

Sustainability Impact Assessment (SIA) Methodology: Towards an upgrade in 2004

Introduction

Since 1999, DG Trade has been designing and implementing a methodological framework to assess impacts of trade policy on sustainable development, the so-called SIA.

After almost five years of experience in different negotiation processes, DG Trade has launched a process to revise and improve SIA methodology.

This paper reflects a **codification** by DG Trade, and colleagues in the Commission, of our initial SIA methodology and its upgrading both as a result of work by consultants and in the light of the 2003 February Brussels seminar and more generally of DG Trade's past five experience years.

The paper seeks both to provide an approachable description of how SIA currently works and to lay out some of the key issues and questions that seem to require further attention.

The paper is designed at this stage as a discussion paper, to provide a basis for comments, questions and suggestions by interested parties. We welcome comments from both within the EU and among partners world-wide.

Any comment should be sent to Eric Peters (e-mail: eric.peters@cec.eu.int) before **27 February 2004**

Our aim is to **finalise this methodology review by end-May 2004**.

The main outcome of this revision process will be the publication of a **Sustainability Impact Assessment handbook**. DG Trade plans to publish the first edition of this reference manual in **June 2004**.

The handbook will be further updated annually, so that from now on there is a single, accessible manual available to all potential actors in European SIAs explaining what role they can play, and how.

Contents

A. Introduction	3
A.1. Why does the European Commission do SIAs?	3
A.1.a) Trade policy should promote sustainable development.....	3
A.1.b) SIA as a tool for sustainable development and better governance	3
The objectives of SIA and their assessment	5
A.1.c) The initial objectives set in 1999	5
A.1.d) Methodological challenges: what do we want now out of the SIA?.....	5
A.1.e) How assess that SIA fulfils its objectives: performance bench marks ..	6
A.2. An overview of the implementation of the SIA project.....	8
A.2.a) What is a SIA so far?	8
A.2.b) Principles of implementation	9
B. SIA process	10
B.1. Actors	10
B.2. External consultation process	10
B.3. Internal process	13
B.4. Integration of SIA results into policy making.....	14
C. SIA checklist	15
C.1. Scenarios	15
C.2. Indicators.....	16
C.3. Data	17
C.4. Significance criteria	18
C.5. Country groupings	19
D. Assessment tools	20
D.1. Causal chain analyses	20
D.2. Case studies.....	21
D.3. Networking	21
E. Key assessment steps	22
E.1. Ex ante Impact Assessment:	22
E.2. Real time SIA.....	23
E.2.a) Preliminary Assessment.....	23
E.2.b) Detailed assessment:	24
E.2.c) Identifying flanking measures.....	25
E.2.d) Final overall assessment	26
E.3. Ex Post Monitoring and evaluation.....	26
F. Research Agenda	27
G. Annexes:	28
Annex 1: Some preliminary literature review.....	29
Annex 2: Sustainable Trade policy: Integrating SIA into the negotiation process..	30
Annex 3: Overview of work to date in EU	30
Annex 3: Overview of work to date in EU	31
Annex 4: Sustainable development indicators.....	32
Annex 5: Data sources	33
Annex 6: Overview of the work elsewhere.....	37
Annex 7: Standards for Consultation of Civil Society during SIAs	38

A. Introduction

A.1. Why does the European Commission do SIAs?

A. Introduction

B. SIA process

C. SIA checklist

D. Assessment tools

E. Key assessment steps

F. Research agenda

A.1.a) Trade policy should promote sustainable development

Since the World Summit of RIO, the concept of sustainable development has emerged as a key element of the policy making sphere. Policy makers have been increasingly asked to design their policies not only with the aim to economic growth but also to sustainability, i.e. including a “good father management” based on trade-off between economic, social and environmental resources and a particular attention to non immediate needs (“Development that meets the needs of the present without compromising the ability of future generations to meet their own needs”)

As a key strategic objective, sustainable development has been integrated in EU primary law (Amsterdam Treaty) as well as in international decisions (MDG, Monterrey, preamble of the Doha Development Agenda).

Trade policy is a key policy area in which decision makers are expected to deal with complex cluster of issues, sometimes with conflicting objectives. International bodies such as UN (Millennium Summit, Johannesburg) or the WTO (Doha development Agenda) involve trade contributing to growth in ways that dovetail with the requirement of good governance and sustainable development principles.

Indeed, trade liberalisation, because of its broad scope and multiple implications, is a key actor of sustainable development: it can create positive opportunities - for economic growth, social development (promotion of female activity in the tourism sector) or the environment (better use of environmental resources), - but it can also have potential negative environmental (risk of overexploitation of some resources) and social impacts notably when the domestic regulatory framework is not appropriate, insufficient or not implemented.

A.1.b) SIA as a tool for sustainable development and better governance

As part of the processes set up to mainstream environmental and social concerns into policies as required by the Agenda 21 and the Rio declaration with a view to promote sustainable development and to manage risk, ex-ante assessment of policies have been developed and implemented by the Commission since the late 90s.

In this context and also because the growing civil-society demand for more debate on trade policy since Seattle, DG Trade opened the trail of ex-ante assessment of trade policy with SIA in 1999.

Since then, SIA has been generalised and is now enshrined in a broader commitment of the Commission endorsed by the Council of Gothenburg in 2001 to Impact Assessment. The Commission Communication on Impact Assessment (COM/2002/0276 final) has introduced a comprehensive regulatory and assessment framework for all policy areas, including trade. Complementarities and synergies between SIA and IA will be further developed by methodological improvements.

SIA is also a tool that helps policy makers to design trade policy in a way that fulfils with the requirements of good governance.

Improving governance at all levels has been identified as a strategic objective by the Commission in 2000. SIA is contributing to international, European and national governance by ensuring greater coherence of EU’s policies, giving a straightforward and global view of problems, ensuring a better reliability through transparency and

consultation and ensuring openness of policy making process by associating stakeholders and third countries to EU's policy analysis.

A. Introduction

B. SIA process

C. SIA checklist

D. Assessment

tools

E. Key assessment

steps

F. Research

agenda

The objectives of SIA and their assessment

A.1.c) The initial objectives set in 1999

An **SIA** is a **process** undertaken during a trade negotiation aims at the following objectives (for a general view on SIA, see Annex2):

- 1) providing an in-depth analysis which should provide a basis for the European Commission to **identify likely changes induced by the agreement on economies, social development and the environment in any geographical area** potentially impacted;
- 2) building an open process of consultation around trade policy creating a **basis for a rational and informed discussion** between European representatives and their stakeholders
- 3) helping the European Commission's Directorate General for Trade (DG Trade) clarify trade-offs;
- 4) **providing inputs** to the definition of trade negotiating positions and a **full package of policies** at EU level and in the domestic context of EU Member States and trade partners, which will produce the **optimal outcome in terms not only of trade liberalisation and economic growth but also of other components of sustainable development**;
- 5) **Developing a credible international network of SIA experts** through participation in policy debates on Sustainability Impact Assessments with experts in other countries and within other international organisations (Banks of Development, UNEP, ILO, WTO...).

A.1.d) Methodological challenges: what do we want now out of the SIA?

On the basis on past experience, exchanges with civil society and recent developments, The Commission wants to put the emphasis on the following challenges which should be met by this methodological improvement process:

(1) SIA should be used as a policy dialogue tool

- ❑ SIA should be used to **upgrade EU's institutional and political dialogue with its trading partners on sustainable development** with a view to integrate SD issues in trade bilateral relationships.
- ❑ SIA should give a better basis on which to **reconcile the different views of trade/sustainability trade-offs** around the negotiating table.
- ❑ SIA should help identifying and shedding light on **collective preferences** of negotiating trading partners
- ❑ SIA should shed light on how **trade policy contributes to international agreed processes** on sustainable development and notably the **Millennium Development and Johannesburg Goals**.
- ❑ SIA should be **better linked to private sector initiatives** aiming at sustainable development, notably **CSR** activities

A. Introduction

B. SIA process

C. SIA checklist

D. Assessment tools

E. Key assessment steps

F. Research agenda

(2) Quality of SIA analysis should be upgraded

A. Introduction
B. SIA process
C. SIA checklist
D. Assessment tools
E. Key assessment steps
F. Research agenda

- **Improving the consultation process:** *Establishing* effective networks and in bringing together interested parties from different origins inside and outside the EU
- **Improving the quality of assessments,** because integrating SIA results into trade policy requires relevant and detailed SIA results.
- **Better using SIA in intra EU policies:** SIA can be helpful for identifying impacts of liberalisation on the weakest regions in Europe and help policy maker integrate these impacts when setting policy priorities for regional policy.
- **Integration into policy making:** *Ensuring integration of results into policy making process* requires also follow-up activities involving negotiators in full discussion and analysis of results, appropriate conclusions on negotiating tactics, co-operation priorities and technical assistance.
- *Issues and questions*

- | |
|---|
| <ul style="list-style-type: none">▪ Are the proposed objectives of the SIA project relevant?▪ Are there any missing challenges that should be added? |
|---|

A.1.e) How assess that SIA fulfils its objectives: performance bench marks

A process should be setup to evaluate and monitor the SIA project and its implementation.

