

Developments in Environmental Appraisal of Regional Development Plans in the Context of the Structural Funds

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Introduction

Up to 1993, the environmental dimension of the Structural Funds programming process was extremely weak, with very little basis for any kind of ex-ante appreciation of the environmental impact of the new multi-annual Operational Programmes or any basis for monitoring or evaluating their environmental impact – positive or negative – during implementation.

Following extensive criticism of this by NGOs, the European Parliament and the Court of Auditors, and not least in the wake of a number of controversial projects co-financed by the Funds, the Structural Funds Regulations were amended in 1993 and the environmental dimension of the process increased substantially. This coincided with a new round of Structural Funds programming in 1993 and greatly helped to improve the proposals and programmes put forward by the Member States. There are three key aspects to this enhanced environmental dimension:

- Improved ex-ante Environmental Appraisal of Structural Funds interventions;
- Monitoring and evaluation of environmental impact; and
- The role of the environmental authorities.

This paper looks at the current situation in regard to environmental appraisal requirements for regional development plans and at the implications for environmental appraisal of recent amendments to Structural Funds Regulations for the period 2000-2006.

The Structural Funds - an overview

Community Regional Policy, or Cohesion Policy as it is now called, is intended to balance the economic and social development of the EU. Since 1988, when the first reform of Community regional aid instruments took place, major changes have occurred in the way that policy is applied. The five principles of Cohesion Policy - *concentration* (targeting of regional aid on specific development Objectives), *partnership*, *consistency*, *improved administration of the Funds*, *simplification* - now serves as the basis for the delivery of Community Funds to the various regions. The economic and social impact of the Funds has been substantial especially for the poorer regions of the Union.

While these principles have not fundamentally changed, the focus on greater decentralisation of responsibility for implementation and administration of the Funds is an

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added feature of the new regulations. This is coupled with a more visible emphasis on monitoring and evaluation of Structural Funds interventions at all stages of the programming process and across a wider range of goals, including environmental ones.

The Structural Funds are the principal EU financial instrument for the delivery of regional aid within the Union. There are currently four separate Funds:

- The European Regional Development Fund (ERDF),
- The European Agriculture Guarantee and Guidance Fund (EAGGF) (Guidance Section),
- The European Social Fund (ESF), and
- The Financial Instrument for Fisheries Guidance (FIFG).

Resources from these Funds are currently allocated to eligible regions on the basis of predetermined development Objectives (Box 2.1) and consist of financial assistance programmes geared to specific development priorities for those regions. Financial assistance usually takes the form of a multi-annual package.

Box 2.1

Structural Funds Objectives (1993-99)

Objective 1 – promoting the development and structural adjustment of regions whose development is lagging behind.

Objective 2 – converting the regions or parts of regions seriously affected by industrial decline.

Objective 3 – combating long-term unemployment and facilitating the integration of young people into the work place, promotion of equal opportunities.

Objective 4 – facilitating the adaptation of workers to industrial changes and to changes in production systems.

Objective 5a – speeding up structural adjustment in the framework of the CAP reforms and promoting modernisation and structural adjustment of the fisheries sector.

Objective 5b – facilitating the development and structural adjustment of rural areas.

Objective 6 – development and structural adjustment of regions with an extremely low population density.

(Note: these Objectives will be reduced to 3 for the period 2000 - 2006).

Typical actions likely to be co-financed within the regional Objectives concerned are shown in Annex 1.

The Structural Funds process

The process of obtaining Structural Funds support by Member States is characterised by a series of steps:

- Preparation by the Member State and/or regional authority of a regional development plan for an eligible region or area in accordance with the regulatory requirements set out in Regulation EC No. 2081/93 for the particular type of development Objective;

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- Submission of a regional development plan by a Member State for a particular region(s), its prior appraisal by the Commission services in accordance with the current requirements of the Objectives specified in the Structural Funds Regulations (in particular Regulation EC No. 2081/93) (see Box 3.1);
- Negotiations on the development strategy and funding priorities between the Member State and/or regional authorities and the Commission;
- The drawing up of an agreed programming document¹ setting out the budgetary envelope, aims, objectives, priorities, eligible measures, monitoring and evaluation procedures and general implementation requirements;
- Programme implementation: including project selection and approval, ongoing monitoring and evaluation against prior agreed indicators;
- Ex-post evaluation of the achievements of the programme as measured by prior agreed economic and physical indicators.

