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TO THE COUNCIL, THE EUROPEAN PARLIAMENT AND THE ECONOMIC
AND SOCIAL COMMITTEE**

**Integrating environment and sustainable development into economic and
development co-operation policy**

Elements of a comprehensive strategy

Table of Contents

1.	Executive summary.....	4
2.	Background.....	5
3.	Policy coherence in promoting sustainable development	6
4.	Challenges and opportunities for environment integration.....	7
4.1.	Sustainable economic and social development.....	7
4.2.	Integration into the world economy and private sector development	9
4.2.1.	Trade.....	9
4.2.2.	Private Sector Development.....	10
4.2.3.	International investment.....	11
4.3.	Campaign against poverty	11
5.	Obligations under multi-lateral environment agreements and processes.....	12
6.	Integrating environment into the programming and project cycle	14
6.1.	Allocation of financial resources to environmental programmes.....	14
6.2.	Country and regional strategies and programming.....	15
6.3.	Programme and project cycle	17
7.	Advancing and evaluating the integration process	18
7.1.	Human resources.....	18
7.2.	In-house capacity building, training and knowledge sharing.....	20
7.3.	Evaluating performance of the environmental integration.....	21

8.	Conclusions	21
	ACRONYMS	23
	ANNEX I: LEGAL TEXTS ON INTEGRATION OF ENVIRONMENT AND SUSTAINABLE DEVELOPMENT INTO EC ECONOMIC AND DEVELOPMENT CO-OPERATION	25
	ANNEX II: INTEGRATION OF ENVIRONMENT INTO SELECTED EC ECONOMIC AND DEVELOPMENT CO-OPERATION POLICY DOCUMENTS SINCE 1992	26
	ANNEX III: COMMUNITY PARTICIPATION IN MULTILATERAL ENVIRONMENT AGREEMENTS (MEAS) AND PROCESSES	29
	ANNEX IV: REGIONAL BREAKDOWN OF FUNDING TO DIFFERENT ENVIRONMENT THEMES AND PRINCIPAL EC, EIB, AND EBRD FUNDING INSTRUMENTS FOR THIRD COUNTRIES	35
	ANNEX V: OECD DEVELOPMENT ASSISTANCE COMMITTEE WORKING SET OF CORE INDICATORS	39
	ANNEX VI: SET OF INTERNAL PERFORMANCE INDICATORS	43

1. EXECUTIVE SUMMARY

In response to the commitments made by the Cardiff European Council in June 1998, this paper outlines elements of a strategy to ensure that the natural environment is a key element in the European Union's support to developing countries.

Developing countries themselves have primary responsibility for identifying and responding to environmental issues and for integrating environmental considerations into their policies. The EU's programmes of economic and development co-operation should support developing countries' efforts to protect their own environment and the shared global environment.

To meet this objective, special attention must be given to strengthening countries' institutional and administrative capacity to manage the environment effectively. They must be able to formulate and put into place the necessary regulations and monitor their enforcement. It is essential that developments in the public and private sector reflect environmental concerns.

All EC policies should be coherent in relation to third countries and the impacts, including environmental impacts, of EC policies on developing countries should be analysed.

The EU's efforts to help developing countries integrate into the world economy should also reflect the commitment to environmental sustainability, especially in the context of the next World Trade Organisation (WTO) round.

More widely, the EU and the developing countries are both parties to a wide range of environmental agreements and processes at international level. The EC should support the efforts of developing countries to participate fully in relevant negotiations and to develop appropriate policies and measures which enable them to implement the agreements they enter into. The Commission for its part is putting particular emphasis on the major UN Environmental Conventions on climate change, biodiversity and desertification, and the role which developing countries can play in these global environmental issues.

EC funding which is specifically targeted on the environment is relatively modest compared to the overall flows of EC aid. The key challenge is to mainstream the environment. Therefore, integration of environmental considerations into the use of all EC aid and into the programming and project cycle must be continued and strengthened. The revised guidelines on integration of environmental issues are of particular importance. Commission staff needs to mainstream the assessment of projects and programmes. However, the longer-term aim is to enable partner countries' to assume their responsibility for environmental protection.

There is a continuing need to assess the environmental impact of EC aid through built-in indicators and regular evaluation exercises.

2. BACKGROUND

Development is sustainable when it is economically efficient, politically democratic and pluralistic, socially equitable and environmentally sound.

Integration of environmental protection requirements into EC policies is a fundamental obligation under the Treaty of Amsterdam. Promotion of sustainable development is also a central objective of EC development co-operation¹. This is reflected in the Lomé Convention as well as in regulations on co-operation with different groups of developing countries (see Annex I). At an international level, it has also been agreed within the OECD Development Assistance Committee (DAC) Strategy 'Shaping the 21st Century' to work towards reversing negative environmental trends by 2015.

At the EU level, the Cardiff European Council in June 1998 made firm commitments with respect to the integration of environment and sustainable development into EC policies and invited all relevant formations of the Council to establish their own integration strategies. In December 1998, the Vienna European Council asked the Development Council, along with other formations of the Council, to further develop this work.

In preparation for the last meeting of the Development Council in May 1999, the Commission prepared an information paper "Progress in integrating sustainable development into EC development and economic co-operation with particular reference to the environment". On the basis of an earlier evaluation² this paper identified areas for further improvement. It served as a basis for conclusions, in which the Council calls on the Commission "...to prepare, in consultation with the Member States, elements of a comprehensive strategy, including a timetable for further measures, an analysis of resources and a set of indicators for the Development Council in November 1999."

Developing countries have primary responsibility for identifying and responding to environmental issues that are of relevance to them and for integrating environmental considerations into their policies. All countries have committed themselves at the Special Session of the UN General Assembly in 1997 ('Rio plus 5') to prepare national strategies for sustainable development by 2002. EC economic and development co-operation should support developing countries' efforts to protect their own environment and the shared global environment. The EC must work with partner countries through an increased dialogue on environmental issues.

¹ Article 177 of the Treaty establishing the European Community.

² Environmental Resources Management (ERM). Evaluation of the Environmental Performance of EC Programmes in Developing Countries. Brussels. 1997.

3. POLICY COHERENCE IN PROMOTING SUSTAINABLE DEVELOPMENT³

In systematically promoting sustainable development, there must be coherence between policies on economic and development co-operation and other EU and Community policies. This is particularly so with regard to policies on trade, industry, agriculture and fisheries as well as other policies such as the Common Foreign and Security Policy, and on migration, economic and monetary, consumer, research and technology development and environment. Environmental issues also have a role in the concept Linking Relief, Rehabilitation and Development, the policy implications of which are currently being developed by Commission services.

As yet the coherence of EU and EC policy and the impact on developing countries have not been systematically analysed. This issue needs to be discussed further by the Council and the European Parliament and guidance given on how to address it. Consideration could also be given to discussion of this issue by specific formations of the Council.

The environmental impacts of policies differ from one developing country to another and are thus difficult to estimate. Studies on the environmental impacts of trade policies have been carried out in some developing countries.⁴ Although the results are often mixed, such studies are essential in making more informed choices for policy design and implementation, and they are an important input in designing country and regional programmes and projects to counteract negative environmental impacts. Such studies should be continued, therefore, particularly in regard to identifying the economic implications of environmental issues.

The EC Treaty requires the Community to take account of the development co-operation objectives in policies likely to affect developing countries⁵. Therefore, such considerations should be systematically included in review of Commission proposals to the Council and the Parliament, particularly in the policy areas listed above. The new structure of the Commission should provide further opportunities for improving policy coherence with regard to EC economic and development co-operation.

Developing countries should have more opportunities to express their views on the coherence of EC policies. The Lomé Convention, for instance, states that ACP States should be timely informed of any Community measures that might affect their interests, and that where necessary, ACP States may request such

³ This section draws from the Commission non-paper on policy coherence presented to the Development Council in May 1999. Council resolution of June 1997 requests the Commission to report regularly on progress in improving coherence, including any specific procedural arrangements.

⁴ 'The environmental and socio-economic impact of sugar cane and banana production in Colombia', 1996. 'EU trade policy, the Lomé Convention, the horticultural sector and the environment Kenya', 1996. 'Development co-operation objectives and the beef protocol: Economic analysis of the case of Botswana', 1996. Brewster, Dwarika, Pemberton, 'EC trade policy. The Lomé Convention and the third world environment: a study of the economic environment linkages through trade in the Windward Islands, Trinidad and Tobago', 1997.

⁵ Article 178 of the Treaty Establishing the European Community.

information.⁶ Consideration should be given to using this procedure more frequently and also to incorporating similar procedures into the agreements with other groups of developing countries. Various forums should also be used to discuss policy coherence with major groups of the developing countries.

An important opportunity for improving the overall coherence of EU policies with regard to environment and sustainable development is the ongoing process of preparing strategies on environment integration by the different formations of the Council. In accordance with the EC Treaty, the potential effects of these strategies on developing countries should be considered in the overall integration process, for example by the Helsinki Summit and particularly in implementing various sectoral strategies.

4. CHALLENGES AND OPPORTUNITIES FOR ENVIRONMENT INTEGRATION

The three major development objectives under the Amsterdam Treaty present challenges for the integration of environment in economic and development co-operation.

4.1. Sustainable economic and social development

Sustainable long-term economic development is compatible with environmental sustainability. To ensure this, environmental sustainability needs to be taken systematically into account in formulating economic and social policies. In order to achieve long term economic development, many countries have adopted drastic measures in the form of structural adjustment. These structural adjustment and sectoral policies can have both positive and negative environmental effects through changes in relative prices with subsequent substitution effects and changes in production, and through changes in the regulatory and institutional framework. Whether the environmental effects of structural adjustment are positive or negative often depends on the state of the economy before the introduction of the adjustment programme, and the extent of mitigating measures taken.