As a first contribution, the below table is proposed to help monitor and evaluate the SIA project and make sure that it fulfils its objectives.

- *Issues and questions*

- | |
|--|
| <ul style="list-style-type: none">▪ Are the proposed criteria relevant?▪ Is there any gap in the coverage of these criteria?▪ What process can be designed by the Commission to ensure that SIA that fulfils the objectives fixed? |
|--|

Table 1 – Performance criteria for a Sustainability Impact Assessment

It is integrated	<ul style="list-style-type: none"> • It develops alternative scenarios, visions and options for policies, plans and programmes in a participative way. • It deals with the interplay between environmental, social and economic aspects. • It takes into consideration connections with diverse sector policies and local, regional, national and international factors.
Its objective is sustainability	<ul style="list-style-type: none"> • It seeks to integrate the concept of sustainability at an early stage in the objectives and results of plans, policies and programmes. • It facilitates the identification of alternative more sustainable development options and proposals. • It identifies opportunities and limitations the environment imposes on the development of plans, policies and programmes. • It includes the concepts of precaution and continual improvement.
It is specific	<ul style="list-style-type: none"> • It provides sufficient reliable and useful information for development decisions. • It focuses on the key issues of sustainable development. • It is tailor-made for the characteristics of the decision-making process in question. • It is cost-effective and time-effective.
It is accountable	<ul style="list-style-type: none"> • It is carried out with professionalism, rigour, justice, impartiality and equity. • It undergoes independent verifications and reviews. • It documents and justifies how sustainability issues are considered in the decision-making process.
It is participative	<ul style="list-style-type: none"> • The participative processes are adapted to the social and political context of the policy, plan or programme. • It informs and involves the diverse stakeholders and government bodies throughout the decision-making process. • It deals explicitly with its concerns and contributions. • It has clear and easily comprehensible information requisites, and ensures access to relevant information.
It is interactive and flexible	<ul style="list-style-type: none"> • It ensures results of the assessment will be available early enough to influence the decision making process and inspire future decisions. • It provides enough information on the real impacts of implementing a strategic decision to judge whether the decision should be modified and to deliver baselines for future decisions.
It has an impact on policies	<ul style="list-style-type: none"> • It is integrated into existing processes for the formulation of policies, plans and programmes and their implementation. • It acts over and above strategic decision levels so as to provide a context for lower decision levels (e.g. specific projects). • It defines the criteria to establish limits to environmental quality and environmental/social acceptable changes.

Adapted from Hernan Blanco, Rides “Sustainability Assessment of trade policy and its application in the context of Latin America”, background paper to the seminar on SIA, 11&12 November 2003, CHILE

A.2. An overview of the implementation of the SIA project

A.2.a) What is a SIA so far?

When SIA was launched in 1999, the Commission was **starting from scratch** and no methodology was available for studies of this scope.

The SIA project has been developed on a **learning-by-doing mode** and has developed in order to response to emerging needs (consultation outside the EU, more detailed intra EU analysis) and evolving objectives.

The SIA methodology includes **two complementary elements**:

- **Economic, environmental and social assessments** as such, using analytical tools and rational causal chain analysis. The **quality** of the assessment determines the **credibility** and the **relevance** of the SIA results as input in the negotiation process. It is therefore vital that this element is undertaken in a clear, scientific and objective manner;

- **A consultation process** whereby **consultation and dissemination** of results among stakeholders and trading partners is undertaken. The quality of this process is key to ensure **ownership** of the process by European and third party societies, **legitimacy** in the use of SIA results and a **quality checks** for the assessment results.

Both elements - assessment and process - are **equally important** and are mutually supportive for the implementation of the SIA.

The **assessment part** of the SIA methodology has **four main stages**, each of which places emphasis on consultation with outside experts and the public. It uses a core group of sustainability indicators to identify the impact that further liberalisation and changes in trade rules might have on sustainability.

These indicators are balanced between economic, environmental and social: average real income; employment; net fixed capital formation; equity and poverty; health and education; gender inequality; environmental quality of air, water and land; biological diversity and other natural resource stocks.

I. The **first stage** is a *screening exercise* to determine which measures require SIA because they are likely to have significant impacts inside and outside the EU.

II. The **next stage** is *scoping* to establish the appropriate coverage of each SIA, taking each of the measures identified in the screening exercise and identifying which components of those measures are likely to give rise to significant impacts. Ideally, this is carried out through a *preliminary SIA* to identify potential significant effects, positive and negative, on sustainable development.

III. **Subsequently**, detailed SIAs are carried out for each individual trade measures.

IV. **Finally**, the methodology includes a full synthesis of impacts assessed in previous phases and *mitigation and enhancement analysis* to suggest types of improvements or flanking measures that may enhance the overall impact on sustainable development of the proposal.

After the SIA exercise itself is carried out independently by consultants, the results of their studies are published for debate **before the Commission analyses** them in order to **integrate the study results into our trade policy positions** and in our

A. Introduction

B. SIA process

C. SIA checklist

D. Assessment tools

E. Key assessment steps

F. Research agenda

technical co-operation activities, thanks to an official positioning paper which is endorsed by the Commission.

A.2.b) Principles of implementation

Principle and Working method adopted so far by DG Trade for carrying out the S.I.A are as follows:

A. Introduction

B. SIA process

C. SIA checklist

D. Assessment

tools

E. Key assessment

steps

F. Research

agenda

- SIA should be carried out for **all major trade negotiations** (multilateral and bilateral). After an initial methodological development, DG Trade has been launching SIA studies for each major set of trade negotiations (WTO, EU-Chile, EU-Mercosur, EU-African Caribbean Pacific countries, and EU-Gulf Cooperation Council countries).
- **All three pillars** of sustainability (economic, social, environment) should be equally tackled
- Not only sustainability impacts on the EU but also **impacts on third countries** should be analysed and assessed
- In the spirit of the European Commission's 2001 White Paper on European governance, the EU is committed to conducting these exercises in **co-operation with third country** partners as well as in full consultation with all interested European stakeholders.
- **SIA should be based on transparency with external consultations:** processes should permit all stakeholders to participate in the analysis of issues and impacts. Immediate and complete public availability of the results of the SIA contribute to build a credible process
- SIAs should be carried out by **external consultants selected by public procedures**. Consultants should work in a **free mode**. DG Trade requires only our consultants to work in a transparent and rational manner and to base findings on scientific evidences
- For each SIA, an **internal consultation process** should be set up to ensure the guidance of the consultants: participation of all concerned agencies and negotiators in an inter-services steering committee should ensure the relevance of SIA-process. Co-ordination with Member states and MEPs is also being established
- **Results of SIA** shall be **integrated in EU's trade policy making** and should help with the determination of technical assistance priorities for future cooperation activities

o *Issues and questions*

- Are all proposed principles relevant?
- Is there a need for additional principles? Which ones?
- What are the principles which are most/less problematic in their implementation? Why?

B. SIA process

B.1. Actors

The SIA process is characterised by the participation of diverse actors which are differing from their points of view, expectations and capacity of participation. While the process is enriched by this multi-actors diversity, this increases the complexity of consultation notably and requires a careful steering in order to maintain a balanced approach among stakeholders.

Main actors of the SIA process identified so far are:

Commission: DG Trade as leader and all other services participate in steering of SIA studies throughout the inter-service steering committee. The Commission is expecting detailed and credible results for integration into its policy making.

Third country governments which are very sensitive to the sovereignty issue of a study which assesses impacts outside the EU. They often fear protectionism background purposes from the Commission and expect clear messages from the Commission on SIA use and goals. They have to be associated from the beginning of the SIA process as key players facilitating the consultation process abroad. Debate on SIA should also involve legislators of third countries.

Contractor: which are very important for keeping the SIA work independent. They have to cope with the complexity of the assessment and consultation process included in SIA.

Civil Society, including business and academics, and not just lobbying NGOs. Their inherent diversity in terms of views, expectations and capacity of interacting with the SIA process is a key parameter of the consultation process, as the SIA project seeks a balanced approach between views and expectations.

Because the objective of sustainability, and the trade-offs needed to achieve it, are eminently political matters, other actors of the European legislation field have to be involved in the SIA process: Member State experts, drawn like the Commission inter-service group from across the field, and also European Parliament.

