SEA process: preparing ToR, selection of consultants, review of key reports, and follow-up of the recommendations.

However it would also be positive to see other type of involvement, such as the integration of staff from the competent authorities (e.g. environmental or sector) in the SEA team.

## 7. Public participation

Another of the mantras of SEA good practice is that SEA should be a participatory process. Again, we emphasise this point.

We will not dwell into the numerous advantages of public participation, but we do want to remind the reader that key environmental aspects can only be identified and validated if it is with the input of all key stakeholders. Likewise, participation is also the only way to legitimise an SEA process.

Public participation is key to ensure a wider ownership of the process, as well as to secure the support that may be needed for the implementation of follow-up actions.

In our experience, participatory workshops (with a wide range of stakeholders) have proved absolutely necessary to validate the key issues identified, and define the focus of the SEA Study. These workshops also build stakeholder ownership and also help smooth-out the rest of the process, building on the network of expertise and information. All AGRECO-implemented SEAs have emphasised participatory workshops and broad consultations.

## 8. Follow-up on recommendations

SEA is an instrument to enhance the environmental performance of policies, plans and programmes and, in the context of EC development cooperation, of the SPSP that will be used to support them. SEA is NOT a report that must be submitted by the EC delegation to the corresponding geographical desk in order to get an Action Fiche approved.

For effective environmental integration to occur analyses and recommendations made in the SEAs have to be carefully considered by the EC and the partner government AND, a decision must be made on how the relevant points will be implemented.

Sugar cane burning (emission of persistent organic pollutants, nuisance) was identified as key concerns in the sugar sector SEAs of **Mauritius and Jamaica**. In both cases targets for green cane harvesting were introduced in the financing agreements between the government and the EC. In the case of the **Jamaica** sugar sector SEA, a funding line for water efficient drip irrigation, waste water management and energy efficiency was included in the Financing Agreement.

Thus for SEA to be really effective, we don't only need a good analytical study: it is imperative that the EC delegation and the partner government have the political will to

improve the environmental performance of the sector strategy.

Happily we already have examples where there is evidence that SEA recommendations have led to changes. We shall cite some from projects implemented by AGRECO.

The SEA for the sugar adaptation strategy of **Mauritius** was instrumental to generate awareness on the environmental dimension of the sugar adaptation strategy (which was initially believed to have only positive effects on the environment), and to trigger discussions through the policy dialogue, on the need to incorporate an environmental performance indicator associated to the sector budget support.

## 9. The significant absentee: SEA in the context of General Budget Support

A recent (mid-2011) assessment of the degree of environmental integration in EC development cooperation projects and programmes has shown that SEA is still not applied for General Budget Support (GBS) Programmes, in spite the Guidelines for Environmental Integration in EC Development Cooperation calls for SEA to apply in all GBS programmes.

The degree of SEA awareness amongst staff dealing with GBS tends to be more limited<sup>7</sup>, presumably due to the nature of GBS programmes.

One of the key issues identified in the SEA for the **Zambia** National Sugar Strategy (ZNSS) was the risk associated to the policy of promoting the production of bio-ethanol in a country with no distilling industry. The process involves the production of a highly polluting by-product – vinasse -, which requires sound management. Zambia had no regulatory framework for vinasse management, nor did the competent environmental authority have the expertise to guarantee good regulation (including, for example, for analysing the environmental feasibility of EIAs for ethanol distilleries). This recommendation led the steering committee to propose, *inter alia*, an allocation of the EC budget to enhance the environmental authority's capacities in relation to vinasse management, including the creation of a sugar sector unit, and environmental guidance and standards for the sector.

<sup>7</sup> This shouldn't be a surprise when GBS programmes consist basically of transferring funds to the national treasure and monitoring a set of performance indicators. Unlike macro-economists dealing with GBS, staff involved in sector programmes are normally continually exposed to the environmental challenges in their sector.

Carrying out SEAs of national development strategies is always a challenge, due to the wide range of policy areas involved. We can find but few examples of SEAs for national development strategies, even in developed countries.

Such SEAs remain a pending area, and it is suggested that soon the EC makes a first go at implementing them<sup>8</sup>.

### 10. Aiming at earlier SEAs

As seen above, the approach to SEA used in EC development cooperation – triggered when the partner government requests support for a sector strategy, and thus when the strategy has been completed – sets a limit as to how early SEA can be carried out.

Nevertheless, there is an alternative approach that would be worth pursuing (initially in parallel to the current approach): promote the development of national SEA systems and their implementation. In this way the partner governments would already apply SEA as an instrument to integrate the environment in their policy-making/planning processes (at an early stage); thus the sector strategies that partner governments request the EC to support would already be environmentally integrated. In any case, the EC would only need to carry out a short internal study to interpret what are the implications from that SEA to the structuring of its SPSP.

AGRECO is involved in a project that is developing the national SEA system in Chile. This is already an initiative in line with the above recommendation.

### AGRECO SEA related projects

- Helpdesk for Environmental Integration in EC Development Cooperation
  - ✓ Development of SEA approach to EC development cooperation
  - ✓ SEA model ToR
  - ✓ *Ad hoc* representation of AIDCO in OECD DAC SEA Task Team, and contribution to OECD DAC SEA Guidance
  - ✓ Follow-up and review of EC development cooperation SEAs
  
- SEA scoping for coastal tourism sector in the south-west Indian Ocean; guidance and model ToR for tourism sector
  - ✓ Mauritius (and Rodrigues)
  - ✓ Madagascar
  - ✓ Comoros
  - ✓ Tanzania
  - ✓ Zanzibar
  - ✓ Kenya
  - ✓ Seychelles
  
- SEAs of sugar sector adaptation strategies of:
  - ✓ Mauritius (2006)
  - ✓ Jamaica (2009)
  - ✓ Zambia (2009)
  
- Development of the national SEA system of Chile
- Development of guidance on SEA for Overseas Countries and Territories
- Social and Environmental Study (SESA) for the National Forests and Nature Conservation Programme (PNFOCO) of the Democratic Republic of Congo (2009)
- Environmental Assessment for the EC support programme to nature protected areas of Bolivia (2011)



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<sup>8</sup> It is only fair to say that the EC has provided some financial support to at least one SEA of a Poverty Reduction Strategy Papers, done jointly with other donors, in Benin.