For the forthcoming round, the Commission is placing great emphasis on a thorough evaluation of regional plans and Single Programming Documents (SPDs) submitted by the Member States. To help Member States in this regard, the Commission has developed a technical manual for the ex-ante evaluation of the 2000-2006 interventions in Objective 1 and 2 areas. The key components of this ex-ante evaluation are as follows:

- Analysis of previous evaluation results;
- Analysis of the strengths, weaknesses and potential of the Member State, region or sector concerned;
- Assessment of the rationale for the strategy and its overall consistency;
- quantification of objectives;
- Evaluation of the expected impacts and justification of the policy mix;
- Quality of the implementation and monitoring mechanisms.

The proposed ex-ante evaluation must also address the likely environmental impact of the proposed development plan. This is discussed further below.

Environmental Appraisal of Regional Plans

Currently, Member States submitting regional plans under Objectives 1, 2, 5b and 6 are required to include, within the plan, the information listed in Box 4.1.

(1) becomes either a Single Programming Document (SPD) or a Community Support Framework (CSF) with supporting Operational Programmes (OPs). SPDs or CSFs and OPs perform the same function but are structured differently. An SPD contains the development strategy and details the actions to be funded; a CSF contains the development strategy but the actions to be funded are detailed in separate, sector based OPs

Box 4.1

Environmental Information to be included within Regional Plans

- A description of the existing environmental situation
- An appraisal of the environmental impact of the strategy and development priorities in terms of sustainable development, and
- The arrangements made to involve the competent environmental authorities in the preparation and implementation of the programmes and to ensure conformity with Community environmental legislation.

Source: Council Regulation EEC No. 2081/93 (articles 8(4); 9(8) & 11(b)).

The requirements constitute a binding, quasi-Strategic Environmental Assessment requirement, despite the fact that the EU still has not provided a general legislative instrument in regard to SEA².

In 1993, an *aide mémoire* for guidance on environmental appraisal of regional plans was sent to the Member States to assist them in meeting the Regulation requirements. The guidance provided was modest, to say the least, and consisted of only four pages. Box 4.2 includes extracts highlighting the range of information required by the Commission.

(2) Proposal for a Council Directive on the assessment of the effects of certain plans and programmes on the environment. COM (96) 511 final.

Box 4.2

Extracts from the *aide mémoire* on Environmental Profiles sent to Member States concerning the Preparation of an Environmental Assessment of their Regional Development Plans in the context of the Structural Funds regulations. (After Bradley 1996)

Key environmental issues:

The description should, as far as possible, cover (with the aid, as appropriate, of a map or maps and quantified indicators):

- The location of zones of special environmental interest, distinguishing between those which have a protected status and others;
- The nature and location of acute problems of pollution and the population affected. Problems might be considered acute where there is:
 - pollution in excess of standards laid down by Community legislation where appropriate,
 - potentially irreversible damage to the environment, or
 - a serious health hazard;
- Problems and/or areas of serious stress on the ecosystem, for example with reference to water (quality and quantity), soil quality, deforestation.

The legal and administrative framework

This section should describe briefly:

- The legal and administrative framework within which (i) zones of special environmental interests are designated and protected; and (ii) the regional development plan and environmental policies are co-ordinated, notably by means of land-use planning, and through the process of project design, approval and implementation;
- The role of the environmental authorities in the planning and implementation of regional development plans.

Impact of Regional Development plans on the environment

This section should describe:

- The expected change (with specific reference to reduction) in (i) acute problems of pollution and (ii) stress on the ecosystem, (quantified estimates where possible as a result of actions foreseen under the Regional Development Plan);
- Whether, and if so how, preventive action (including analysis of options) is incorporated in the development and design of:
 - Major infrastructure networks and projects and
 - Regional aid schemes.

The regional environmental appraisals were examined by the European Commission services in order to evaluate the potential impact on the environment of the proposed plan and/or its development priorities. This was done in accordance with a standardised evaluation grid agreed upon between the Commission services responsible for the Funds and those responsible for environmental policy. This initial review usually resulted in requests for further information from the Member States in regard to aspects of the existing state of the environment in the region concerned or how potential environmental impacts might be mitigated during the implementation of the agreed programmes. A final, revised, environmental appraisal would then be included in the programming document agreed upon between the Commission and the Member States.