B.2. External consultation process

- *Role: to ensure better quality of analysis, legitimacy of SIA and stimulate dialogue on sustainable development with third countries*
- *The SIA methodology and experience so far:*

Each of the main stages of the SIA methodology involves consultation as a key component of the methodology, intended to ensure a greater understanding and awareness among stakeholders of the SIA, and to allow a wide and inclusive process of consultation with different stakeholder groups. During past SIAs, the following measures have been implemented:

- Dialogue between the contractor and stakeholders with interests in individual sectors, or the negotiations as a whole.
- Use of an international network of experts, in commenting on the project reports
- Publication of project reports on a dedicated website with facilities for comment
- Meetings with civil society organized by the European Commission and Member states, to discuss project reports.

A. Introduction
B. SIA process
C. SIA checklist
D. Assessment tools
E. Key assessment steps
F. Research agenda

- Engagement with the wider debate on the policy and practice of impact assessment of trade issues, through policy dialogue and conference participation.

Early 2003, the SIA seminar organised in Brussels put a strong emphasis on external consultation including the need of organising extensive consultations outside the EU, notably via local workshops. Workshops were organised alongside the ACP SIA and are foreseen in the future EU-Mercosur SIA and ex-post EU-Chile SIA.

In order to ensure a better consultation process by consultants, standards for consultation process have been drafted by DG Trade and DG Trade requires consultant to implement it (annex 5).

As another contribution to this attempt of better consultation, an International Advisory Committee (IAC) will be established within the new projects. Members of the IAC should be high level international experts (including members of international organisation like ILO, PNUE, and UNDP), trade, environment and development government representatives and civil society representatives (NGOs, business organisms). The IAC should be involved in all of the main stages of the SIA and eventually with the organisation of local workshops. The role of the IAC is to provide an overall guidance on substance and process to the consultant team and to involve more closely international experts.

○ *Issues and questions*

• **General**

- The role of consultation is central from the very beginning of the analysis: how best improve that the launching phase settle down the right process from the very start?
- How is it possible to better link consultation process with the analysis phases?
- Can we move beyond the objective of consulting more widely to the objective of creating an SIA network around each SIA activity, such that stakeholders contribute in a more sustained and two-way process ?
- Is the consultation standard set up by the Commission enough to ensure a good external consultation process? If not, what has to be changed/deleted/added

• **Involving local expertise**

- Organisation of workshop is still not automatic:
- How to better involve third countries from the very beginning of the SIA process?
- How to better involve local organisation in the analysis? Is it possible to use polycentric networks involving experts from different organisations and levels?
- Can we expect sufficient expert input from SIA without paying not only for the consultants but also for their intended interlocutors in third countries, and maybe even in the EU?
- How local consultation could better help generate local data and reveal collective preferences (social or environmental)?

• **Consortium**

- Are there budgetary, as opposed to policy, obstacles to involving non-EU researchers as primary contractors in SIA?

A. Introduction

B. SIA process

C. SIA checklist

D. Assessment tools

E. Key assessment steps

F. Research agenda

A. Introduction
B. SIA process
C. SIA checklist
D. Assessment tools
E. Key assessment steps
F. Research agenda

- How far can they be major parties in a consortium?
- **Linking SIA with other assessment initiatives**
- In order to take advantage of outcomes of studies carried out by third parts, it would be useful to define criteria of relevance for such integration.
- **Implementing SIA in capacity building programmes**
- Should the Commission intensify the financing of SIA in capacity building activities to improve ownership of SIA by third countries and help identify new alternatives?

B.3. Internal process

- *Role: ensure better steering of the SIA studies by the Commission and Member States*
- *The SIA methodology and experience so far:*
 - For each SIA, an inter-services steering committee has been set up in order to involve all interested Directorate Generals in the SIA process. This steering committee meets regularly (3/4 times a year) for commenting reports or communicating expert opinions to the consultant.
 - Late 2003 and as a response of a proposal of the French delegation, an expert group of Member States has been established to ensure a better involvement of Member states' expertise.
 - Main activity of these groups is to comment reports and to feed the analysis of the consultant with expertise and experience of EU and Member States officials and agencies.
- *Issues and questions*

A. Introduction

B. SIA process

C. SIA checklist

D. Assessment tools

E. Key assessment steps

F. Research agenda

- How best **improve the role of the steering committee?**
- How best improve the role of the group of Member State?
- How improve or complete the current dispositions to ensure internal steering?

B.4. Integration of SIA results into policy making

A. Introduction
B. SIA process
C. SIA checklist
D. Assessment tools
E. Key assessment steps
F. Research agenda

- *Role to integrate results of the consultant analysis into Commission's policy making process by presenting the Commission's official position towards these results.*
- *The SIA methodology and experience so far:*
 - **Integrating SIA results** into policy making is a key element of SIA **credibility**.
 - The integration of SIA results phase is undertaken **under a process** (including consultation and analysis) aiming at the drafting of an official **Commission's positioning paper**. The drafting is undertaken by the Commission's services in the light of internal (Commission, Member States) and external (civil society) analysis.
 - The positioning paper should specify **how the Commission intends to integrate SIA results into policymaking** process: this may define points of agreement and respond to possible disagreement. It may also add complementary analysis, flag lessons to be learnt or ideas for technical assistance, or propose monitoring in association committee.
 - This is the essential responsibility of the Commission in the first instance, the results of Commission thinking are then fed into three sets of peer review.
 - On the basis of this, the Commission is responsible for making definitive findings and proposals to the 133 committee.
 - Experience shows that a key basis for integration depends on **quality of SIA analysis and on level of detail** of the analysis
- *Issues and questions*

- | |
|---|
| <ul style="list-style-type: none"> ▪ As important outcome of the SIA seminar, the Commission is already committed to improving its performance, and work is under way ▪ How to best improve the proposed integration process? ▪ Is there a need to better clarify internally and externally the role of SIA in the trade negotiation process? ▪ Is there a need to better clarify how the Commission intends to use SIA results in policy making process and negotiations ▪ How can different concerned services outside Trade (in particular Aidco, Dev, Regio) be more involved in order to ensure that SIA results are effectively integrated in regional and cooperation policy? |
|---|

C. SIA checklist

The elements included in the SIA checklist provide guidance on the scope and definition of the trade measures to be negotiated; the trade measure scenarios to be investigated; the country groupings and individual country analyses to be undertaken; and the sustainability indicators and significance criteria to be used.

C.1. Scenarios

A. Introduction
B. SIA process
C. SIA checklist
D. Assessment tools
E. Key assessment steps
F. Research agenda

- *Role: to define the scope of the evaluation. Scenarios reflect the likely range of realistic outcomes in any given negotiation*
- *The SIA methodology and experience so far:*
 - While the SIA methodology foresees to articulate analyses around three scenarios (baseline, liberalisation, further liberalisation) the experience gained so far showed that only two scenarios can be assessed in practice because of a lack of data and of assessment tools.
 - Until now, scenarios have stayed in the remit of the Commission's negotiators who have designed them directly with consultant.
 - Past studies did not always sufficiently describe **precise and detailed scenarios**. This leads sometimes to a lack of differentiation among impacts, those which are **specific to trade measures** under negotiations (confusion between liberalisation/privatisation for instance).
- *Issues and questions*

<ul style="list-style-type: none"> • How best involve all actors and stakeholders in the design of scenarios • Scenarios should be improved and more detailed. • How better improve scenario so that only trade related impacts are assessed?

C.2. Indicators

- *Role: to define the dimensions of sustainable development in which changes induced by trade measures will be assessed*
- *The SIA methodology and experience so far*

The SIA methodological framework includes a set of indicators (for a complete overview see Annex 4) which are balanced between economic, social and environmental and which have to be investigated in all SIA studies or sector studies: this allows comparability among studies, coherence inside SIA process and a comprehensive and complete approach of sustainability.

For **measures of indicators** see Annex 5: data sources.

Table 2: sustainability themes

SD Pillar	Core indicators
Economic	Real income Fixed capital formation Employment
Social	Poverty Health and education Equity
Environment	Biodiversity Environmental quality Natural resource stocks
<u>Process</u>	Consistency with principles of sustainable development Institutional capacities to implement sustainable development strategies

- *Issues and questions*

- Are **environmental and social indicators used so far sufficient** to assess environmental impacts and their relative magnitude?
- Are there more **appropriate/specific environmental indicators** that could be used?
- Are there more **appropriate/specific social indicators** that could be used?
- How best ensure that **economic/ social /environmental** indicators are **relevant** to assess policy objectives (notably **EU strategic** objectives (Lisbon process) but also international processes (**MDG**)?)
- How setting up linkages with **private sector** led initiatives, notably for the process indicators: extent of ISO14000 compatibility, extent of CSR reporting, environment expenditure
- How better link indicator choices and the revealing of **collective preference**?
- How **ensure coherence between the legitimacy of European choices** for determining dimensions of sustainable development and **involvement of third countries** which can make different choice **regarding indicators and collective preferences**?

