



**EU Sustainable Development Networking Event
Windsor 14 & 15 July 2005**

**Workshop Theme 1:
Improving Delivery of National SD Strategies¹**

The aim of this workshop is to identify concrete examples from EU and Member State experience, on how to integrate sustainable development into practical policy-making across government departments and levels of government.

Introduction

The development and publication of a national sustainable development strategy is a major achievement – but is only a necessary first step. Progress towards the various commitments and targets in an NSSD can be achieved only through concrete action on the ground. The cross –sectoral and multi-level nature of SD issues is a major challenge requiring ‘joined–up’ government , or horizontal integration, between central government departments, as well strong, vertical co-ordination between the centre, and regional and local actors.

EU Member States have adopted a range of instruments, mechanisms and approaches to achieve more coherent policies, and the case studies below highlight just a few examples. Budgetary procedures, taxation and national and regional expenditure programmes receive particular attention. These have the potential both to advance and to detract from SD, and Finance Ministries are in a powerful position to exert influence across the whole range of government activity.

1. Improving Delivery: Governance Recommendations for an effective Flemish Strategy for Sustainable Development – Luc Goeteyn (MiNa-Raad – Flemish Environment and Nature Council)

Since the end of 2004, the Government of Flanders Region in Belgium has been developing a Flemish Strategy for Sustainable Development. Concerned that many sustainable development strategies around the world have remained empty statements of intention with little practical effect, the Flanders Social and

¹ This background paper has been prepared by the Institute for European Environmental Policy and does not necessarily represent the views of DEFRA

Economic Council (SERV) and the Environment and Nature Council of Flanders (MiNa-Council) have together drawn up recommendations to the Flemish Government regarding the approaches to governance that will be required to deliver an effective strategy.

The governance guidelines start from a recognition that SD strategies are often regarded as a stand-alone *product* rather than a *process*; that they are developed mainly or exclusively top-down by the government; and that they consist of initiatives that are cut off from established policy processes.

By contrast, the best results have been achieved with strategies that

- emphasise processes, capacity building and continuous learning;
- aim at broad 'ownership' through wide participation of stakeholders and the public;
- start from existing planning and decision-making frameworks, in order to improve and harmonise them.

The SERV/MiNa-Council Guidelines include five immediate priorities

- The establishment by the Regional Government of a central Sustainable Development policy unit to push forward the process of strategy development and co-ordinate the contributions of other departments. This new institution would complement the process of reinforcing existing tools, processes and structures;
- Strengthening broad political and social commitment through the establishment of a multistakeholder forum, with greater engagement of the Flemish Parliament;
- The development of a long-term vision for sustainable development in Flanders;
- launching experimental, pilot projects to demonstrate to government and stakeholders in the short-term the advantages of an integrated policy approach;
- An 'institutional plan' setting out measures to achieve, for example, more policy integration between levels of government and different sectoral policies; effective monitoring and evaluation; and strategic capacity to support dialogue and policy learning.

Questions for Discussion

- Is the explanation for the weaknesses of many SD strategies identified by SERV and MiNa-Council right?
- How can greater policy integration be achieved in Flanders in practice?
- How useful are experimental pilot projects in raising awareness of the benefits of an integrated approach?

2. Improving Delivery: Implementing the Hungarian Sustainable Development Strategy – Professor Miklos Bulla (National Environment Council (OKT), Hungary)

In 2002, the incoming Government in Hungary made a public commitment to developing a national sustainable development strategy, but the completion of the full strategy has been subject to some delay. An independent review of the strategy development process in Hungary has emphasised the need to address issues of horizontal and vertical integration, and of strengthening stakeholder and NGO engagement and involvement in its implementation. Lessons learned from the work of the Environment Council (OKT) – which brings together stakeholders and government representatives – could help to strengthen the implementation of the Hungarian SD strategy.

3. Improving Delivery: The Role of SD Advisory Councils – Ingeborg Niestroy (Secretary, European Environmental and Sustainable Development Advisory Councils)

Introduction

EU Member States between them have a range of advisory councils covering one or more of the separate elements of sustainable development, but a number have established explicitly SD Advisory Councils or Commissions. The network of European Environmental and Sustainable Development Advisory Councils (EEAC) recently commissioned a study on national approaches to sustainable development – Sustaining Sustainability – which included analyses of six such SD Advisory Councils - Belgium, Finland, Germany, Ireland, Portugal and the UK.

The study showed that although there are some exceptions, SD Councils generally share similar roles, including

- Providing a link between government and stakeholders
- Fostering dialogue between different stakeholders
- Communicating the SD message to a wider audience
- Contributing to the development and review of NSSDs
- Research and agenda setting
- Monitoring and performance review.

Most SD Advisory Councils are independent of government, although a few include government representatives as members or observers. Members of SD Advisory Council are generally appointed for their personal expertise and experience, although in some cases (eg Finland) members directly represent the organizations from which they come.