A retrospective analysis of the quality of these appraisals recently undertaken by DG XI (the Environment Policy Directorate-General of the Commission) and others (ECOTEC 1996 (unpubl.) and IEEP, 1998) has highlighted a number of problems and issues in regard to ex-ante environmental appraisal. Chief amongst these is the absence of a methodological approach for carrying out environmental assessments at this strategic level. In recognition of this, the European Commission has recently produced a new *Handbook on Environmental Assessment of Regional Development Plans and EU Structural Funds Programmes*, which has been designed primarily for those competent authorities within Member States or regions, who are responsible for drawing up and managing EU Structural Funds programmes. It can also be used by the competent environmental authorities.

The Handbook sets out the tasks, which must be carried out according to current legislative requirements on environmental appraisal of regional plans within a Strategic Environmental Assessment (SEA) framework. It is non-binding, but will be actively promoted by the Commission as a logical framework within which to address the environmental issues associated with the definition and implementation of regional plans and programmes.

Before proceeding with an overview of the handbook, it is worthwhile reflecting on the new requirements with regard to environmental appraisal that are being introduced for the coming round. According to the revised regulations, regional development plans and SPDs are to be subject to an environmental assessment including the following components:

- **An appraisal of the environmental situation of the region concerned.** This should provide an environmental profile of the region(s) concerned, pointing out main strengths and weaknesses, to enable an understanding of the opportunities for, and threats to, economic development from the environmental assets and liabilities of the area. It should also indicate the level of implementation of community environmental policy (and Directives). This is the first stage of the assessment which should, if possible, be quantified.
- **An appraisal of the environmental impact of the strategy and operations provided for in the plan.** The appraisal should identify priorities and objectives consistent with the prevailing opportunities and threats. It should identify the extent to which the programme attempts to address environmental issues important to regional development, and to actively promote more resource efficient and less resource intensive activities. It also aims at reviewing the draft programme in terms of its conformity to relevant environmental policies and legislation. The appraisal will have to address the likely positive and negative direct impacts on the environment as well as indirect impacts deriving from the economic activity increase.

(Source: European Commission 1999. The ex-ante evaluation of the 2000-2006 interventions, Objectives 1 and 2. A technical and explanatory document by the Commission's services.)

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Clearly, then, the Commission is expecting a much more thorough ex-ante appraisal of the environmental impact of regional development plans than has been required up to now.

Handbook on Environmental Assessment of Regional Development Plans and EU Structural Funds Programmes

Aim of the Handbook

The aim of the Handbook is to set out the ways in which environmental issues can be more systematically incorporated into the definition and preparation of regional plans and programming documents in the context of the European Union's Structural Funds process. The Handbook is intended to offer general guidance which can be adapted to the situation of each Member State. The Handbook could also be used for other types of EU regional development instruments such as Community Initiatives.

The methodologies and techniques presented in the Handbook could also be applied to the strategic environmental assessment of many other types of plans and programmes, including national, regional and local spatial development strategies and plans.

The Handbook has been prepared by Environmental Resources Management on behalf of DG XI, Environment, Nuclear Safety and Civil Protection, of the European Commission, with the co-operation and assistance of DG XVI, Regional Development and DGVI, Agriculture.

Who Should Use the Handbook

The Handbook has been designed primarily for those competent authorities within Member States or regions who draw up and manage EU Structural Funds programmes and/or who have some responsibility for environmental issues. It is designed to give these authorities a thorough overview of the environmental dimension of the Structural Funds process and sets out the tasks required to meet EU requirements for the Strategic Environmental Assessment (SEA) of Regional Development Plans, Community Support Frameworks (CSF) or Single Programming Documents (SPD) and Operational Programmes (OP).

Contents of the Handbook

The Handbook is divided into two main sections. Part 2 of the Handbook (Part 1 is the Introduction) examines recent developments in EU Cohesion policy and describes the Structural Funds process, which involves the definition of development plans and programmes. It also reviews the policy and legislation, which calls for greater integration between Structural Funds and the environment. It then goes on to explain the need for Strategic Environmental Assessment of development plans and programmes and presents the assessment methodology applied in the Handbook (see Section 5 below). Part 3 contains the Handbook itself, describing how an environmental assessment of the Structural Funds plans and programmes can be carried out in practice. This is presented in more detail in Section 6 below.

The Handbook's Assessment Methodology

Regional and national plans are increasingly being subjected to environmental assessment procedures (formal and informal) to identify, at a strategic level, potential environmental impacts likely to arise during implementation of the plan or pro-

gramme. This level of environmental assessment is often referred to as Strategic Environmental Assessment (SEA) and can be defined as: “a systematic process for evaluating the environmental consequences of proposed policy, plan or programme initiatives in order to ensure they are fully included and appropriately addressed at the earliest stage of decision-making on par with economic and social considerations”.³ The approach proposed in the Handbook is based on existing SEA practices and methodologies, and is based on six core stages, which apply to plans and programmes. These are summarised in the table below.