A. Introduction
B. SIA process
C. SIA checklist
D. Assessment tools
E. Key assessment steps
F. Research agenda

C.3. Data

- *Role: information to be used for feeding assessments*
- *The SIA methodology and experience so far*

SIAs are confronted to lacks of reliable and homogenous data, which can be characterized as general (the availability of coherent data being the exception).

For developing countries data gaps are affecting almost sustainability field (from economic to social and environment. Even in the economic field when some data are available, they are often not reliable because of the importance of informal production sector.

Even for developed countries data gaps are existing or data are not reliable:

- Trade/economic data: trade flows in services foreign direct investment, public procurement
- social data : data with gender differentiation
- Environment data : biodiversity, land use and forest coverage

- *Issues and questions*

- Are environmental / social / economic data sufficiently available?
- Is there areas were progresses can be expected on short term/ long terms?
- Can data availability significantly influence the content and validity of the results of the studies?

A. Introduction
B. SIA process
C. SIA checklist
D. Assessment tools
E. Key assessment steps
F. Research agenda

C.4. Significance criteria

- *Role: to assess the significance of any change in an indicator*
- *The SIA methodology and experience so far:*

The significance criteria, which are proposed for use in assessing the significance of any change in **an SD indicator**, are shown in Table 3. The scoring notation to be used in recording the significance of each impact in an impact assessment table is also shown in Table 3.

Table 3 Significance Criteria and Scoring

<p>A. Introduction B. SIA process C. SIA checklist D. Assessment tools E. Key assessment steps F. Research agenda</p>	<p><u>Significance criteria</u></p> <ul style="list-style-type: none"> • Extent of existing economic, social and environmental stress, in affected areas • Direction of changes to base-line conditions • Nature, order of magnitude, geographic extent and reversibility / duration of changes • Regulatory and institutional capacity to implement complementary measures <p><u>Scoring</u></p> <p>0 = non-significant impact compared with the base situation 1 = lesser significant impact 2 = greater significant impact + = positive impact ± = positive and negative impacts likely to be experienced -/+ = negative over an initial (specified) period of time but expected to become positive in the Longer term.</p>
---	--

- *Issues and questions*

- | |
|--|
| <ul style="list-style-type: none"> • Are these significance criteria used so far sufficient to assess the significance of impacts? • Are there more appropriate/specific criteria that could be used? • How far private sector initiatives could be better involved, notably to integrate the role of private initiatives to mitigate potential impacts: ISO14000 compatibility, extent of CSR reporting. |
|--|

C.5. Country groupings

A. Introduction
B. SIA process
C. SIA checklist
D. Assessment tools
E. Key assessment steps
F. Research agenda

- *Role: to reduce the number of geographical unit and frame the geographical scope of the assessment*
- *The SIA methodology and experience so far:*
 - SIA is not restricted specific geographical areas: impacts are analysis wherever they occur.
 - **Four target groups were identified** in the methodological framework developed in 1999 and refined in 2002:
 - 1) European Union,
 - 2) Non EU developed countries
 - 3) developing countries,
 - 4) least developed countries
 - In 2001, the SIA “food crops” has retained a country specific approach with 8 case studies which were chosen as representatives of agriculture-specific country groups.
- *Issues and questions*

- **Geographical coverage:** how far can the study remain global and yet desegregate global impacts into sufficiently numerous sub-groups of countries?
- What **criteria** should be used to select best country grouping?
- Are the four sub-groups used by the **current SIA methodology sufficiently homogenous?**
- There is a need to distinguish some **sub groups** LDCs, MICs and others?
- Are there advantages in using case studies on the basis of **clusters of countries?**
- How far can country specific case studies generate data that is useful for policy making in a multilateral negotiation?
- How to best consider evolving situation linked to **accession process?**

D. Assessment tools

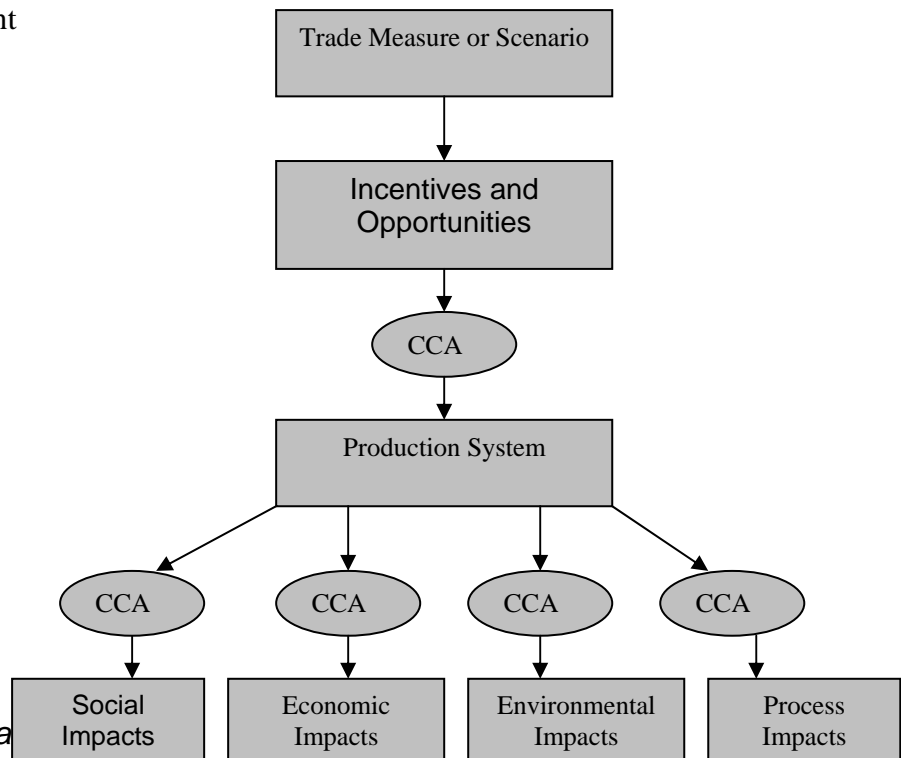
The SIA methodology indicates that there is no “one-size-fits-all” approach to sustainability impact assessment, and argued for the use of a range of quantitative and qualitative assessment tools, including case studies, modelling, statistical estimation and expert opinion. The benefits of incorporating a mix of qualitative and quantitative methods have been confirmed by experience and by other organisations that have undertaken SIA studies of trade liberalisation agreements.

D.1. Causal chain analyses

- *Role: to identify the significant cause effect links between the proposed change (scenario) in the trade measure and its eventual economic, social and environmental impacts*
- *The SIA methodology and experience so far:*

The aim of CCA is to distinguish the significant cause-effect links in the chain, where the analysis is undertaken in logical sequence, from “cause” to “effect”. The explanation of the CCA is derived from theoretical reasoning and expert interpretation of the evidence derived from existing studies. A change in trade policy will alter the incentive structures and opportunities in the markets directly and indirectly linked to the trade sector(s) affected by the measure of trade liberalisation specified in the scenario. For example, a change in tariff levels will directly alter the pattern of prices facing producers and consumers. Similarly, a rules change, for example, in competition policy, alters the market conditions for producers and consumers, although the impact on prices will be indirect. The new structure of incentives and market opportunities will induce a change in the economic behaviour of producers, consumers and intermediaries. Changes in behaviour will affect the production system, inducing changes in the scale, composition, and technology of production.

Causal Chain Analysis (CCA) of Impact of a Trade Measure on Sustainable Development



- *Issues a*

A. Introduction
B. SIA process
C. SIA checklist
D. Assessment tools
E. Key assessment steps
F. Research agenda

A. Introduction
B. SIA process
C. SIA checklist
D. Assessment tools
E. Key assessment steps
F. Research agenda

- Causal chain analyses (CCA) developed so far **were rather embryonic** and relied on basic assumptions (i.e. trade liberalisation leads to economic growth which has environmental impact because of increase on transport, production...).
- For **environmental impacts**, is it possible to better implement and improve the classical framework describing the **environmental effects of trade opening** (structural, technological, production)?
- Are the CCA **sufficiently developed for social impact analysis**?
- What are the **recent developments** notably gained with empirical studies which could be integrated in our approach?
- Would a **typology of CCA** be possible and useful?

D.2. Case studies

- *Role: to shed light on sustainability issues and impacts in specific cases in order to obtain more detailed results*
- *The SIA methodology and experience so far:*
 - Even if specifically mentioned in the methodology, case studies were not used so far, except in the “food crops” SIA.
 - Recent sector studies specify the need of reducing scope of studies and using case studies to feed the analysis
 - Attempt to ensure synergies with UNEP integrated assessments paved the way for further linkages between SIA and case studies.
- *Issues and questions*

- How far can **case studies** of specific countries **offset the generalities**?
- How to make sure that case **study results can be generalised** into groups of countries?
- What **criteria** should be used to **select case studies**?
- What criteria should be used for **integrating third parties** case studies results?