Potential negative environmental impacts of structural adjustment include:

- Higher consumption of renewable and non-renewable resources as result of increased economic activity which can be accompanied by increasing levels of pollution and waste, and by unsustainable management of natural resources;
- Increased exploitation of natural resources as a result of liberalisation which could imply risk of environmental degradation;⁷

⁶ Article 12 of the Lomé IV Convention.

⁷ Many African countries have allowed logging activities to increase in tropical rainforest areas in order to raise their export income. Deregulation in the mining sector has led to increased small-scale mining, in countries such as Burkina Faso, Tanzania, Zimbabwe with detrimental environmental effects (mercury pollution, erosion of river banks, health hazards due to limited work safety measures).

- Budgetary cutbacks that affect the institutional framework and reduce often already limited allocations for environmental monitoring and law enforcement, and public awareness and education.

There is a continuing need to integrate environmental concerns into structural adjustment policies in order to achieve sustainable economic growth without environmental degradation. The likely risks and opportunities with regard to the environment need to be carefully assessed in the preparatory studies. Such assessment can also indicate the changes needed in the overall approach to make environmental policies more effective and cost-efficient. Moreover, Public Expenditure Reviews and Public Sector Reforms are important entry points for strengthening the environmental regulatory functions of Governments. Pilot activities will include the preparation of such assessments for Structural Adjustment Programmes.

While other EC development co-operation policies are also highly relevant to the sustainable development of developing countries, the extent to which environmental considerations can be integrated varies. Some policies already have a fully integrated approach to sustainable development and most policies do identify the importance of environmental considerations for the design and implementation of activities (Annex II). In some policy areas, sectoral guidelines have been prepared and strategic studies on environment and sustainable development have been carried out to guide policy implementation.

In many cases, however, environmental considerations could be analysed more systematically and reflected more in policy recommendations, especially in policies with indirect environmental links. More reliable analysis would allow suggestions to be made for better integration of the environmental dimension and would reveal gaps in the policy framework. To this end, an in-depth policy analysis will be included in the comprehensive evaluation of environmental performance of EC co-operation programmes to be initiated in 2000. In addition, more in-depth discussions on integrating environment into sectoral co-operation policies should be initiated within the Community, taking account of experience in the EU Member States. Emphasis will be given to sector-wide reform programmes, which provide important opportunities for strengthening the integration of environmental issues in various economic and social sectors in the partner countries.

The effects and costs of environmental degradation have to be borne in many cases by future generations or by disadvantaged groups of society. Governments have special responsibilities to ensure sustainable management of the environment and equitable allocation of benefits and costs of environmental protection measures. Long-term success depends on the efforts of the developing countries, private-sector investment as well as more efficient pricing and cost recovery with emphasis on the Polluter Pays Principle.

Development co-operation should include supporting long term measures which:

- (1) Promote enabling activities for and increase environment management capacity of both public and private sector in developing countries;

- (2) Facilitate regulatory and market-based approaches to natural resources management and environmental protection, such as taxes, voluntary agreements and phasing out of harmful subsidies;
- (3) Promote environmental awareness and training, and develop networks of EU and developing countries in Environmental Research and Technology Development and other joint research activities.

4.2. Integration into the world economy⁸ and private sector development

Developing countries can be integrated into the world economy through trade and regional economic integration, facilitated by development of the private sector and by domestic and foreign investment. Trade and environment need to play a mutually supporting role in this respect.

The EC can contribute by seeking to establish fair conditions for production and competition in globalised markets and in balancing trade and environmental risks. The Community has affirmed that negotiations in this area should take full account of the needs of developing countries and of the objective of sustainable development.

4.2.1. Trade

The Community is seeking to include a trade and environment component in the next World Trade Organisation (WTO) Round⁹ with the aim of clarifying:

- (1) the legal relationship between WTO rules and trade measures taken pursuant to Multilateral Environmental Agreements (MEAs). Consensus should be sought on the accommodation of these measures within WTO rules and on the types of multilateral agreements which constitute MEAs.
- (2) the relationship between WTO rules and Non-Product Related Process and Production Methods requirements and particularly WTO compatibility of eco-labelling schemes.
- (3) the relationship between multilateral trade rules and core environmental principles, notably the precautionary principle. It is necessary to maintain the right of WTO Members to take precautionary action to protect human health, safety and the environment while at the same time avoiding unjustified or disproportionate restrictions.

The Round should reach a clear understanding that, subject to the necessary safeguards, there is scope within WTO rules to use market based, non-discriminatory, non-protectionist instruments to achieve environmental

⁸ Article 177 of the EC Treaty specifies that the EC development co-operation policy shall foster "the smooth and gradual integration of developing countries into the world economy".

⁹ Community objectives for the next WTO Round were elaborated in the July 1999 Commission Communication on the New Round - 'The EC approach to the WTO Millennium Round',- which also includes more extensive discussion on the overall role and needs of developing countries. Similar issues were discussed in Commission Communication COM(96) 54 final on Trade and Environment.

objectives and to allow consumers to make informed choices. These objectives should be pursued without prejudice to European trade interests and environmental legislation, or to the legitimate interests of developing countries. To prepare for the negotiations, the EC has initiated an environment and sustainability review of the Round and other WTO Members intend to undertake similar studies.

Another trade and environmental issue of importance to many developing countries are trade related intellectual property rights (TRIPS). Consideration needs to be given to the relationship between the WTO TRIPS Agreement and the intellectual property rights provisions of the UN Convention on Biological Diversity. The Commission will help to strengthen the capacity of developing countries to identify and seek their legitimate rights in relation to the provisions of the Biodiversity Convention in the biodiversity action plan currently under preparation (see also Section 5).

The trade related objectives of EC co-operation policies are pursued through formal trade arrangements, such as in the Lomé Convention, with co-operation partners and through trade promotion schemes. A concrete example of incorporating environment into trade agreements is Protocol 10 to the Lomé IV Convention. It is the first formal international agreement acknowledging the need for forest-certification systems for trade in tropical wood, based on internationally harmonised criteria and indicators.

Furthermore, the Generalised System of Preferences (GSP) allows for additional preferential treatment to countries that respect minimum social and environmental standards. Opportunities need to be identified for more frequent use of this arrangement, which is fully compatible with WTO rules.¹⁰ Efforts must be made to avoid negative impacts on relative preferences for trading partners under the GSP scheme as well as Lomé and other regional agreements. This is one of the elements to be taken into account in the negotiations in order to avoid unacceptable reduction of margins of preferences in key sectors of developing countries. One implication of the negotiations could be the need to increase current GSP preferences, including those under the environmental and social incentive components.

Tariff initiatives in the next WTO round must take account of the specific concerns of the least developed countries. The Community has proposed an up-front commitment from all developed countries to implement duty free access for essentially all products from least developed countries no later than the end of the Round.

4.2.2. *Private Sector Development*

Increasing globalisation and the need for developing countries to improve their competitiveness increases the need for development of the private sector. This requires a stable macro-economic framework and a well functioning framework

¹⁰ EC Regulations No. 3281/94 and 1256/96 and Commission Communication COM(97)534/4 'Special incentive arrangements concerning labour rights and environmental protection', October 1997.

of policies and institutions, including those designed to ensure protection of the environment and sustainable use of natural resources.

Against this background, support to the development of the private sector is a key area of EU development co-operation policy. Particular attention should be given to ensure that the private sector operators integrate environmental considerations into their operations. This could include promotion of environmental management systems, environmental auditing and reporting and adherence to internationally agreed codes of conduct. Privatisation of environmental services, such as waste management, sanitation and wastewater treatment, could also improve economic and environmental efficiency.

4.2.3. *International investment*

Internationally operating companies have experience in introducing and implementing environmental management systems and cleaner production methods and technologies. EC industrial and economic co-operation policies should seek to promote the role of international companies in this respect and to disseminate good practises.

In terms of international investment, developing countries have traditionally been mostly host countries. Investment flows between developing countries have been growing but are still relatively modest and unevenly spread. There is a need to establish a multilateral regulatory framework governing international investment which addresses access to investment opportunities and non-discrimination, and protection of investment. To be conducive to sustainable development, the regulatory framework should preserve the ability of host countries to regulate transparently and in a non-discriminatory way, the activity of the investors, foreign and domestic alike, on their respective territory and to pursue a stable business climate. This is particularly important to developing countries. In this respect, traditional provisions on special and differential treatment, such as exemptions and exceptions, or longer transitional periods, for developing countries may no longer suffice. Rather, the environment and sustainable development should be built into the regulations so that they can be implemented and applied by all countries.

4.3. **Campaign against poverty¹¹**

In exploring more systematically the highly complex relationship between poverty and environment, the Commission is actively participating with other donors in two major initiatives.

In 1998, UNDP and the Commission launched an initiative on Poverty and Environment. In support of this initiative, a review of sectoral studies was undertaken which concluded that there are many promising policy approaches that foster poverty alleviation through improvement of the environment and vice

¹¹ Article 177 of the Treaty Establishing the European Community sets the campaign against poverty as one of the three main objectives of the EC development co-operation.

versa.¹² The review also contributed to better understanding of policies that potentially lead to undesirable trade-offs between poverty reduction and environmental enhancement. The lessons from this systematic screening exercise were discussed in September 1999 by a Forum of Ministers jointly chaired by the Commission and UNDP. This forum will continue discussions and exchange of experience so that the results can be fed into the on-going co-operation programme, the annual meetings of the UN Commission on Sustainable Development, and into events related to the major UN Conferences.

The Commission is an active member of the Development Assistance Committee (DAC) Poverty Network and is co-chairing the Working Group on Policy Coherence. This working group focuses on coherence of policies on food security, trade and debt with development co-operation, and it is also hoped to work on environmental policy, thus building on the previous study.