The balance between the different roles they may be expected to perform varies between EU Member States, and can change over time in the same country. Budgetary restrictions inevitably mean that priorities have to be set. There may

be tensions between some of these roles – for example, as ‘inside’ adviser to government, and as public evaluator of government performance in delivering NSSD commitments. In the UK, as part of the recent review of the UK Sustainable Development Strategy, the Sustainable Development Commission has formally been given the role of monitoring and evaluating government performance, and communicating the results to the public.

Questions for Discussion

- Are SD Advisory Councils more effective if their members are independent, or formally represent different stakeholder?
- How have SD advisory councils set the balance between their various roles?
- Is conflict between the roles of advisory councils inevitable? How can it be managed ?
- How do SD Advisory councils relate to more traditional socio-economic councils?

4. Horizontal Integration: the Swedish Ministry of Sustainable Development

Helen Agren and Micael Hagman (Ministry for Sustainable Development, Sweden)

Introduction

Sweden’s first national sustainable development strategy was launched in 2002, and revised in April 2004. A Co-ordination Unit for Sustainable Development located in the Prime Minister’s Office was established in December 2003 to help bring together key ministries. It included representatives from the Ministries of Environment, Finance, Health and Social Affairs, Industry, Employment and Communications, and Foreign Affairs. A further step at horizontal integration in Sweden was taken with the launch in January 2005 of the new Ministry of Sustainable Development (direct translation; Ministry of Environment and Society Planning). With the possible exception of the French Ministry, this is the only SD Ministry (formally so-called) within the EU.

The Ministry of Sustainable Development

The Minister for Sustainable Development, Mona Sahlin, has responsibility for

- The coordination of the Government’s overall sustainable development strategy
- Planning
- Housing
- Energy
- Emissions Trading

- Nuclear safety and radiation protection
- Environmental research

The Minister for the Environment, Lena Sommestad has the following responsibilities:

- Environment and Health
- Chemicals policy
- Ecocycle policy
- Climate change
- Nature conservation and biodiversity
- Water
- Environmental quality objectives
- EU and international cooperation

Also now working under the umbrella of the Ministry of Sustainable Development is the Co-ordination Unit for SD, with representatives of the five Ministries listed above. The responsibility of the Coordination Unit for SD is to:

- coordinate the work for SD in the government offices
- further develop the national strategy for SD
- function as a thinktank and engine
- develop Swedens action in sustainability issues at the international level

Questions for Discussion

- What is the relationship of the Ministry of Sustainable Development with other responsible 'sectoral' ministries (eg in relation to energy and industry?)
- How well does the division of responsibilities between Minister for Sustainable Development and the Minister for the Environment work in practice?
- What are the specific responsibilities of the Co-ordination Unit for Sustainable Development?

5. Sustainable Development and National Budgets: The UK's Spending Review – Fiona James (HM Treasury) and Tim Ashvie (Price Waterhouse Cooper)

Introduction

A number of opportunities for integrating sustainable development into national budgetary procedures arise in relation to setting the level and incidence of taxation, establishing strategic budgetary priorities, and implementing specific expenditure programmes. In particular, Finance Ministries are in a strong position to act proactively as champions of sustainable development by attaching conditions to both the presentation of departmental spending requests, and to spending decisions.

In the UK, the Treasury has sought to encourage the development of more coherent and integrated policies through its control of departmental spending plans. Every two years, Spending Reviews set fixed expenditure limits for each department for the following three years, and in agreeing these plans, the Treasury has set a number of SD-related targets.

The UK's 2002 and 2004 Spending Reviews

In 2002, all government departments were required to attach a sustainable development report to their spending requests, explaining the impact of their proposed expenditure on sustainable development. In addition, a range of Public Service Agreements (PSAs) were agreed between the Treasury and departments, setting out targets for improvement. Many of these related to key SD issues, such as climate change, health and the reduction of road traffic.

For the 2004 Spending Review, no separate SD report was required, but departments were asked to undertake a more rigorous impact assessment of their proposed spending, and integrate the findings into their submissions. The Treasury provided departments with guidance and training, and the resulting submissions were reviewed by Treasury Ministers. Additional PSAs in some cases reflected commitments entered into at the World Summit on Sustainable Development (WSSD). A number of PSAs were 'cross-cutting' requiring the collaboration of more than one department in meeting them.

The House of Commons Environmental Audit Committee pointed out, however, that only four of 124 PSA targets were environmental. Criticisms also focused on the lack of stakeholder involvement in the Spending Reviews, and a lack of transparency in relation to departmental SD reports

Questions for Discussion

- What training, guidance and resources are required to improve the quality of departmental SD reports and impact assessments?
- What quality control procedures were in place within the Treasury, and how effective were they?
- What mechanisms are required to deliver cross-cutting PSAs involving more than one department?
- In terms of cost-effectiveness in advancing SD, how does using Spending Reviews in this way compare with alternative instruments, such as environmental tax reform, or greening public procurement?