D.3. Networking

- *Role: to raise awareness of SIA among academic/expert populations and complete the analysis by expert opinion*
- *The SIA methodology and experience so far:*
 - Each **consultant** has **developed** its own expert network
 - The Commission has asked consultants to **publish** their network
- *Issues and questions*

- The SIA seminar held in Brussels identified the need to establish **polycentric network of expertise** (experts at international, regional, national and local level): how far this organisation is feasible in practice?
- How to improve the functioning of these world wide experts network whose effective role is questionable until now?

E. Key assessment steps

E.1. Ex ante Impact Assessment:

A. Introduction
B. SIA process
C. SIA checklist
D. Assessment tools
E. Key assessment steps
F. Research agenda

Since 2002, an **Impact Assessment (IA) should be implemented** for each major trade negotiation before the Council endorses the mandate.

SIA is one reflection of a broader commitment of the Commission to impact assessment. This is reflected notably in the Commission Communication on Impact Assessment (COM/2002/0276 final) which has introduced a comprehensive regulatory and assessment framework for all policy areas, including trade. Impact Assessments are addressing regulatory and assessment issues and are to be carried out before the finalisation of a Commission policy proposal, for example in the trade field, of a proposal for a new mandate. By contrast, SIA is to be undertaken thereafter.

This **in-house impact assessment** should be seen as a **preliminary** before the Commission propose any new negotiating mandate to the Council.

Proposal for new negotiations is the opportunity to identify **preliminary economic impacts** of the agreement under consideration, to specify in each case what degree of SIA activity is envisaged, and to establish a network of interested parties, even before SIA contracts are let.

o *Issues and questions*

- How to ensure a good articulation between IA and SIA process?
- In particular what **role could play the IA in the preliminary assessment?**
- What **internal organisation** is needed to ensure that relevant policy makers are involved?

E.2. Real time SIA

E.2.a) Preliminary Assessment

- *Role:*
 - **Screening:** to find out which trade measures of the negotiating mandate are likely to cause significant impacts.
 - **Scoping:** to determine the concrete research programme before starting full SIA
- *The SIA methodology and experience so far:*

The **screening**, which is the first stage of the assessment process, as proposed in the 2002 methodology, **analyses the trade negotiation mandate** with the help of four criteria:

- 1) **Affected areas** already under economic, social or environmental stress
- 2) **Significant economic, social or environmental impacts** likely
- 3) Significant contribution to **cumulative impacts** likely
- 4) Existing **regulatory framework** sufficient to implement appropriate M&E?

In the light of recent studies, the need of starting the SIA with a **more detailed scene setting** of the trade and sustainable development context (trade flows, trade barriers, environmental / social / economic background) has emerged.

The **scoping phase** takes each of the trade measures and analyses according to core indicators, trade liberalisation scenarios and target groups using simplified Causal Chain Analysis (CCA).

- 1) Specifics of each trade measure (rule change, tariff reduction)
- 2) Set up the concrete scenarios
- 3) Significance criteria to assess measures of each scenario
- 4) Country groups
- 5) Time horizon
- 6) Cumulative impacts
- 7) Methods, data sources, sustainability indicators, consultations

An **initial prioritisation of key issues** undertaken during the scoping phase appeared to be an essential element of the preliminary phase.

- *Issues and questions*

- Can **the IA process cover this initial preliminary** stage?
- So far screening and scoping phases offered limited results in terms of prioritisation: how to improve **prioritisation process** (analysis and consultation) for identifying key sustainability issues
- Screening, scoping and preliminary assessment: new option: could be **led from in-house**, with consultant and stakeholders as part of the process?
- How to better **integrate Millennium development goals** as a first frame of reference at the initial scoping stage? How could that new approach reveal specific themes that require in-depth treatment?

A. Introduction
 B. SIA process
 C. SIA checklist
 D. Assessment tools
E. Key assessment steps
 F. Research agenda

E.2.b)Detailed assessment:

- *Role: to assess impacts of detailed measures on sustainable development*
- *The SIA methodology and experience so far:*
 - Principles

Detailed assessment executes SIA based on preliminary assessment but in greater detail by:

- 1) **Analysing separate components** of the trade measure and their cumulative impact
- 2) Using **detailed causal chain analysis**
- 3) The nine core indicators (or themes) to be **subdivided into second tier indicators** (or themes)
- 4) **Coping with variations within country groupings** (or single countries) by selecting contrasting countries (regions)
 - Need to **prioritise better key issues**

Experience shows that one major difficulty of an SIA lies in the management of the very large scope of issues at stake and data abundance or gaps.

In order to obtain relevant and detailed results, SIA should be based on **iterative steps** associating **assessments with consultations** and aiming at selecting key issues and potentially affected geographical areas through a prioritisation process.

Each **reduction in scope of the analysis** (using sector specific studies (market access, environmental services etc.) shall be carried out through a clearly explained rational and progressive approach including:

1) An analytical and rational **assessment phase** (using relevant assessment tools) which should isolate a **limited number of issues**, social groups and geographical areas which appear to be key in terms of the gravity of the impacts expected.

2) **Confirmation** of the relevance of these key issues in potentially affected geographical areas through the **consultation of stakeholders and trading partners**

For the EU, **impacts on weakest regions** should be used for better fine-tuning priorities for regional policy and for **foreseeing mitigating measures** to help this region facing negative impacts of liberalisations.

A. Introduction
B. SIA process
C. SIA checklist
D. Assessment tools
E. Key assessment steps
F. Research agenda

- *Issues and questions*

- Use of sector studies:

- Sectoral coverage: can **sectoral findings be disaggregated** into sub-sectors?
- Are there **advantages in focusing on specific issues** and on particularly sensitive areas (i.e. “hot spots”)?
- Does a **sector specific approach facilitate** a better identification of the key sustainability impacts?
- How to ensure coherence for the integration of sector results in the final and overall SIA
- How to ensure that the **use of sector studies will not induce** a bias whereby **negative impacts will be overestimated** relatively to positive impacts (this common characteristic of sector studies can be expected to be amplified in the specific case of trade policy whose positive impacts are global and diffuse while negative impacts affect restricted local areas or specific social groups?)

- Level of detail of studies

- Is this simply a **question of the scale** of the exercise and the **resources allocated** to it?
- Can detail be improved by increasing the **numbers of indicators**? Can detail be increased without a loss of timeliness in the generation of the results?
- Does the latest **learning on environment impact assessments** provide ideas for further improving the assessments?
- For impacts in the EU, how best **assess impacts on weakest regions** or **specific industries**?
- On the social front, can income distribution effects in different sections of a population be studied in greater depth?

E.2.c) Identifying flanking measures

- *Role: flanking measures are measures that might be used to mitigate any potential negative impact and enhance positive impact on sustainable development*
- *The SIA methodology and experience so far:*

SIAs should provide **guidelines for the design of possible flanking measures**, should make it possible to **maximise the positive impacts and to reduce any negative impacts** of the trade negotiations in question. The sphere of activity of flanking measures can exceed the commercial field (internal policy, capacity building, and international regulation).

This stage of the SIA is particularly important in relation to developing and least developed countries. For example, the mitigation and enhancement measures to be assessed are not confined to trade measures, **and can include:**

- **measures by national governments to remedy market imperfections**, regulatory failures, social inequalities, which are harmful to sustainable development and whose removal could enhance the contribution which trade measures may make to sustainable development.
- measures that are closely **trade-related and which might be built into a trade agreement itself;**

H:\public\SIA\methodology\amélioration méthodologie 2004\doc codification 25
methodologi\SIA methodology consultation paper.doc

A. Introduction
B. SIA process
C. SIA checklist
D. Assessment tools
E. Key assessment steps
F. Research agenda

A. Introduction
B. SIA process
C. SIA checklist
D. Assessment tools
E. Key assessment steps
F. Research agenda

- closely related **side or parallel agreements** between WTO member countries, or in regional agreements that may be part of international agreements;
- **collaborative agreements** and other joint initiatives between international organisations to clarify the relationship and strengthen the consistency between international trade agreements and other types of international agreements;
- international and regional initiatives to **promote technical co-operation and capacity building** in developing countries;

3 criteria should be looked at when designing these flanking measures: 1) impact on sustainable development 2) cost-effectiveness, 3) feasibility

○ *Issues and questions*

- How best design flanking measures in a way that **promotes integration into policy making** process?
- Considering that flanking measures are often proposed to improve regulation or framework at a country level, how best improve linkages between SIA and co-operation and aid policies?
- How better **involve private sector** for designing **flanking measures** which are mutually supportive of **private sector initiatives** and promote **further CSR** activities?