Furthermore, an Action Plan on Capacity Building for Poverty Reduction is currently being prepared by the European Commission within the post-Lomé negotiation process. The objective should be to ensure systematic acknowledgement of linkages between poverty and environment in policy dialogues with partner countries and build positive linkages in these two areas into co-operation programmes and projects.

5. OBLIGATIONS UNDER MULTI-LATERAL ENVIRONMENT AGREEMENTS AND PROCESSES

The European Community is party to 37 environmental Conventions, Protocols and Amendments and has signed a further 15. The most relevant agreement and protocols are listed in Annex III. In addition there are other types of agreements with major effects on natural resources and the environment, such as the agreements establishing the Regional Fisheries Organisations and the UN Convention on the Law of the Sea, as well as ongoing negotiations on new environmental agreements.

Developing countries are parties to a wide range of environmental agreements and processes. Participation in such agreements and processes and implementation should be addressed by the EC in policy dialogue and programming with partner countries. The most important measures are identifying country specific priorities and addressing them within national strategies for sustainable development. Other activities should include capacity building for designing and implementing policies and measures, and for training, monitoring and progress reporting, and collaboration on research and technology development. The Community needs, therefore, to identify opportunities:

- to strengthen the capacity of developing countries to negotiate emerging environment agreements;

¹² Sectoral studies on macro-economic policies and trade, agriculture, forestry, water, urban development, energy on linkages between poverty and environment in these sectors. For more information, see <http://www.undp.org/seed/pei>.

- to participate fully in international forums such as the United Nations Environment Programme and the United Nations Commission on Sustainable Development, and
- to prepare their negotiating positions within like-minded groups, for instance, the Alliance of Small Island States.

The Commission puts emphasis on supporting developing countries to respond to global environmental issues and to implement the major UN Environmental Conventions on climate, biodiversity and desertification. The requirements of these Conventions are mainstreamed into EC economic and development policies and also in other sectoral policies and programmes through the elaboration of strategy papers, particularly:

- The Commission Working Document “EC economic and development co-operation: responding to the new challenges of climate change” and the forthcoming Council Conclusions on this issue.¹³
- A Biodiversity Action Plan being prepared for EC development co-operation as a part of the overall EC Biodiversity Action Plan (based on the EC Biodiversity Strategy launched in 1998)
- The Commission Staff Working Paper on “The European Community’s Policies, Programmes, Financial Instruments and Projects Relating to Combating Desertification in Developing Countries and EU Member States”, which is now being revised for the fourth Conference of the Parties to the UN Convention to Combat Desertification to be held in 2000.

Although of central importance, these global issues and Conventions are part of a wider range of environmental issues and agreements requiring attention and resources from the Community and the partner countries. In addition, new obligations may also come into force, such as binding commitments of developing country parties under the Montreal Protocol. Moreover, new MEAs are constantly under negotiation and being completed, such as those on chemical management and the possible negotiations on a global instrument on forests.

The EU promotes as high a level of environment integration as possible, and thus should use its full weight in all aspects of international environmental negotiations. For instance, opportunities to better co-ordinate EU objectives should be fully explored in relation to the operation of the various international funds, including those designed to implement MEAs.

¹³ Climate change has also been identified by the Vienna Summit as a priority area of the overall environment integration process.

6. INTEGRATING ENVIRONMENT INTO THE PROGRAMMING AND PROJECT CYCLE

6.1. Allocation of financial resources to environmental programmes

Commitments and disbursements to ACP and ALA-MED countries for environmental projects and environmental components of other projects totalled 8.5% (€ 1,339 million) of all funds committed between 1990 and 1995.¹⁴ The proportion of funds allocated to environmental projects differed considerably between regions. Whereas in the Asia and Latin America region, 15% of financial and technical budget lines were committed (meeting the 10% target of the ALA Regulation), only 5% of MED Budget Lines¹⁵ and 3% of EDF VII were committed to environmental projects. EC financial contributions to environment in ACP and ALA-MED countries in the period 1996-1999 are currently being reviewed.

From the Tacis Programme, € 347 million was allocated to nuclear safety and environment between 1995 and 1997, of which environment represented approximately € 67 million. Environmental programmes have also been initiated under the OBNOVA Regulation for the republics of the former Yugoslavia.

Priority environment themes for funding are stated in the Lomé Convention, the Barcelona Declaration and the Short and Medium Term Priority Environmental Action Plan (SMAP), the Commission Communication: "Europe-Asia Co-operation Strategy in the Field of Environment"¹⁶, and the relevant Regulations. For ACP-ALA-MED, the environment themes receiving most funding during the period 1990 to 1995 were land resources, tropical forests, urban environment, institutional strengthening, biodiversity, marine resources and technology transfer. Furthermore, research actions under the Fifth Framework Programme for Research and Technology Development on global environmental issues (for example, the Key Action 'Global Change and Biodiversity') and specifically the 'Confirming the International Role of Community Research' programme are relevant.

EC funding for specific environmental purposes remains modest compared to the overall flows of EC aid (see Annex IV). However, allocation of environmental funding to regions, countries or themes does not necessarily reflect the magnitude of the problems. Other factors include limited political commitment and weak administrative and management capacities in host countries leading to relatively low demand for environmental projects. In the dialogue with partner countries, the EC must put more emphasis on raising the importance of environmental issues in the political agenda, as developing countries not only have the key role in tackling environmental problems but also in allocating resources according to their own priorities.

¹⁴ This evaluation considered only budget lines and funds managed by DGIB and DGVIII and therefore did not include environment-related funding of other DGs, such as DGXI (environment) and DGXII (research).

¹⁵ From the Financial Protocols and from the MEDA Programme. Significant additional assistance has been provided to environmental projects and programmes in the Mediterranean through the Mediterranean Environmental Technical Assistance Programme, and through loans and interest subsidies made by the European Investment Bank (EIB).

¹⁶ Commission Communication COM(97)490.

Cost effectiveness is an important consideration in the allocation of funds towards environmental programmes. Equally consideration of costs and benefits related to environmental aspects should be integrated into assessment of activities which primarily address other aspects of sustainable development. The Commission aims to obtain maximum impact from available resources by assessing cost effectiveness at both programme and project level. The major part of environmental funding will continue to come from the main geographical financing instruments as part of regular co-operation activities. It is therefore essential to continue integrating environmental considerations into all EC aid instruments and to ensure that the environmental impacts are assessed.

A strategically important Budget Line is 'Environment in Developing Countries', a specific instrument to implement pilot activities and strategic studies. It can be used to respond flexibly to up-coming environmental issues. Capacity building efforts must be stepped up for environmental issues and integration of environment and sustainable development into social and economic policies. The focus will continue to be on a small number of priority themes for improved efficiency and dissemination of results. In particular, the results and lessons learned will be used in the overall evaluation of the environmental performance of EC aid.

Accounting of environmental expenditures needs to be improved to facilitate comparison between regions and with the environmental expenditure in EU Member States' economic and development co-operation. To this end, the OECD/DAC marker system for accounting contributions towards international environmental agreements will be introduced. Project and programme evaluation should help to measure cost-effectiveness of environmental spending.

6.2. Country and regional strategies and programming

Programming is the initial planning process for a broad group of co-operation activities through dialogue with stakeholders in the partner country or region,¹⁷ and provides thus an appropriate opportunity to ensure that co-operation activities fit into national or regional strategies for sustainable development.

At the 1997 Earth Summit + 5, all countries made a commitment to prepare national strategies for sustainable development by 2002. In the DAC, all bilateral donors have committed themselves to helping developing countries to implement such strategies by 2005 with the aim to start reversing environmental degradation trends by 2015.¹⁸ Sustainable development strategies are country specific, participatory processes aimed at ensuring that policies and policy implementation take account of environmental considerations in socio-economic development objectives. The strategies can provide a framework for integrated, comprehensive and coherent approaches that are owned by the developing

¹⁷ During programming, the national and sectoral situations are analysed to identify problems, constraints and opportunities that could be addressed by development co-operation activities.

¹⁸ OECD/DAC Development Partnership Strategy "Shaping the 21st Century: The Contribution of Development Co-operation", May 1996. The objective was further clarified by the 37th DAC High Level Meeting (11-12 May 1999) in document DCD/DAC(99)11 'Clarifying DAC targets and strategies: National strategies for sustainable development'.

countries and also provide a framework for all partners to work coherently. Guidelines for donors on supporting such strategies are being prepared by the DAC Task Force on national strategies for sustainable development, co-chaired by the United Kingdom and the Commission. The Commission will continue to support the development and implementation of national strategies for sustainable development and will make appropriate use of the DAC guidelines.

Major regional projects and programmes are likely to have cross-border environmental effects. In such cases, emphasis should be placed on complementarity between national and regional indicative programmes to avoid overlaps and gaps. Furthermore, regional groupings, such as the Small Island Developing States (SIDS), might face similar environmental problems that can be addressed more cost-effectively through regional co-operation or other forms of South-South co-operation.

Country Strategy Papers and Regional Strategy Papers as currently developed for ACP, ALA and MED countries aim at improving coherence of EC development co-operation policies towards these countries. At present, the programming exercise is being harmonised and the same environmental integration procedures should be used for all regions at the different stages of programming. A manual with revised guidelines for the integration of environmental aspects in policies and programming is currently under preparation.

Environment integration during programming serves two objectives:

- to identify and avoid harmful direct and indirect environmental impacts of co-operation programmes that can undermine sustainability and counteract achieving development co-operation objectives,
- to recognise and use opportunities for enhancing environmental conditions, thereby bringing additional benefits to development and economic activities and advancing EC priority environmental issues.