6. Sustainable Development and National Budgets: Ecological Tax Reform – Germany Christian Hey (German Advisory Council on the Environment)

Introduction

Shifting the burden of taxation away from labour and towards the use of natural resources was a key recommendation of the European Commission's Delors Report *Growth, Competitiveness and Employment*, published in 1993. In Germany, 'ecological tax reform' along these lines was a priority of the new socialist-green coalition which came to power in 1998. Launched in April 1999 as part of a more general overhaul of the tax system, the ecological tax reform aimed to advance environmental protection while reducing unemployment at the same time – a classic 'win-win'. Over the previous 30 years, the share of taxes on labour had increased in Germany by 66% , while environment-related taxes and charges fell considerably below 10%.

The Ecological Tax Reform

A specific aim was to increase taxes on energy consumption, while at the same time lowering labour costs through reductions in employers' and employees' contributions to the statutory pension scheme. This shift in taxation was intended to be revenue-neutral ie not intended to generate extra income for the state. In 1999, mineral oil taxes were increased and a new electricity tax introduced. Taxes on petrol and diesel fuel, and electricity, were increased annually from 2000 onwards. By 2003, 1.7 % of German tax revenue had been redistributed compared to 1998 levels, increasing of annual energy tax revenue by €18 billion. Most of that income was used to reduce the level of employers' social security contributions. The positive employment effects have been calculated to be close to 250 000, while at the same time a significant reduction in fuel consumption of 6-7% occurred.

Despite its controversial nature, the German approach to ecological tax reform seems well established politically. A key factor is that other alternatives to financing social security contributions are all unpopular. Compensatory measures eg rebates for commuters have also helped to overcome social opposition. The German Advisory Council on the Environment has welcomed the principle of ecological tax reform, but was critical that it was not based on CO₂-emissions and that many exemptions were offered, especially for coal based energy production.

A more sceptical view is adopted by the the OECD which noted that the objectives of securing environmental improvements through taxing the 'bads' might not always be compatible with reducing unemployment through cuts in taxes on the 'goods'. Other issues raised by the OECD related to the many exemptions given to industry and agriculture in the interests of preserving international competitiveness.

Questions for Discussion

- Which political and social preconditions are needed for ecological tax reform?

- What role did the German Environment Ministry play in setting the incidence and level of environmental taxes?
- How can the design of ecological reform become more environmentally effective and efficient?
- How far have increased energy prices penalized poorer households in Germany?

7. Territorial approaches to sustainable development: EU Structural Funds

Richard Howell (England-Wales Environment Agency) and Giovanni Brunelli (national Environmental Authority, Italy)

Introduction

Total spending from the EU's Structural and Cohesion Funds in the current programming period (2000-2006) amounts to over €250 billion, some 40 per cent of the total EU budget. Under current Commission proposals, this is set to increase to around €340 billion in 2007-2013, with almost half directed at the ten new Member States. Spending at this level has huge potential to help advance sustainable development – although in the past some large projects funded by the Structural Funds have contributed to increased pollution and inflicted damage on sensitive biodiversity sites.

Support for environment and sustainable development is, under current EU guidelines, a cross-cutting theme that should be mainstreamed across all priorities and projects supported by operational programmes in the EU's regions. For 2007-2013, the Commission has proposed that renewable energy, energy conservation, environmental technologies and support for aspects of Natura 2000 management should be eligible for support. However, the Member States' environmental authorities have not found it easy to ensure that environment and sustainable development is fully taken into account in project design, selection and delivery.

The 'Greening Regional Development Programmes (GRDP)' Interreg III C project

The GRDP project, funded by the Interreg III C programme, brings together 16 local and regional authorities and agencies from eight EU Member States to identify best practice in relation to putting the environment and sustainable development at the heart of regional economic development programmes. Led by the Environment Agency for England and Wales, the 16 partners work in four areas:

- Identifying good practice in mainstreaming the environment into regional development programmes;
- Influencing the implementation of the Structural Funds
- Making an economic case for environmental integration

- Integrating the environment and sustainable development in all future EU economic development programmes

The National Environmental Authority in Italy

One of the partners in the GRDP project is the Italian National Environmental Authority. This is based in the Ministry of the Environment, and supported by local environmental authorities for each of the 21 Italian regions. In 1998, a network of Environmental and Managing Authorities at central and local level was established in Italy, with the participation of the European Commission (both DG Environment and DG Regions). The network is jointly chaired by the Ministry of Economy and Finance, and the Ministry for Environment and Territory. The network co-ordinates criteria and methodologies for advancing environmental integration, supported by a task force of 160 multi-disciplinary experts from the National Environmental Authority.

Questions for Discussion

- How can environmental authorities most effectively mainstream environment and sustainable development in Structural Funds programmes?
- How should they be organised and resourced?
- How can project proposers be encouraged to develop win-win-win projects?
- How can national Economic Development Ministries be discouraged from proposing conventional infrastructure projects 'off the shelf'?