E.2.d) Final overall assessment

- *Role: produce the final full SIA*
- *The SIA methodology and experience so far:*
- *Issues and questions*

- How best to ensure **global coherence** and give to sector analysis their relative weight?
- How to cope with **intersectoral, cumulative and antagonist** impacts?
- How best **disseminate the final outcomes** of a SIA?
- How promoting **synergies between flanking measures** and **business project** in order to create a business climate respectful of social and environmental protection requirements

E.3. Ex Post Monitoring and evaluation

- **Role making recommendations for better implementation, additional M&E measures and improved research methodology**
- *The SIA methodology and experience so far:*
 - This final stage should include:
 - 1) **Monitoring activities undertaken** during the implementation of the agreement,
 - 2) Activities to **monitor impacts** of the agreement on sustainable development,
 - 3) **Evaluation and actualisation** of studies comparing ex-ante assessment with ex-post facts.
 - The Ex-post activities **should feed the bilateral dialogue** on SD between both trading partners

○ *Issues and questions*

- How to better **involve stakeholders and third parties** for carrying out these complementary studies?(not necessarily by consultant: cf. the Commission on Environment Co-operation of NAFTA practice of selecting civil society project bids for 10,000 euro-a-time support)
- How to link these **activities with technical assistance** and capacity building and other trade related mitigating and enhancing measures
- How to better **integrate sustainability into implementation** of non-trade aspects in any broader agreement (cooperation, political dialogue)

A. Introduction
B. SIA process
C. SIA checklist
D. Assessment
tools
E. Key assessment
steps
**F. Research
agenda**

F. Research Agenda

- What can be expected from current research activities (in EU or abroad)?
- What aspects of method need more work in the coming year?

G. Annexes:

Annex 1: Some preliminary literature review

Annex 2: Sustainable Trade policy: Integrating SIA into the negotiation process

Annex 3: Overview of work to date in EU

Annex 4: Sustainable development indicators

Annex 5: Data sources

Annex 6: Overview of work elsewhere

Annex 7: Consultation standards

Annex 8: Report of 2003 DG Trade Audit (not enclosed)

Annex 1: Some preliminary literature review

○ **General:**

- SUSTRA network results: http://www.agro-montpellier.fr/sustra/publications/policy_briefs/policy-brief-sia-eng.pdf
- Conclusion of the European Commission SIA seminar (6-7 February 2003): http://trade-info.cec.eu.int/civil_soc/doconsult.php?action=list
- Integrated Assessment process COM (2002) 276
http://europa.eu.int/comm/sustainable/index_en.htm
- SIA of trade policy and its application in the context of Latin America

○ **Case studies: and other assessments**

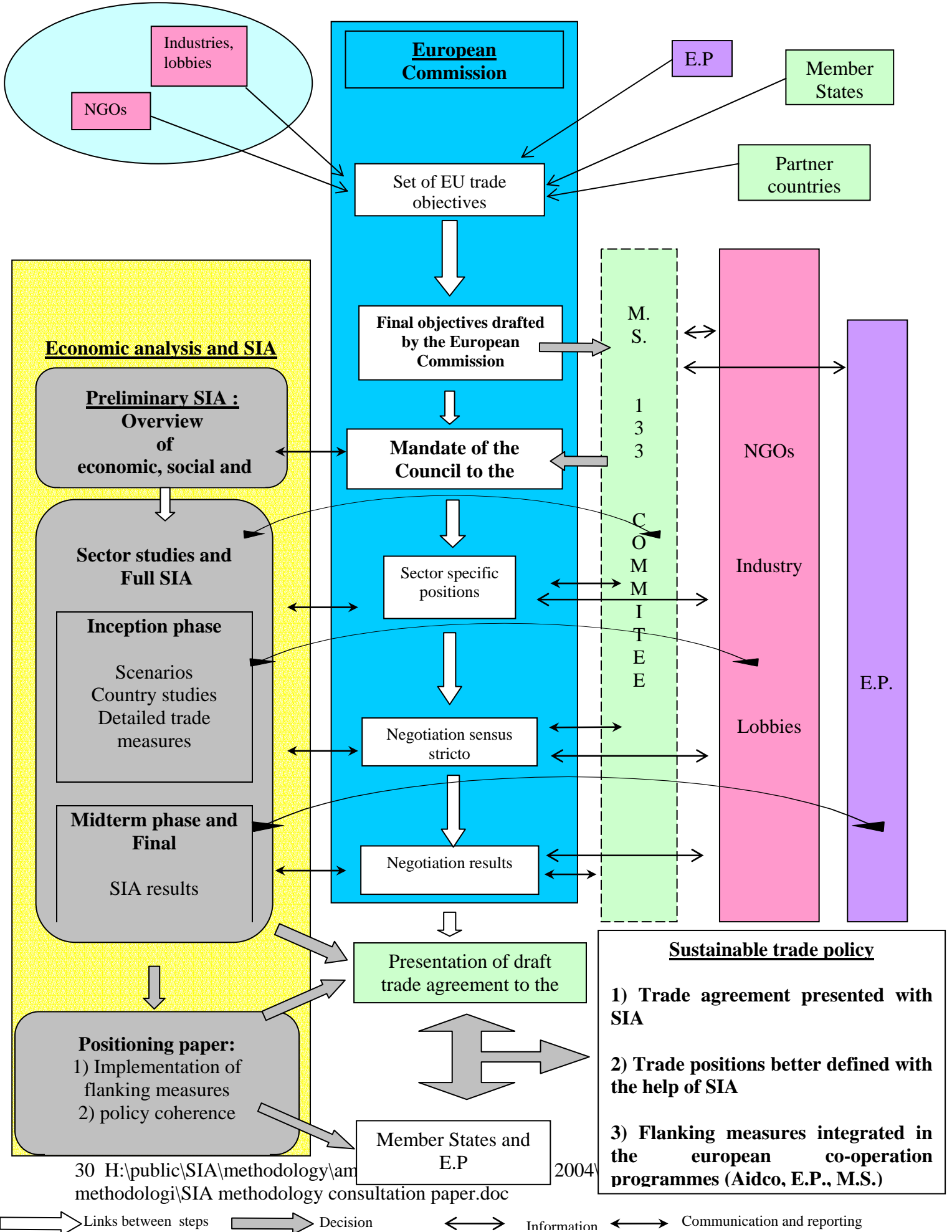
- integrated assessment UNEP [http://www.unep.ch/etu/Review Meeting/Agriculture.htm](http://www.unep.ch/etu/Review_Meeting/Agriculture.htm)
- OAS / Fida assessment <http://www.oas.org/usde/fida.htm>
- WWF <http://www.balancedtrade.panda.org>
- USTR environmental assessment <http://www.ustr.gov/environment/environmental.shtml>

○ **Data/assessment**

Social survey

- LCHR worker rights <http://workersrights.lchr.org/>

Annex 2: Sustainable Trade policy: Integrating SIA into the negotiation process



Annex 3: Overview of work to date in EU

SIA	2001	2002		2003	2004	2005	2006
	Sem. 2	Sem. 1	Sem. 2				
Methodology 2001 – 2002	Institute for Development Policy and Management						
<i>Budget</i>	€ 40.000						
Food crops 2001 – 2002	Stockholm Environment Institute						
<i>Budget</i>	€ 40.000						
MERCOSUR 2001 - 2004		Planistat		Consortium			
<i>Budget</i>		€250.000		€ 550.000			
Phase III WTO 2001 - 2005	Consortium Institute for Development Policy and Management Manchester						
<i>Budget</i>	€ 1.000.000						
ACP 2002 – 2006				Consortium PriceWaterHouseCoopers			
<i>Budget</i>				€ 1.000.000			
GCC 2002 - 2005				Consortium PriceWaterHouseCooper s			
<i>Budget</i>				€ 500.000			

* the contract with Planistat was cancelled in August 2003 for reasons unrelated to SIAs

Current SIA Consultants:

	Consultant	Contact	Site internet rapport	E mail
ACP	Member of PWCHC	Nicolas Boudeville	http://www.sia-acp.org/acp/uk/documents.php	nicolas.boudeville@fr.pwcglobal.com
GCC	Member OF PWCHC	Jacque Serrure	http://www.sia-gcc.org/gcc/uk/documents.php	jacques.serrure@be.pwcglobal.com
WTO	IDPM	Colin Kirkpatrick	http://idpm.man.ac.uk/sia-trade/	colin.kirkpatrick@man.ac.uk

Reference documents, methodology and reports are available at the following link :

<http://europa.eu.int/comm/trade/sia/underway.htm>

Annex 4: Sustainable development indicators

The SIA methodology uses a core group of **sustainability indicators** to measure the impact that further liberalization and changes in rule making might have on sustainability.