Under the revised guidelines, environmental integration will be achieved in a three-step process. In the first step, a Country Environmental Profile¹⁹ and relevant external performance indicators (such as the ones described in Section 7.3) should serve as an input to the country strategy document. The second step is the systematic assessment of the risks and opportunities of the proposed programme on the basis of the Environmental Profile.²⁰ The third step is the improvement of the overall quality of the integration of environmental aspects through Quality Support Groups. Quality Support Groups have produced promising results in EU-ACP co-operation.

¹⁹ There are environmental profiles for many countries (e.g. <http://www.afdb.org/about/oesu-cep.html>), and these are up-dated regularly. The profiles contain a compilation and analysis of environmental conditions, including key environmental issues, trends and pressures, and the government and civil responses, the status of regulatory reforms and the institutions involved.

²⁰ This strategic review will provide decision-makers with information on key environmental consequences and opportunities of a proposed programme and its alternatives. It should recommend measures for reducing potential conflict between programmes, and new areas for funding priorities to be included in programme documents.

These steps simplify assessment of environmental impacts during programme preparation and implementation, and ensure that programmes are more likely to contribute to sustainable development. This procedure also reduces the need to evaluate alternatives during formulation of individual projects. A further step to improve country programming would be the inclusion of a short environment chapter in each country report.

6.3. Programme and project cycle

The success and sustainability of development programmes and projects is influenced by how they interact with and depend on environmental resources. These factors, therefore, need to be considered during project preparation (identification and formulation) and implementation to prevent or foresee environmental problems that could hamper achieving the objectives, cause delays, or result in unexpected costs. A preliminary environmental screening of all projects helps to determine the extent of environmental action needed. For those projects requiring further action, Environmental Impact Assessments (EIA) address the integration of environmental concerns throughout the project cycle.

Assessment procedures will include an analysis (e.g. by use of a logical framework) of how the actions proposed are expected to lead to the anticipated outputs, taking the possible effects of external influences and the conditions needed for sustainability into account. While environmental assessment procedures for programmes and projects are mandatory in EC economic and development co-operation, there is still room for improvement. The revised guidelines take account of changes in the EC approach to economic and development co-operation, particularly through the increased number of sector-wide support programmes for which Strategic Environment Assessments will be conducted. As mentioned above, Quality Support Groups could also ensure the overall quality of the integration of environment into project preparation. For projects that require specific environmental action, scrutiny by the responsible unit should be a mandatory part of the approval process.

Project and programme evaluation reports are presently made available for consultation²¹ on a systematic basis, such as by theme or geographical area. Their findings should be incorporated into future projects and programmes. In addition, public consultation will be facilitated through an electronic database of information on Strategic Environment Assessments and Environment Impact Assessments. Learning and improving through comparison, standardised access to relevant information and increased transparency and accountability should be promoted.

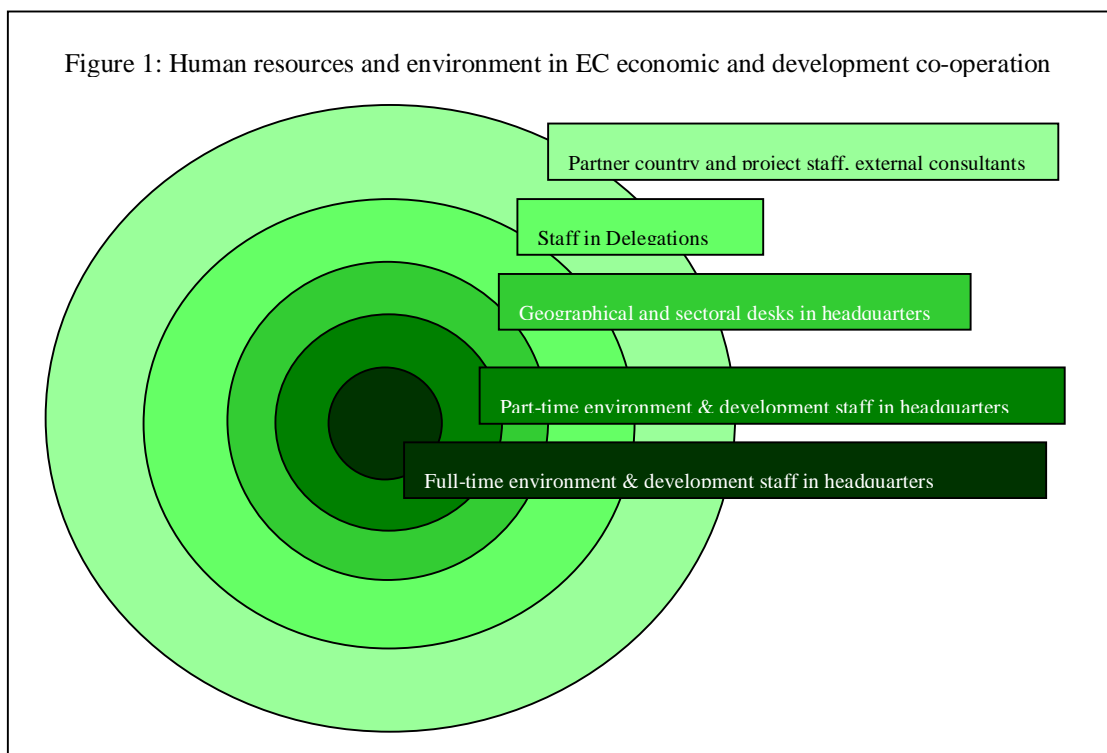
²¹ <http://europa.eu.int/comm/scr/evaluation/index.htm>.

7. ADVANCING AND EVALUATING THE INTEGRATION PROCESS

7.1. Human resources

Staff dealing with environmental issues related to economic and development co-operation is spread over several Directorates-General thus facilitating integration of environmental issues into different policies and programmes

(see Figure 1).



Effective environment integration requires networking between the core groups - between those who work full or part-time on environment in economic and development co-operation, and the other staff of the Commission. This is achieved across the Directorates-General through Inter-Service groups, such as Integration correspondents, Core Group Environment and Development, and within a Directorate-General through task teams.

In total, 24 full- and 38 part-time officials in seven Directorates-General and Services are dealing with environment in economic and development co-operation. Their work covers international environmental negotiations, EC environment policy formulation and implementation, preparation of guidance, monitoring of environment assessments, as well as preparation and monitoring of environmental projects. Some of the tasks are also supported through external consultants. Technical assistance is used to prepare and implement Community financed environmental projects in developing countries. The Commission maintains a supervisory function through headquarters and an extensive network of EC Delegations in the countries.

The 'Evaluation on the Environmental Performance of EC Programmes in Developing Countries' (1997) concluded that staff resources in the ALA-MED and ACP regions in relation to commitment levels were considerably lower than in other major donors organisations.²² The issue of limited staff resources, particularly for environmental issues, should be carefully examined given the

²²

ACP: € 1300 million of total aid per staff member; ALA-MED: € 600 million per staff member; DfID: € 166 million per staff member; World Bank: € 180 million per staff member (1995). Source: ERM (1997).

tight overall spending targets on personnel agreed by the EU Member States in the Agenda 2000. Furthermore, efforts need to concentrate on strengthening the capacity of Commission Services and partner country administrations to improve the environmental performance of EC aid. The following avenues exist within the current mandate of the environmental units:

- To build capacity in the partner countries to assume greater responsibility in implementing environmentally sound co-operation programmes,
- To increase the capacity of staff to integrate environmental aspects in the economic and development co-operation programmes (see next section),
- To streamline internal procedures to incorporate environmental issues systematically and to share the tasks among a larger number of staff,
- To establish a simple system to continuously monitor and improve the quality of the output, for instance by keeping relevant statistics.

7.2. In-house capacity building, training and knowledge sharing

As already mentioned, capacity building and training is a major strategic activity to further integrate environment and sustainable development into economic and development co-operation policies. A series of two-day courses²³ will be organised during 1999 and 2000 in headquarters and in Delegations in the ACP and ALA-MED regions. Afterwards, regular environment training should be extended to cover all co-operation areas. This training should be mandatory for all geographic desk officers and thematic staff, with priority given to those dealing with environmentally sensitive programmes and projects.

A comprehensive training needs assessment will be carried out in 2000 to quantify the number of staff requiring further environmental training and to determine the environmental aspects to be covered in the training sessions. The needs assessment will also include identification of potential opportunities for integrating environmental components into other training courses.²⁴ Clear objectives and indicators to measure the success of such training should be established.

Besides formal training, networking on environmental issues is very important, particularly in EU development co-operation where there is a wide diversity of experience. In the partner countries where environmental expertise is most thinly spread, a more systematic exchange of views among Member States on environmental issues would be beneficial.

Information dissemination has been greatly facilitated through the rapid expansion of telecommunications and the internet. The creation of a

²³ The training comprises four modules: (i) introduction to environmental problems and EC commitments to multi-lateral environmental agreements, (ii) environmental policy dialogue and programming, (iii) environmental integration into the project cycle, (iv) environmental economics.

²⁴ Such as training in Project Cycle Management, Financial and Economic Analysis, Poverty and Gender.

Commission web site by the end of 1999 on Environment and Development Co-operation will make access to key documents and sites easier.

7.3. Evaluating performance of the environmental integration

The overall environmental performance of EC aid is evaluated regularly. The next comprehensive assessment to be undertaken in 2000-2001 will assess progress in implementing the recommendations of the previous evaluation in 1997 and the environmental performance of EC aid during the period 1995-2000, from an external as well as an internal perspective.

The external perspective will examine country- or region-specific environmental indicators to identify the magnitude and direction of environmental trends. Such indicators are being developed by a DAC Working Group on sustainable development (Annex V). These general indicators will be used to adjust and focus EC co-operation programmes and policies as required and will be included in relevant reports. They can be used to assess global trends and progress of individual countries towards sustainable development objectives and to guide regional and country planning and programming. Since the DAC indicators only include a few core indicators for each sphere of sustainable development, other sets of indicators²⁵ and sources of data will also have to be used in order to obtain a more precise picture of development trends in a country or region.