Each proposed SEA stage is meant to facilitate integration of economic, social and environmental objectives. Within the EU there is currently no formal or legally binding procedure for SEA, although some Member States have developed *ad hoc* methods and even, in some cases, legislation covering this strategic approach to assessment. Thus, this Handbook is intended to explain the key components of SEA in the context of the Structural Fund programming process, leaving Member States and Regions to integrate, as appropriate, each stage in their planning process.

Key players in the development of plans and programmes and related evaluation processes are the Development Authorities and Environmental Authorities. In the Handbook, the generic term Development Authorities is intended to cover all national and regional ministries, agencies and other governmental bodies involved in the planning and implementation of Structural Fund programmes, both sectoral and cross-sectoral. The term Environmental Authorities in the Handbook refers to those authorities responsible for developing national and regional environmental policy and legislation, and its implementation and monitoring. *One of the key messages of the Handbook is that co-operation between these two Authorities is the key element of this process, and crucial to its success.* However, the style and methods for such co-operation can be flexible, since they will have to fit into a variety of national and regional systems.

The whole SEA process is intended to support work by planners and decision-makers, providing them with *relevant* environmental information on the positive and negative implications of plans and programmes. Structural Fund programming is a logical framework involving a number of phases: the preparation of a plan, the adoption of an agreed programming document (Community Support Framework or Single Programming Document), an implementation programme and, finally, evaluation of the impact of interventions on the basis of prior agreed objectives and indicators (social, economic and environmental). All these phases are strongly inter-connected. It is necessary to ensure that the potential environmental impacts identified at the plan preparation stage are carefully accounted for during the entire planning process.

(3) Sadler and Verheem (1996) Strategic Environmental Assessment Status, challenges and future directions. Ministry of Housing, Spatial Planning and Environment, The EIA Commission, The Netherlands.

SEA Stages in Structural Fund Programming

SEA Stage	Description
1. Assessment of the environmental situation – developing a baseline	To identify and present information on the state of the environment and natural resources of a region, and on the positive and negative interactions between these and the main development sectors which are being funded through the Structural Funds.
2. Objectives, targets and priorities	To identify environmental and sustainable development objectives, targets and priorities which the Member States and Regions should achieve through development plans and programmes funded by the Structural Funds.
3. Draft development proposal (plan/programme) and identification of alternatives	To ensure that environmental objectives and priorities are fully integrated in the draft plan or programme which define development objectives and priorities for assisted regions, the types of initiatives which could be funded, the main alternatives for reaching the development objectives of a region, and a financial plan.
4. Environmental assessment of the draft proposal	To assess the environmental implications of the development priorities within plans or programmes and the degree of environmental integration in their objectives, priorities, targets, and indicators. To examine to what extent the strategy set out in the document will contribute to or hinder sustainable development in the region. To review the draft document in terms of its conformity with relevant regional, national and EU environmental policies and legislation.
5. Environmental Indicators	To identify environmental and sustainable development indicators intended to quantify and simplify information in a manner that promotes understanding of the interaction between the environment and key sectoral issues to both decision-makers and the public. They are intended to use quantified information to help identify and explain changes over time.
6. Integrating the results of the assessment into the final decision on plans and programmes	To assist in the development of the final version of the plan or programme, taking into account the findings of the evaluation.

The SEA process requires giving full attention to environmental and sustainable development issues from the very first stage of Structural Fund programming, i.e. the preparation of the Regional Development Plan. The Handbook proposes an SEA process which follows, as far as possible, the programming stages of the Structural Funds process. The methodology also aims to maximise co-ordination and collaboration between the Development Authorities and Environmental Authorities. The diagram below indicates how the Handbook addresses the integration of sustainable development concerns via SEA into the Structural Funds process.

*From: Regional Development Programmes and Integration of Environmental Issues:
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Integrating Structural Funds and SEA

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How to Use the Handbook

The Handbook is structured to reflect the various stages in the programming cycle of the Structural Funds related to the preparation of Regional Development Plans (RDPs), Community Support Frameworks (CSFs) and Operational Programmes (OPs). For each of these, the relevant SEA stages are described and explained (see the figure below), giving details of the actions that need to be taken by the Development Authorities and the Environmental Authorities involved. Once the stage of OP (or SPD) is reached, some of the actions described in the Handbook will also be relevant to individual Programme Managers.