Both target and process indicators are used. While **target indicators** serve to indicate the final impact on sustainable development, **process indicators** assess the compatibility on the long term of the policy decision with sustainable development.

These indicators are **balanced** between economic, environmental and social (see below table). It was decided to choose a limited number of target indicators (9) in order to limit the total number of measures (which is linked also to the number of trade measures, scenarios and groups of countries). Each core indicator can be detailed in second tier indicators.

Each second tier indicator sheds light on a component of the core indicator.

Table : Core and Second Tier Target and Process Sustainability Indicators

Indicator	Core	Second Tier
A. Target		
Economic	Real income Fixed capital formation Employment	savings, consumption expenditure economic, other (social, environmental) components of fixed capital formation self-employment; informal sector employment
Social	Poverty Health and education Equity	income and other social dimensions of poverty life expectancy; mortality rates; nutritional levels literacy rates; primary, secondary and tertiary enrolment rates income distribution; gender; other disadvantaged age-related groups (young, old); indigenous peoples, ethnic minorities
Environment	Biodiversity Environmental quality Natural resource stocks	designated eco-systems, endangered species air, water, and land quality indicators energy resources; other non-renewable and renewable resources
B. Process	Consistency with principles of sustainable development Institutional capacities to implement sustainable development strategies	Polluter pays; user pays; precautionary principles Sustainable development mainstreamed and integrated into policy-making; high-level ownership and commitment to sustainable development objectives

The *measures* of sustainability impact that are used in practice to proxy the definitions of the above indicators will be determined on the basis of the availability and quality of the measurement data that are available (cf. Annex 5)

For sector studies (i.e. agriculture, market access) a specific set of measures can be defined and used for carrying out SD measures, allowing enough flexibility without compromising the global view when a synthesis has to be undertaken. Nevertheless these specific adaptations should respect the overall framework described above (measures are to be related to each core indicators) and notably shall follow a balanced approach between the different pillars of SD.

Annex 5: Data sources

The following section provides a definition of each core indicator and a guide to data sources, including a cross reference to UN (2001), *Indicators of Sustainable Development: Guidelines and Methodologies*. This publication provides a comprehensive guide to various sources of measurement data for a wide range of sustainable development indicators. Similar information should be prepared during Phase Three, for any 'second tier' indicators which are to be used in a sectoral SIA. Annex 4 lists other sources of information on indicator measures data.

Economic Indicators

Real income

Definition: Real income is defined as gross national product less the depreciation on man-made capital and the depreciation of environmental assets, and is the sum of final uses of goods and services measured in producer prices, less the value of imported goods and services. (It can also be estimated as the sum of primary income distributed by resident producer units).

Measure: GDP is generally used as measure of real income. The UN System of National Accounts provides international standards for national estimates of GDP. GDP per capita gives a measure of average real income.

Data Sources: UN (2001) pp. 212-214. GDP per capita statistics are published in UN *National Accounts Statistics: Main Aggregates and Detailed Tables* (annual).

Fixed capital formation

Definition: fixed capital formation refers to changes in the stock of man-made, human and environmental capital. A necessary condition for sustainable development is that the total stock of capital should, as a minimum, not diminish.

Measure: because of difficulties in estimating man-made capital depreciation and environmental capital depletion, the most readily available measure is gross fixed capital formation.

Data Sources: UN (2001) pp. 215-217. Gross capital formation data are available in UN, *National Accounts Statistics*. The World Bank, *Green Data Book* provides a estimate of fixed capital formation (for 1999 only) for a number of developing and developed countries. Fixed capital formation (or "genuine domestic savings") is estimated as net domestic savings plus education expenditures, minus energy depletion, mineral depletion, net forest depletion and carbon dioxide damage.

Employment

Definition: for sustainable development, employment refers to the utilisation of human labour in productive activities, which generates a means of livelihood support. (The return can be monetary as in the case of wage or salary payment, or non-monetary, as in the case of employment which produces subsistence or non-marketed output).

Measure: employment is usually measured in terms of all persons who are in paid employment. The recorded level of employment will normally exclude self-employed and informal sector employment, and therefore underestimates the total level of employment.

Data Sources: UN (2001) pp.74-78. National statistics on employment levels and the size of the economically active labour force are available in ILO, *Yearbook of Labour Statistics*.

Social Indicators

Poverty

Definition: poverty is a multi-dimensional concept. It is generally defined as the number of units (households, individuals) whose access or entitlement to specified dimensions of livelihoods-related variables (real income, security, public services, political rights) is below a specified minimum threshold level.

Measure: the most widely used measure of poverty is the number (or percentage) of a given population (sub-national, national, international) whose income level is below a threshold income level (poverty line).

Data Sources: UN (2001) pp.65-69. National estimates of the number and percentage of population below nationally defined poverty lines, and below internationally defined poverty lines (\$1 and \$2 per day), are given in World Bank, *World Development Indicators* (annual).

Health and Education

Definition: improvements in human health, and in education levels, each contribute to sustainable development. Expenditure on health and education improves the quality of human capital and contributes to fixed capital formation. Health and education expenditure also improve the level of real income, at the household level.

Measure: changes in human health are measured in terms of life expectancy at birth, under-5 mortality rates, nutritional levels. Changes in education levels are measured by literacy rates, primary, secondary and tertiary enrolment rates.

Data Sources: UN (2001) pp.82-89 and 110-119. World Bank, *World Development Indicators* provides national statistics on health and education attainment levels. The UNDP *Human Development Report* provides national 'human development index' (HDI) estimates which combine economic, health and education data.

Equity

Definition: equity is also a multi-dimensional concept, which can be defined with respect to a range of variables, including income, assets, security, public services, political rights. It can also be defined with respect to a range of classifications including households, individuals, gender, ethnic groups, age-related groups. Different definitions of 'equitable distribution' can be used, of which 'equal distribution' is only one measure.

Measure: equity is commonly measured in terms of the distribution of income at the household level, using the Gini index.

Data Sources: UN (2001) pp.70-73. National estimates of the Gini index are available in World Bank, *World Development Indicators*. The UNDP, *Human Development Report* provides estimates of the gender-related human development index, which measures inequality between men and women, in life expectancy at birth, literacy rate, school enrolment ratio and earned income.

Environment Indicators

Biodiversity

Definition: biodiversity is a multi-dimensional concept. It may be defined at different levels of aggregation, in terms of broad terrestrial and aquatic eco-systems, according to different types of habitats, and/or by reference to numbers and types of individual species.

Measure: practical measures which approximate to recording biodiversity impacts in these terms often are liable to be partial, incomplete and beset by data shortages. The main focus may need to be placed on assessing impacts on base-line trends (quantitatively or qualitatively) in the condition of major eco-systems, habitats of recognised importance, and species recognised as endangered.

Data Sources: UN (2001) pp.195-211. Useful international sources of biodiversity data and their interpretation include UNEP – WCMC (2000) *Global Biodiversity: Earth's Living Resources in the 21st Century* (by Groombridge, B. and Jenkins, M.D.). World Conservation Press. Cambridge, UK; UNEP (2002, forthcoming) *Global Environmental Outlook 3*. UNEP. Nairobi (in press); Loh, J. (ed) (2000) *Living Planet Report 2000*. WWF. Gland, Switzerland; IUCN (2000, continuing) *Red Data Lists*.

Environmental Quality

Definition: environmental quality refers to the quality of air, water and land. Where discharges into an environmental medium exceed its carrying capacity, damage is caused. Depending on its nature, intensity and duration, the impact may be progressive and/or irreversible.

Measure: trends in environmental quality are measured as trends in particular parameters of air, water and land quality, preferably relative to established air, water and land quality standards. Impacts may then be assessed as modifications to those trends. In practice, the coverage of monitoring data is incomplete and may only relate to estimated discharges rather than the resulting environmental quality. For these reasons, and because there can be considerable local variations in environmental quality, assessment of changes in environmental quality indicators require careful interpretation.

Data Sources: UN (2001) pp.132-152; 170-174; 187-194. There is no single, consistent source of cross-country data on changes in environmental quality over time. The FAO and World Resources Institute publish data on air quality (greenhouse gases and other pollutants), water quality (e.g. BOD, COD) and land quality (fertiliser use). Other sources are UNEP and the Inter-Governmental Panel on Climate Change.

National Resource Stocks

Definition: national resource stocks are part of the environmental capital stock. A 'strong' sustainability definition will require non-renewable national resources to be maintained at or above a minimum level, for future generations. Similarly, it would require consumption of renewable resources not to exceed their natural rate of replenishment. A 'weak' sustainability criterion will allow for some decline in quantity of non-renewable natural resources, provided that the depreciation in these assets is offset by substitution of appropriate renewable natural resources, human capital or man-made capital.