The shortage of internationally comparable data in environment for developing countries hinders policy making and meeting the reporting requirements of multilateral environmental agreements. A co-ordinated assistance effort to build capacity in environmental statistics in developing countries needs to be pursued by the EC and Member States and with partners in the DAC and in the World Bank and the United Nations System.

In addition to assessing progress at the global level and in the developing countries, there is a need to assess internal progress in integrating environment and sustainable development into EC economic and development co-operation. For this purpose, the set of objectives, specific actions for the period 2000 to 2002, and related indicators presented in Annex VI will be used.

8. CONCLUSIONS

Responsibility for identifying and responding to environmental issues and for integrating environmental considerations into policies lies primarily with developing countries themselves. Their national strategies for sustainable development will play a key role in this context. There are many opportunities and options for EC policies to support their efforts and for integrating environment into EC economic and development co-operation. A number of

²⁵ Such sets are, for example, the Human Development Index, Sustainable Development Indicators being developed by the UN Commission on Sustainable Development, Minimum National Social Data Set of the United Nations Statistics Division, and the General Data Dissemination System of the IMF.

these opportunities and options have already been identified in earlier internal documents.

The main challenge is to ensure that these are credibly and transparently developed and that the integration process advances at a steady pace. Three basic elements are essential in this respect. Firstly and foremostly, there must be political commitment to environmental integration at each level of the hierarchy.

Secondly, the integration process needs to be firmly formalised in the organisational structure and given sufficient institutional priority. Many private and public organisations, not only those concerned with development co-operation, are currently battling with similar issues, particularly in the broader perspective of the integration of sustainable development issues. For instance, OECD and the World Bank have decided to give this broader integration process more weight and visibility within their organisational set-up and have created special units at high level to oversee the integration process. The Commission will examine to what extent organisational aspects can be improved in the near future, in order to better integrate the environment.

Thirdly, there must be sound management of the overall quality of the integration process. The most credible avenue in this respect is certification and accreditation of the environmental integration process in accordance with an internationally acknowledged and standardised environmental management system.²⁶ Independent certification would give the process transparency and visibility. The Commission will explore the ramifications of obtaining such a certification in the coming months.

²⁶

The most important are the International Standardization Organization ISO 14001 Standard and the European Community Eco-Management and Audit Scheme EMAS. An environmental management system is a management tool enabling an organisation to control the impact of its activities, products or services on the environment. An environmental management system makes a structured approach to setting environmental objectives and targets, to achieving these and to demonstrating that they have been achieved possible. The standards aim at providing a framework for an overall, strategic approach to organisation's environmental policy, plans and actions along with a commitment to continuous improvement.

ACRONYMS

ACP	African-Caribbean-Pacific
ALA	Asia and Latin America
CEE	Central and Eastern Europe
DAC	Development Assistance Committee
DG	Directorate General
ECE	Economic Commission for Europe
EBRD	European Bank for Reconstruction and Development
EMAS	European Community Eco-Management and Audit Scheme
EC	European Community
EDF	European Development Fund
EIB	European Investment Bank
EIA	Environmental Impact Assessment
FAO	Food and Agricultural Organisation
GSP	Generalised System of Preferences
ISO	International Organization for Standardization
MEA	Multilateral Environment Agreement
MED	Southern Mediterranean, Near and Middle East
NIS	New Independent States
NSSD	National Strategy for Sustainable Development
OBNOVA	A Serbo-Croatian word for reconstruction
OECD	Organisation for Economic and Co-operation and Development
SEA	Strategic Environmental Assessment
SIDS	Small Island Developing States
TRIPS	Trade Related Intellectual Property Rights
UNCSD	United Nations Commission on Sustainable Development
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
WTO	World Trade Organisation

ANNEXES

ANNEX I: LEGAL TEXTS ON INTEGRATION OF ENVIRONMENT AND SUSTAINABLE DEVELOPMENT INTO EC ECONOMIC AND DEVELOPMENT CO-OPERATION

COMMITMENT	PROVISIONS/COMMENT
Treaty establishing the European Community	Article 6: "Environmental protection requirements must be integrated into the definition and implementation of the Community policies and activities referred to in Article 3 [which lists EC policies], in particular with a view to promoting sustainable development."
Lomé IV Convention (1990-2000)	Contains the strategic objective of achieving a "sustainable balance between economic objectives, the rational management of the environment and the enhancement of natural and human resources". A title on the environment lays out the principles, priorities and procedures for action.
Council Regulation 443/92 on financial and technical assistance to, and economic co-operation with, the developing countries in Asia and Latin America	Protection of the environment and natural resources, and sustainable development are set as long-term priorities. 10% of financial resources to be set aside from budget lines for technical and financial assistance to ALA regions for the protection of the environment and natural resources
Council Regulation 1488/96 on financial and technical measures to accompany (MEDA) the reform of economic and social structures in the framework of the Euro-Mediterranean partnership	The Regulation states that "the Community shall ...reform economic and social structures and mitigate any social or environmental consequences which may result from economic development".
Council Regulation 1279/96 concerning the provision of assistance to economic reform and recovery in the New Independent States and Mongolia (TACIS)	Environmental considerations have to be taken into account when designing and implementing programs. Environmental considerations have been applied on an ad-hoc basis for projects and programs likely to have an environmental impact. Projects to address environmental problems introduced on a systematic basis from 1996. In 1999 a new Tacis Regulation will be adopted covering 2000-2006. The Commission has proposed to strengthen the environment aspects of the programme, including environmental integration.
Council Regulation 722/97 on environmental measures in developing countries in the context of sustainable development	Sets out the framework for Community assistance from the 'Environment in Developing Countries' Budget Line (B7-6200) aimed at enabling developing countries to integrate the environmental dimension in their development process. Projects supported are pilot actions and strategic studies. Proposal for a new regulation currently under discussion.
Council Regulation 3062/95 on operations to promote tropical forests	Sets out the framework for Community assistance from the 'Tropical Forests' Budget Line (B7-6201) aimed at supporting the conservation and sustainable management of tropical forests in developing countries. A Manual on Forest Sector Development Co-operation is available. The new regulation currently under discussion will include other types of forests in addition to tropical forests.
Council Resolution of 28 May 1996 on Environmental Assessment in Developing Countries	States that Environmental Impact Assessment, EIA, is one of the most important tools for environment integration and the aim is to fully integrate environmental concerns in the project and programme preparation as well as at the strategy and policy levels.
Council Directive 90/313/EEC on the freedom of access to information on the environment	The objective is "to ensure freedom of access to and dissemination of information on the environment held by public authorities". Although directed to Member States it is also a principle that the Commission is expected to apply to other countries.

ANNEX II: INTEGRATION OF ENVIRONMENT INTO SELECTED EC ECONOMIC AND DEVELOPMENT CO-OPERATION POLICY DOCUMENTS SINCE 1992

Unless otherwise indicated, all the policy documents referred to are Commission Communications.

SECTOR OR ISSUE AREA	YEAR	ESTIMATED DEGREE OF ENVIRONMENT INTEGRATION / OTHER COMMENTS	SECTORAL GUIDELINES	STRATEGIC STUDIES
Energy	(2000)	Orientation note in preparation. Emphasis will be on renewable energies and environmental concerns will be taken into consideration.		Energy as tool for Sust. Dev. in ACP
Structural Adjustment	(1999)	Communication in preparation. Draft communication discusses environment only in relation to health issues.		Macroeconomic reforms and Sust. Dev. In Southern Africa
Trade	1999	Environment integrated into the policy. "The EU approach to the Millennium Round" discusses developing country and environmental issues extensively. They are also prominent parts of the EU Submission to the WTO 1997 High Level Meeting on Trade and Development and Communication on Trade and Environment in 1996.		Studies on certain countries, see footnote 7
Urban development		Sectoral guidelines in preparation. Will include environment as a cross cutting issue to be integrated to all urban development activities. ACP-EU Joint Assembly Resolution on Urban Development in ACP Countries (1997) calls for Commission strategies to address urban problems and opportunities.	2000	An evaluation of past projects
Rural development		Rural Development Policy for Developing Countries under preparation. Agriculture, Livestock and Fisheries policies under preparation. Agriculture, livestock and fisheries guidelines under preparation.	1998 (IPM)	Integrated Pest Management (IPM)
Fisheries	1999	Environment integrated into the policy. However, the Communication is mainly focused on Europe and the CFP. A policy document is in preparation on coherence between fisheries agreements and fisheries, which has a special emphasis on more sustainable resource use.		SIFR ²⁷ 1992 EU-ACP Dialogue on Fisheries Research Initiative -95-97

²⁷ A Study of International Fisheries Research by the World Bank, EC, UNDP, FAO, 12 bilateral donors and one industry organisation.