In the Handbook the following Strategic Environmental Assessment (SEA) stages are applied to *Regional Development Plans*:

1. Assessment of the environmental situation – developing a baseline
2. Development of objectives and priorities
3. Drafting the Plan and its alternatives
4. Environmental assessment of the draft Plan
5. Environmental indicators for the Plan
6. Integrating the results of the assessment into the final Plan.

SEA stages are relevant to the preparation of the *Community Support Framework* are:

1. Objectives, priorities and the role of Environmental Authorities
2. Environmental Assessment in the context of the CSF
3. Environmental Indicators for the CSF.

In the case of *Operational Programmes and Single Programme Documents* the Handbook recommends the following SEA stages:

1. Assessment of the environmental situation – defining a baseline
2. Development of objectives and targets
3. Drafting the Operational Programme and its alternatives
4. Environmental assessment of the draft Operational Programme
5. Environmental Indicators for Operational Programmes.

In the Handbook, each SEA stage is presented in a uniform way to assist in building a common approach to integrating environmental and sustainable development issues throughout the programming cycle. The standard sections into which each stage is divided are shown in the table below.

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Standard Format for the Presentation of SEA Stages in the Handbook

Each SEA stage is divided into the following sections:	
Background	explains the relevance of the stage in the context of the Structural Fund process, and EU Cohesion and Environmental policies
Objectives	explains the objectives of the stage, what needs to be achieved
Actions	a box summarising the key actions which Environmental Authorities and Development Authorities will have to take to complete this stage of the assessment
Description	gives description of how to carry out the actions and meet objectives
Outputs	box summarising the number and type of documents or other outputs which should be produced.

The following diagram presents the structure and contents of the Handbook. The main body of the text is supported by a series of annexes which provide additional detailed information on methods, tools and existing experience in areas of relevance to the integration of environmental issues into plans and programmes.

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How to Use the Handbook

Conclusions

The environmental dimension of the structural Funds process has been strengthened considerably since 1993 as already indicated above. Improvements are continuing, especially in the area of ex-ante appraisal of regional development plans, and, in the near future, in the area of ongoing monitoring and evaluation of environmental impacts. The role of the competent environmental authorities is also likely to be enhanced.

However, despite these encouraging developments at EU level, it is still extremely difficult to achieve a real synergy between environmental policies and regional policies on the ground. One could perhaps hope that some kind of formalised regional planning process incorporating strategic environmental appraisal (SEA), such as is now emerging in some Member States (e.g. Denmark), might help to address this. The adoption and implementation of the proposed Directive on environmental assessment of certain plans and programmes could also help. Progress in regard to both, however, is likely to be difficult.

It will also be necessary to further enhance methodologies and procedures for ongoing environmental monitoring of the impact of regional development priorities and measures if the benefits of improved ex-ante appraisal are to be realised. There must be a means of verification of environmental impacts - positive and negative - built into the structural Funds process from definition of Regional Plans through to ex-post evaluation of the completed programme.

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Annex 1.

Typology of development projects, aid schemes or other interventions within Objectives 1, 2, 5b and 6

Objective 1

Basic infrastructure - transportation projects (road, rail, ports, etc.), environmental infrastructure, productive investment including R&D provision, energy production and supply, energy efficiency measures, human resources including technical and advanced training, combating long-term unemployment, agriculture and rural development aid schemes, support for fishing communities and investments in the fisheries sector.

Objective 2

Limited basic infrastructure support mainly public transport provision and clean-up and rehabilitation of contaminated land, image enhancement of run-down urban areas, productive investment supports focused mainly on SMEs, enhancement of knowledge-based industries, industrial waste recycling, energy efficiency, improving environmental performance, waste minimisation, training actions in support of SMEs and community economic development measures.

Objective 5b

Agricultural diversification activities such as agri-tourism, non-quota stock and crop activities, forestry and forest product related activities, the construction of rural infrastructure (roads, water supply and wastewater treatment), set-up and support for SMEs (village based), investments in human resources (training to support new activities), tourism (complementary to agri-tourism) focusing on increasing and improving accommodation, tourism products and protection of the natural and cultural heritage.

Objective 6

Objective 6 targets the development of sparsely populated areas in Sweden and Finland. In general, the types of activities likely to be co-financed by the Structural Funds in these regions are similar to Objectives 1 & 5b though the cultural and ethnic dimension is also very much to the fore. Forest related activities, tourism development and SME support and training dominate the current Objective 6 programmes.

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