Measure: in practice, simpler time-series indicators of annual consumption rates of particular resources relative to known stocks are often used as 'second best' sustainability indicators and require careful interpretation.

Data Sources: UN (2001) pp.153-166; 180-186; 231-260. World Bank, *Green Data Book*, contains data on energy depletion, mineral depletion, and forest depletion, drawn from FAO statistics on forest harvesting and UNCTAD statistics on minerals consumption and trade. Other sources of data on national stocks are given in World Resources Institute (annual) *World Resources*, Oxford University Press, New York.

Consistency with principles of sustainable development

Definition: progress in achieving sustainable development will be influenced by the extent to which the principles of sustainable development are being followed. For example, effective environmental legislation will affect the environmental impact of a given policy change. The principles of sustainable development can be implemented by market-based instruments, regulatory measures or voluntary action.

Measure: in practice, the assessment of the level of adherence to the principles of sustainable development will be based on incomplete data, often limited to information relating to particular legal instruments that have been adopted at the national level.

Data Sources: UN (2001) pp.279-285. Some data on adherence to principles of sustainable development in OECD countries is provided from the OECD, *Environment Directorate*.

Institutional capacities to implement sustainable development strategies and principles

Definition: progress in achieving sustainable development will be influenced by the institutional capacity to implement sustainable development principles and strategies. The effectiveness of institutional capacity, in turn, is affected by the level of ownership and commitment of decision-makers to the principles of sustainable development and the extent to which sustainable development is mainstreamed and integrated into policy-making.

Measure: assessment of institutional capacity is likely to be based on a qualitative judgement derived from expert opinion on the 'quality' or effectiveness of public-sector management and governance. Indices, for example, may be derived from data on number of public sector employees or size of budgets in key ministries or regulatory bodies.

Data Sources: UN (2001) pp.279-285. World Bank (2001) *Comprehensive Development Framework* provides a qualitative assessment of national ownership of strategic development planning processes in a number of developing countries.

Annex 6: Overview of the work elsewhere

Whereas the EU is the only “national” institution, which assesses the impact of trade policy on all three pillars of sustainability at a strategic level and outside its frontiers, some other methodologies aiming at assessing impact of trade policy on the environment/sustainability have been developed outside the EU over the past decade.

These complementary approaches are contributing to enhance the policy dialogue and are cross-fertilising with the EU’s SIA.

Two main approaches can be identified:

- **National Environmental Reviews (ER)**, are carried out in particular by the US (<http://www.ustr.gov/environment/environmental.shtml>) Canada and Norway. These ER which focus on environmental impacts inside the country (even if for some trade measures, in particular rules, some impacts may be assessed in the trade partner countries), are conducted internally by national agencies. ER entails internal consultation processes between concerned agencies, as well as formal external consultations, by the means of official call for comments at the beginning and at the end of each study;
- Other organisations (WWF <http://www.balancedtrade.panda.org>, UNEP http://www.unep.ch/etu/Review_Meeting/Agriculture.htm) have been developing **integrated assessment** methodologies based on a case study approach, carried out mainly at national level, in close link with national organisms, university and agencies.

These assessments address the impacts on the three pillars of sustainability and are often country driven in order to enhance awareness and ownership of the assessment process. Impacts are mostly assessed in an ex-post mode. A consultation process, which includes consultation and regional workshops is set up along studies.

Annex 7: Standards for Consultation of Civil Society during SIAs

A. CLEAR CONTENT OF THE SIA PROCESS AND RELATED CONSULTATIONS

All communications by the contractors relating to the SIA process in general and consultation of the Civil Society in particular should be clear and concise, and should include all necessary information to facilitate responses.

The information in consultation documents given by the contractors should include:

- A summary of the context, scope and objectives of consultation, including a description of the specific issues open for discussion or questions with particular importance for the contractors
- Details of any upcoming hearings, meetings or conferences, where relevant
- Contractors' contact details and deadlines for submissions
- Explanation of the contractors' processes for dealing with contributions, what feedback to expect, and details of the next stages involved in the SIA
- If not enclosed, reference to related documentation (including, where applicable, supporting documents).

For this general purpose, the contractors have to send the edited version of each of their own interim reports (or executive summary: max. twenty pages) to the CS representatives. CS representatives then have at least ten working days to submit their comments. The complete report shall also be published on the website mentioned under C.

B. CIVIL SOCIETY GROUPS TARGETED FOR CONSULTATION

When defining the Civil Society groups targeted for a consultation during the SIA, the contractors should ensure that relevant parties have an opportunity to express their opinions.

For consultation to be equitable, the contractors should ensure adequate coverage of:

- those affected by the negotiations
- those who will be involved in implementation of the negotiation results, or
- bodies that have stated objectives giving them a direct interest in the negotiation results.

In determining the relevant parties for consultation, the contractors should, if possible, select CS representatives out of each of the following thirteen constituencies:

- Consumers
- Development
- Health
- Environment
- Trade Unions
- Women Groups
- Indigenous Peoples
- Education and Research
- Agricultural Producers
- Commerce

- Employers
- Services Industries
- **Outside CS representative, government experts of the respective countries should also be part of consulted experts**

For studies which have a broad and global coverage in terms of countries to be included in the assessment scope the consultant will ensure the better CS coverage (origins and levels) possible.

The contractors should ensure for country specific case studies, that each of the above-mentioned CS constituencies is represented on an international, regional, national and local level. Where representation at each level is not possible, the contractors must provide the Commission with a written explanation as to why this is the case.

One organisation or individual should not be assigned to more than one CS constituency at the same time.

If a CS representative cannot be identified on one geographic level, the contractors should make efforts to find another one that is competent and willing to represent the respective constituency on a different level.

The contractors should localise one key representative per CS constituency at each geographic level. The task of these key representatives is to facilitate communication between the contractors, the Commission and CS groups in general and to help structure CS input in particular. Furthermore, the contractors should sound out the key representatives for new relevant CS groups in their constituency on a monthly basis.

The contractors should publish a list containing the key representatives of the consultation network on the website described under C. This list should be included in interim reports.

C. PUBLICATION OF CONSULTATION COMMUNICATION

The contractors should contribute to furthering public awareness about the SIA. Open public consultations should be published on the website as described

Contractors have to operate an SIA-related website, which has to contain a section where questions are posted from the contractors to the CS representatives consulted. In order to give other interested stakeholders the opportunity to send comments to the contractors, these questions must be online ten working days in advance of the respective consultation interview.

In order to facilitate the information of CS representatives about the consultation process in particular and the SIA in general, a "Questions and Answers" list has to be inserted into the website. This list must be updated by the contractors regularly.

Where appropriate and feasible, the contractors should provide consultation documents in alternative formats so as to make them more accessible to the disabled.

D. TIME LIMITS AND GENERAL CONDITIONS FOR PARTICIPATION

The main rule is to give those participating in SIA-related consultations sufficient time for preparation and planning.

For this purpose, the following guidelines should be followed by the contractors:

- The contractors must take into account the main or official language in their entire communication and documentation of the CS consultation process.
- CS representatives the contractors want to consult must be informed by telephone at least ten working days in advance of the interview. They must be notified of the precise questions on this occasion either by e-mail or by fax.
- Where the contractors and a CS representative agree to hold a telephone interview, the contractor must agree in advance with CS representatives a precise time and day for the interview to take place.
- If the contractors require a written report from the CS representatives on a specific topic, the latter should have at least twenty working days to produce it.
- In any case, the maximum size of such a report by CS representatives should not exceed twenty pages (Standard configuration: Times New Roman, Font size 12, 1,5 lines spacing). The contractors have to take this into account when requesting the report.

Contributions submitted by CS representatives after the expiration of deadlines shall be published the same way. The contractors should make reasonable efforts to still take these comments into consideration.

Besides individual consultation requests made by the contractors, general round-table meetings (or videoconference) with CS representatives should be organised on a regular basis in order to facilitate information exchange between the contractors and interested parties. Relevant dates for these events should be announced on the website described under C.

E. ACKNOWLEDGEMENT AND FEEDBACK

Receipt of contributions should be acknowledged. Results of open public consultation should be displayed on the website mentioned under C.

Depending on the number of comments received and the resources available, acknowledgement can take the form of:

- an individual response (by e-mail or acknowledgement slip), or
- a collective response (by e-mail or on the website mentioned under C)

Contributions should be analysed carefully by the contractors to see whether, and to what extent, the views expressed can be accommodated in the SIA findings. **This feedback analysis should distinguish clearly between issues where consensus was reached and those where different opinions persisted. Furthermore, this analysis should differentiate between technical questions regarding the assessment and topics related more specifically to political integration issues.**

Contributions to open public consultations will be made public on the website mentioned under C, as well as results of other forms of consultation being, as far as possible, subject to public scrutiny. Constituency representatives should be informed in advance that their correspondence would be published.