Private Sector Development	1999	Environment partially integrated into the policy. Communication limited to ACP countries. Focus on economic development. Identifies technical support for environmental protection as one of the elements of support to governments to devise and implement “second generation” reforms. Respect for social and environmental standards is identified as one of the areas for dialogue with the European and ACP private sector.		
Tourism	1999	Environment fully integrated into the policy. Seeks to ensure that the principles of sustainable development, that respect the social, cultural and environmental background, form part of tourism development strategies and schemes and that the positive effects of tourism on growth and employment are maximised.		
Transport	Draft 1999	Environment fully integrated into the policy. Communication focused on to the ACP countries. Provides a strategy aimed to deliver sustainable transport, which is safe, economically, financially and institutionally sustainable as well as environmentally sound and socially aware.	1996	
Forestry	Draft 1999	Environment fully integrated into the policy. Reaffirms commitment to sustainable economic and social development while fostering environmental protection. Pursues the goal of maintaining the multifunctional role of forests through activities both at the policy and field level.	1996	Forestry evaluation 97-98 Sourcebook -98
Biodiversity	1998	Environment fully integrated into the policy. The strategy includes a section on development and economic co-operation		EC/DfID 'Biodiversity in Development' Project
Democratisation, rule of law, human rights and good governance	1998	Environment partially integrated into the policy. Communication limited to ACP countries. Good governance defined as transparent and accountable management of all a country's resources, including natural resources, for its equitable and sustainable social development.		
Microfinance and poverty reduction	1998	Environment partially integrated into the policy. Focus on economic sustainability. Environment identified as one of the areas of impact evaluation. It is also noted that environmental considerations should become a more prominent part of international donor co-ordination and practice.	(Micro-finance) 1998	
Indigenous peoples	1998	Commission Working Document. Environment fully integrated into the policy. Aims to enhance indigenous peoples' right and capacity to control their own social, economic and cultural development and capacity for sustainable management of biological resources.		
Fresh water management		Environment fully integrated into the guiding principles of the sectoral guidelines “Towards sustainable water resource management”.	1998	

Scientific and Technological Research	1997	Environment integrated into the policy. Underlines the strategic role that Research and Technology Development (RTD) has to play in promoting sustainable development in the developing countries and achieving the Community's development co-operation objectives.		Several within the 5 th RTD Framework Programme
Human and social development	1996	Commission Working Document. Environment partially integrated into the policy. Natural capital identified as one form of capital, the sustainable management of which is a fundamental precondition to human and social development.		
Relief, Rehabilitation and Long-term Development	1996	Environment partially integrated into the policy. Sustainable development addressed as an overall objective and environmental impacts of crisis situations identified as an area requiring action.		
Regional economic integration	1995	Environment partially integrated into the policy. Focus on economic sustainability, environmental degradation identified as one issue requiring increased regional co-operation.		
Gender issues	1995	Environment partially integrated into the policy. Focus on social and economic sustainability. The role of women in the sustainable management of natural resources is emphasised.		
Health	1994	Environment partially integrated into the policy. Focuses on the need to create an environment favourable to health. Environmental health not separately addressed.		Health and Environment in ACP Countries
Food security	1994	Environment or sustainable development not explicitly mentioned. Focus on co-ordination between the Community and the Member States.		
Education	1994	Environment or sustainable development not explicitly mentioned. Focus on co-ordination between the Community and its Member States on education and training schemes.		
Campaign against poverty	1993	Environment partially integrated into the policy. Focuses on social and economic sustainability, environment mentioned in passing.		EC/UNDP Poverty and Environment Initiative
Family planning	1992	Environment partially integrated into the policy. Focus on social and economic development. States that current rates of population growth will increase the pressure on scarce resources such as water and on the environment in general.		
Run-up to 2000	1992	Environment integrated into the strategy, e.g. global environment identified as a new form interdependence and important area of co-operation in all geographical regions		

ANNEX III: COMMUNITY PARTICIPATION IN MULTILATERAL ENVIRONMENT AGREEMENTS (MEAS) AND PROCESSES

The European Community is very active in Multilateral Environmental Agreements and has been a driving force in many of the negotiations in the current framework of international environmental law. The Community's own experience in reaching agreement amongst 15 Member States at rather different levels of development has often been crucial in the search for compromises on the wider stage. In turn international agreements have helped to shape the Community's internal legislation.

Equally the work of the Council and its subsidiary Groups means that Union participants have a unique experience of international dialogue. This has often been used to push forward international processes such as Environment for Europe, the Euro-Mediterranean Partnership, the Governing Council of the United Nations Environment Programme, the UN Commission on Sustainable Development, the WTO Committee on trade and Environment, the Intergovernmental Forum on Forests, the Global Plan of Action on Land-based Sources of Marine Pollution (Washington GPA), or the Intergovernmental Forum on Chemical Safety (IFCS).

The European Community is a party to 37 environmental Conventions, Protocols and Amendments, of which all but 5 are in force, and has signed another 15. In all, these represent some 26 distinct agreements, which fall into several groups. The ones relevant for developing countries and EC economic and development co-operation are listed below. Other types of agreements with major effects on natural resources and the environment, such as those establishing Regional Fisheries Organisations and the UN Convention on the Law of the Sea, are not included in these totals.

Not all the environmental agreements cover ACP or ALAMED countries since many are regional agreements for Europe. Nevertheless, this does not mean that these countries have no interest in them. For example, the Economic Commission for Europe (UN ECE) Convention on Long-range Transboundary Air Pollution and its many Protocols have been noted as potential models for other regions in wider international fora including UNEP and the UN Commission for Sustainable Development.

Six of the basic agreements to which the Community is party concern European river basins. Four deal with the seas around Europe. The Community took part in the negotiation of other regional seas agreements such as the Cartagena Convention on the Wider Caribbean Region and the Nairobi Convention on the East African Sea and in some cases signed them, but has not taken action to conclude the agreements or participate in the Conferences of the Parties.

Of the seven distinct agreements to which the Community is party on nature protection, flora and fauna, three have world-wide coverage - the Convention on Biological Diversity (CBD), the Convention to Combat Desertification (CCD) and the Bonn Convention on the Conservation of Migratory Species. In addition, the UN Convention on the Law of the Sea is a global convention. The Community is not a party to another world-wide nature conservation agreement, the Ramsar Convention on Wetlands. However, the Hague Agreement on the Conservation of African-Eurasian Migratory Waterbirds, which concerns a developing region, has been signed but not yet concluded by the Community.

Of the three distinct agreements on air and atmosphere, two are global - the Vienna Convention and its Montreal Protocol as well as the UN Framework Convention on

Climate Change (UN FCCC) and its Kyoto Protocol. Two of the four agreements on industry, hazardous substance and waste have world-wide coverage – the Basle Convention on Transboundary Movements of Hazardous Wastes and the UNEP/FAO Rotterdam Convention for the Application of Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade, (the PIC Convention).

The two general or institutional agreements, the Espoo Convention on Environmental Impact Assessment in a Transboundary Context and the Aarhus Convention on Access to Environmental Information, Public Participation in Environmental Decision-making and Access to Justice were both negotiated under UN ECE auspices and their content reflect the concerns and institutional capacities of industrial countries. Nevertheless both translate universal principles which were endorsed by the world community in the Rio Declaration into legally binding forms and could be useful models for other regions.

The Community has participated in a further eight completed negotiations but has yet to sign or approve the resultant agreements. These include three of world-wide interest of which two cover a sector different from all those mentioned above. The Convention on the Law of the Non-navigational Uses of Transboundary Watercourses took decades to agree and is not yet in force, but will provide a legal framework for sharing the resources of international rivers and is thus of major interest to many countries. The International Atomic Energy Agency (IAEA) Convention on Nuclear Safety and the IAEA Joint Convention on the Safety of Spent Fuel Management and the Safety of Radioactive Waste may be of more limited application but the Small Island Developing States at least have taken an interest in the latter although they are not signatories to it.

The Community is currently party to the negotiations of another 4 international agreements of which two are of interest here. The Biosafety Protocol of the CBD is primarily intended to facilitate the safe transboundary movement of Living Modified Organisms. The UN Global Instrument on Persistent Organic Pollutants (POPs agreement) is expected to ban at least 12 toxic chemicals which are largely used by developing countries. Furthermore, the Commission actively participates in discussions on a possible global legally binding instrument concerning management and protection of all forests. Such a global instrument could provide a strong incentive for improved implementation and enforcement of policies and legislation established by sovereign nations in order to *inter alia* (i) raise necessary financial resources for Sustainable Forest Management; (ii) develop instruments for internalising the environmental and social costs and benefits; (iii) reduce illegal trade and promote good governance in the forest sector.

In addition the Community takes part in the work of the Convention on International Trade in Endangered Species (CITES), and has implemented the required internal legislation, but has not yet become a party because the Amendment allowing participation by Regional Economic Integration Organisations is not yet in force.

ENVIRONMENT AGREEMENTS MOST RELEVANT FOR EC ECONOMIC AND DEVELOPMENT CO-OPERATION

I. Multilateral environmental agreements and protocols to which the EC is a contracting party or a signatory

WATER - INTERNATIONAL RIVERS AND LAKES

1. Convention on the Protection and Use of Transboundary Watercourses and International Lakes (1992) (UN-ECE)
2. Convention on the Co-operation for the Protection and Sustainable Use of the Danube (1994, Sofia)
3. Convention on the International Commission for the protection of the Oder from pollution (1996, Wroclaw)

OCEANS AND SEAS

4. Convention on the Protection of the Marine Environment of the Baltic Sea Area (1974, Helsinki)
5. Convention for the Protection of the Mediterranean Sea against Pollution (1976, Barcelona) (UNEP)
6. Protocol concerning Co-operation in combating Pollution of the Mediterranean Sea by oil and other harmful substances in case of emergency (1976, Barcelona) (UNEP)
7. Protocol for the prevention of Pollution of the Mediterranean Sea by dumping from ships and aircraft (1976, Barcelona) (UNEP)
8. Protocol for the Protection of the Mediterranean Sea against pollution from land-based sources (1980, Athens) (UNEP)
9. Protocol concerning specially protected areas of the Mediterranean Sea (1982, Geneva) (UNEP)
10. Amendments to the Barcelona Convention (1995, Barcelona)
11. Amendments to the Protocol for the prevention of pollution of the Mediterranean Sea by dumping from ships and aircraft (1995, Barcelona)
12. Protocol concerning specially protected areas and Biological Diversity of the Mediterranean Sea (1995, Barcelona)
13. Convention on the Protection of the Marine Environment of the Baltic Sea Area (1992 Revised Helsinki Convention) (1992, Helsinki) (Not yet in force – Once in force it will replace the 1974 Helsinki Convention)

NATURE PROTECTION – FLORA AND FAUNA

14. Convention on the Conservation of Migratory Species of Wild Animals (CMS) (1979, Bonn) (UNEP)

15. Convention on the Conservation of European Wildlife and Natural Habitats (1979, Bern) (Council of Europe)
16. Convention on Biological Diversity (1992, Rio) (UN)
17. Agreement on the Conservation of African-Eurasian Migratory Waterbirds (1995, The Hague)
18. UN Agreement on the Conservation of Small Cetaceans of the Baltic and North Seas (1992, New York)
19. United Nations Convention to Combat Desertification in Countries Experiencing Serious Drought and/or Desertification, Particularly in Africa (1994, Paris)

AIR AND ATMOSPHERE

20. Convention on Long-range Transboundary Air Pollution (1979, Geneva) (UN/EC)
21. Protocol concerning the Control of Emissions of Volatile Organic Compounds or their Transboundary Fluxes (1991, Geneva)
22. Protocol on Long-Term Financing of the Co-operative Programme for Monitoring and Evaluation of the Long-range Transmission of Air Pollutants in Europe (EMEP) (1984, Geneva) (UN/EEC)
23. Protocol concerning the control of emissions of nitrogen oxides or their transboundary fluxes (1988, Sofia)
24. Protocol to the Convention on Long-range Transboundary Air Pollution of 1979 on the further Reductions of Sulphur Emissions (SO₂) (1994, Oslo) (**Not yet in force**)
25. Protocol on Heavy Metals to the Geneva Convention on Long-range Transboundary Air Pollution
26. Protocol on Persistent Organic Pollutants to the Geneva Convention on Long-range Transboundary Air Pollution
27. Convention for the Protection of the Ozone Layer (1985, Vienna)
28. Protocol on Substances that deplete the Ozone Layer (1987, Montreal) (UNEP)
29. London Amendment to Montreal Protocol (1990, London)
30. Copenhagen Amendment to Montreal Protocol (1992, Copenhagen)
31. Framework Convention on Climate Change (1992, New York) (UN)
32. Protocol to the Climate Change Convention (1997, Kyoto)

INDUSTRY / HAZARDOUS SUBSTANCES AND WASTES

33. Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal (1989, Basle) (UNEP)

34. Convention on Transboundary Effects of Industrial Accidents (1992, Helsinki) (UN-ECE) (**Not yet in force**)
35. European Convention for the Protection of Vertebrate Animals used for Experimental and other Scientific Purposes (1986, Strasbourg) (Council of Europe)
36. (UNEP/FAO) Convention for the Application of the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade (PIC Convention – 1998, Brussels)

GENERAL

37. Convention on Environmental Impact Assessment in a Transboundary context (1991, Espoo) (UN-ECE)
38. (UN/ECE) Convention on Access to Environmental Information, Public Participation in Environmental Decision-making and Access to Justice

II. Multilateral agreements, the negotiation of which is finished but not signed by the community

1. Convention on the Law of the Non-navigational Uses of Transboundary Watercourses (1997, New York)
2. Agreement for the Conservation of cetaceans in the Mediterranean Sea and the Black Sea (under the Bonn Convention) (1996, Monaco)
3. Agreement for the Conservation of Bats in Europe (under the Bonn Convention)
4. Protocol on the Transboundary Movements of Hazardous Waste in the Mediterranean (1996, Izmir)
5. Amendments to the Protocol to the Convention of Barcelona relating to the Protection of the Mediterranean Sea from pollution from Land-based sources (1996, Barcelona)

III. Principal multilateral agreements in final phase of negotiation

1. Protocol on Biosafety to the Biodiversity Convention
2. 2nd Protocol Nox to the Geneva Convention on Long-range Transboundary Air Pollution
3. UN Global Instrument on Persistent Organic Pollutants (POPs)
4. Protocol on Water and Health to the UN-ECE Convention on Transboundary Watercourses
5. Liability Protocol to the Basle Convention on Transboundary Movements of Hazardous Wastes and their Disposal

Note: Convention on International Trade in Endangered Species (CITES): The Community, not being a Party for the moment to the Convention, plays an essential role even though it is only as Observer.

ANNEX IV: REGIONAL BREAKDOWN OF FUNDING TO DIFFERENT ENVIRONMENT THEMES AND PRINCIPAL EC, EIB, AND EBRD FUNDING INSTRUMENTS FOR THIRD COUNTRIES²⁸

Table IV.1 Funding to environment themes in ACP countries during 1990 to 1995

Funding committed from EDF VII to different environment themes		
Theme	Million €	% of funding for environment
Urban environment	64,4	31
Institutional strengthening	32,8	16
Land resources	31,6	15
Biodiversity	29,9	14
Marine resources	13,1	6
Tropical forests	8,3	4
Climate change	3,1	2
Technology transfer	1,9	1
Pollution control	1,6	1

Table IV.2 Funding to environment themes in ALA countries during 1990 to 1995

Funding committed to Asia and Latin America from B7-3001 and B7-3001 (Asia) to different environment themes		
Theme	Million €	% of funding for environment
Tropical forests	94,0	31
Land resources	90,8	30
Institutional strengthening	25,8	17
Technology transfer	23,3	8
Biodiversity	8,3	3

²⁸ Similar thematic breakdown for New Independent States (NIS) is not currently available. An evaluation of the Tacis Interstate Environment Programme is currently being conducted.

Table IV.3 Funding to environment themes in MED countries during 1990 to 1995

Funding committed from Mediterranean Budget Lines to different environment themes		
Theme	Million €	% of funding for environment
Land resources	57,3	57
Marine resources	19,1	19
Pollution control	5,4	5
Urban environment	4,6	4
Technology transfer	4,3	4

Table IV.4 Funding to environment and energy sub-sectors in CEE countries during 1990 to 1998

Funding committed to CEEC countries from the Phare Programme to environment and energy sub-sectors		
Sub-sector	Million €	% of funding for environment and energy
Pollution reduction	159,6	28
Energy supply	119,7	21
Energy saving	114	20
Water services ¹	102,6	18
Biodiversity	17,1	3
Other ²	57	10

1 Includes waste water (industrial waste is included in pollution reduction)

2 Includes projects classified with multiple or unknown objectives

Source ERM Inventory Database

Table IV.5 Principal EC, EIB and EBRD funding instruments

Type	Region	Instrument	Amount mill €	
Official Development Assistance	Africa, Caribbean, Pacific	8th European Development Fund (1995 - 2000)	12,967	
		of which:	48 %	
		- bilateral country programmes (NIP)	10 %	
		- regional co-operation (RIP)	11 %	
		- Structural Adjustment	14 %	
		- STABEX	4 %	
		- SYSMIN	2 %	
		- Emergency/refugee assistance	8 %	
		- risk capital (EIB)	3 %	
		- Interest rate subsidies (EIB)		
		European Investment Bank (1995 - 2000)	1,658	
	Community Budgetlines (1999 annual provisions)			
		Southern and South Africa		127.5
		Latin America		314
	Asia		438	
	Mediterranean, Near & Middle East		1,094	
	All	Food and Humanitarian Aid	835	
	All	Co-financing NGO's	200	
	Developing countries	Environment in developing countries	16	
	tropical countries	Tropical forest	45	
	All	Rehabilitation	15	
		Others	605	
Official Aid	CEEC	PHARE	1,444	
	CIS	TACIS	485	
	ex-Yugoslavia	OBNOVA	332	
		EBRD	33	
Community Budgetlines (multi-annual provisions)				
Other grants	These programmes are to a certain extent open for third country participation. The total amount of funding for third countries has not necessarily been fixed.	SYNERGY (1998 - 2002)	15	
		5 th Framework Programme (1998 - 2002),	14,960	
		of which	7 %	
		- Environment	7 %	
		- ENERGIE	3 %	
	- Co-operation with developing countries			
	SAVE (1996 - 2000)	45		
	ALTENER II (1998 - 2002)	22		

Loans	Accession countries (54 %) Mediterranean (20 %) ACP (13 %) South Africa (3 %) other CEEC (2 %) Latin America (5 %) Asia (3 %)	European Investment Bank (EIB) of which: - transport - energy - private sector - water - industry - others	4,410 (*) 37 % 18 % 13 % 10 % 7 % 15 %
	Eastern Europe, CIS	European Bank for Reconstruction and Development (EBRD) of which - private sector - energy - transport - communication	2,373 (*) 40 % 17 % 10 % 8 % 6 %

(*) 1998 commitments

ANNEX V: OECD DEVELOPMENT ASSISTANCE COMMITTEE WORKING SET OF CORE INDICATORS

The OECD Development Assistance Committee's working set of core indicators is based on "Shaping the 21st Century", the Development Partnerships Strategy launched in May 1996. The Strategy selected a few, key goals from recent UN conferences. These quantitative goals cover the areas of economic well-being, social development and environmental sustainability and regeneration (the goals chosen are presented in the table below in connection to the indicators). In addition, it was recognised that qualitative factors would be essential to the attainment of these goals (participatory development, democratisation, good governance, human rights). While the Strategy recognised that the goals needed to be set country by country, it noted the need for monitoring progress at the global level as the main purpose of the OECD DAC indicators.

The list of indicators is the outcome of a process of collaboration between DAC donors, experts from the World Bank and the United Nations system and policy makers and statisticians from developing countries. A joint OECD/UN/World Bank meeting in February 1998 reached a broad agreement on the working set of core indicators.

Some indicators provide a direct measurement of the goal (e.g. goal: reduce extreme poverty by half; indicator: incidence of extreme poverty: population below \$1 per day), while other capture other dimensions (e.g.: reduce extreme poverty by half; indicator: inequality - poorest fifth's share of national consumption). A limited number of other indicators, while not directly related to any of the selected goals, are included to give a fuller picture. They include some social composites such as life expectancy and some economic measures such as aid receipts and external debt.

There is need for further work to refine some of the measures and their coverage, particularly for the environmental indicators, and to advance work on indicators of the qualitative factors of participatory development and good governance. The set will therefore be continuously developed. For example, work is underway to propose indicators for the marine environment, land use (such as deforestation and desertification), and air pollution.

The approach used for this core set of indicators is related to their focus on goals. Countries can be put into groups according to their relative distance from the selected goals. The 171 aid recipients on the DAC List are split into five groups (quintiles) with 34 countries in each (China and India are shown separately, given the size of their populations). Thus the first quintile shows the 34 developing countries furthest away from the development goals. The 33 countries in the fifth quintile as a group have development indicators which equate roughly to developed country levels. Seven indicators related to the selected goals have been used to create these groupings in order to capture the multi-dimensionality of development: GNP per Capita, Child Malnutrition, Net Enrolment in Primary Education, Under 5 Mortality Rate, Maternal Mortality Ratio, Total Fertility Rate, and Access to Safe Water

Thus a country which might score well on GNP per capita may be in a lower group because of health or education indicators which are below the "norm" for that income group. This same method could be used to set and to monitor national goals. Showing the distance from development goals at intervals would show progress over the period and

highlight differences in the rate of progress in closing these gaps on each of the five dimensions included.

A review of the indicator set is planned in the year 2000 to examine progress and identify needs for further action with respect to indicators.

THE OECD DAC WORKING SET OF CORE INDICATORS

Goals	Indicators	
Economic well-being		
<p>Reducing extreme poverty</p> <p>The proportion of people living in extreme poverty in Developing countries should be reduced by at least one-half by 2015. (Copenhagen)</p>	<p>1. Incidence of Extreme Poverty: Population Below \$1 Per Day</p> <p>2. Poverty Gap Ratio: Incidence times Depth of Poverty</p> <p>3. Inequality: Poorest Fifth's Share of National Consumption</p> <p>4. Child Malnutrition: Prevalence of Underweight Under 5 years</p>	
Social development		
<p>Universal primary education</p> <p>There should be universal primary education in all countries by 2015. (Jomtien, Beijing, Copenhagen)</p>	<p>5. Net Enrolment in Primary Education</p> <p>6. Completion of 4th Grade of Primary Education</p> <p>7. Literacy Rate of 15 to 24 Year-Olds</p>	
<p>Gender equality</p> <p>Progress towards gender equality and the empowerment of women should be demonstrated by eliminating gender disparity in primary and secondary education by 2005 . (Cairo, Beijing, Copenhagen)</p>	<p>8. Ratio of Girls to Boys in Primary & Secondary Education</p> <p>9. Ratio of Literate Females to Males (15 to 24 Year-Olds)</p>	
<p>Infant & child mortality</p> <p>The death rates for infants and children under the age of five years should be reduced in each developing country by two-thirds the 1990 level by 2015. (Cairo)</p>	<p>10. Infant Mortality Rate</p> <p>11. Under 5 Mortality Rate</p>	
<p>Maternal mortality</p> <p>The rate of maternal mortality should be reduced by three-fourths between 1990 and 2015. (Cairo, Beijing)</p>	<p>12. Maternal Mortality Ratio</p> <p>13. Births Attended by Skilled Health Personnel</p>	
<p>Reproductive health</p> <p>Access should be available through the primary health-care system to reproductive health services for all Individuals of appropriate ages, no later than the year 2015. (Cairo)</p>	<p>14. Contraceptive Prevalence Rate</p> <p>15. HIV Prevalence in 15 to 24 Year-Old Pregnant Women 1</p>	
Environmental sustainability & regeneration		
<p>Environment 2</p> <p>There should be a current national strategy for sustainable development, in the process of implementation, in every country by 2005, so as to ensure that current trends in the loss of environmental resources are effectively reversed at both global and national levels by 2015. (Rio)</p>	<p>16. Countries with National Sustainable Development Strategies</p> <p>17. Population with Access to Safe Water</p> <p>18. Intensity of Freshwater Use</p> <p>19. Biodiversity: Land Area Protected</p> <p>20. Energy Efficiency: GDP per Unit of Energy Use</p> <p>21. Carbon Dioxide Emissions</p>	
General Indicators		
<p>Other selected indicators of development</p> <p>For reference: Population</p> <p>Gross National Product</p>	<p>GNP per Capita</p> <p>Adult Literacy Rate</p> <p>Total Fertility Rate</p> <p>Life Expectancy at Birth</p>	<p>Aid as % of GNP</p> <p>External Debt as % of GNP</p> <p>Investment as % of GDP</p> <p>Trade as % of GDP</p>

This list is neither exclusive nor comprehensive and some elements (e.g. environment) remain under discussion. It reflects progress to date in identifying core indicators that are relevant to the development goals selected from the series of UN Conferences held in the 1990s, and which now form a wide consensus on development priorities. The goals were selected because they were important in their own right and as meaningful proxies for broader development goals. The selection does not imply any diminished commitment to other goals accepted by the international community, at international conferences or elsewhere. The list reinforces other indicator initiatives, such as the Minimum National Social Data Set of the United Nations Statistics Division, and the General Data Dissemination System of the IMF.

Like the goals, the indicators are inter-related and should be seen as a whole. It constitutes a core set reflecting key aspects of economic and social well being and environmental sustainability. Thus some indicators address more than one goal, but for brevity are shown only once; for example: child malnutrition is also an indicator of health status; attended births also indicate access to reproductive health services; literacy is a key determinant of economic well-being and health; while freshwater is an environmental resource, access to it directly affects the quality of women's lives and the health of their children. Moreover, the majority of the indicators can be disaggregated by gender to measure the extent of inequality.

There are many sources for indicators. This set will be published annually in the OECD's *Development Co-operation Report*, and put in the context of other indicators in the *Human Development Report* published by the United Nations Development Programme and *World Development Indicators* published by the World Bank. Those interested in more detail of development issues and indicators are referred to these publications or to the following website: <http://www.oecd.org//dac/Indicators/htm/list.htm>

1 Until satisfactory data coverage is achieved on this indicator, the prevalence of HIV infection in all adults will be used.

2 Indicators for land use, marine environment and air quality will be added to the list later.

ANNEX VI: SET OF INTERNAL PERFORMANCE INDICATORS

Objective	Result	Indicators	Source of Data and Verification
1. Coherence among EC policies with external effects and consideration of environmental issues in this context	All relevant EC policy formulation processes take impacts on developing countries into account		Policy studies, and policy assessments in the Commission Reports on Coherence
2. Integration of environment into EC policies in the field of economic and development co-operation	All Commission Working Documents and Communications consider the integration of environmental issues		Policy assessments in connection to the 5 yearly evaluations of environmental performance of EC aid (see objective 7)
3. Integration of environmental dimensions into policy dialogue, regional and country strategies, programmes and reviews	Component addressing environmental integration incorporated into all: <ul style="list-style-type: none"> • Regional and country strategies, • Indicative programmes, • Country reviews and • Country reports by the end of 2002.	<ol style="list-style-type: none"> 1. Number of regional and country strategies, programmes and reviews with an explicit environmental component 2. Number of Annual Country Reports with a brief environment chapter (First Environment Chapters will be prepared centrally in order to reach a uniform approach. The chapter will be updated by the EC delegations annually). 	Country strategies Indicative programmes Country reviews Annual country reports
4. Integration at project level	Environmental screening and assessments of co-operation programmes and projects systematically undertaken: <ul style="list-style-type: none"> • Screening of all EC co-operation programmes • EIA or SEA of all EC co-operation projects that meet the criteria for “High environmental risk” of environmental screening conducted 	<ol style="list-style-type: none"> 1. Number and percentage of projects in A, B and C categories 2. Number of EIA or SEA on category A EC co-operation projects 3. Number of public consultations in connection with EIA or SE 	<ol style="list-style-type: none"> 1. Project Screening Forms 2. Commission project data bases (PIS) (an annual listing of EIA and SEA of EC co-operation policies, programmes and projects) 3. EIA and SEA reports

<p>5. Improved capacity to integrate environmental aspects</p>	<p>Commission staff trained in environmental integration procedures:</p> <ul style="list-style-type: none"> • Training Needs Assessment conducted by the end of 2000 • Every official in key policy areas or geographical responsibility in headquarters and Delegations , identified in a training needs assessment, will have attended environmental training by 2002 • Specific technical support for environmental assessments provided and utilised 	<ol style="list-style-type: none"> 1. Number of officials in key policy areas or geographical responsibility in headquarters and Delegations that have attended environmental training 2. Number of contacts annually to the Helpdesk 3. Number of assignment made by the Environment Helpdesk annually 	<p>Training Needs Assessment</p> <p>Training Report</p> <p>Individual notation reports</p> <p>Invoices of framework consultant contract</p>
<p>6. Increased transparency and visibility of EC actions in the field of environment</p>	<p>Real-time access by the end of year 2000 to:</p> <ul style="list-style-type: none"> • EC commitments and disbursements on primary environment projects <p>Public access by the end of year 2000 to:</p> <ul style="list-style-type: none"> • All environmental screening results • One page summaries of EIA and SEA <p>OECD/DAC Marker System for accounting expenditure on environmental agreements introduced</p>	<ol style="list-style-type: none"> 1. Expenditure on primary environmental projects 2. Expenditure on major multilateral environment agreements 	<p>Commission project data bases</p> <p>Project Screening Form</p>
<p>7. Quality control of environmental integration</p>	<p>Five-yearly independent evaluations of environmental performance of EC aid</p>	<p>Indicators identified above will used in the evaluation.</p>	