

The new impact assessment of Commission initiatives : a tool for sustainable development ?

In June 2002, the European Commission published a Communication on a new approach to assessing the impact of its initiatives. From 2004, all new proposed legislation and non-legislative measures will have to be assessed for their economic, social and environmental impacts. The ETUC has repeatedly called for an aid to this kind of assessment. This article looks at what it will and will not do.

The new approach to the impact assessment (IA) of its proposals published by the European Commission on 5 June 2002¹ aims high. It will replace all existing impact assessment instruments with a single process which will gauge the impact of the proposed measures on sustainable development. From 2004, it will apply to all major Commission proposals².

The ETUC has repeatedly called for the Commission to bring in tools for assessing its proposals³ to give the environmental dimension a more central place in the Lisbon process and encourage a shift in forms of consumption and production towards more quality in social and employment terms.

While it is too soon to tell how it will be implemented by the Commission departments, the new impact assessment process clearly represents a step forward in Commission practice. Coming into play at an earlier stage in the decision-making process, it should promote consistency in the quest for solutions that strike a balance between economic, social and environmental aspects. But it seems unlikely to inform the framing of policies that actively further sustainable development. The new procedure is far too unclear on the methods of analysis and consultation of interested parties, and could end up as a managerial tick-box exercise.

More coherent European policy development

The main idea behind the new IA system was to improve the quality and coherence of EU policies. The new system is meant to materially improve the Commission's existing impact analysis systems.

The probable impacts of measures will be identified at an early stage in the preparatory steps for the decision, rather than when the proposal is cut-and-

dried. The idea is for the outcomes of the impact assessment to really inform the decision-making process. Alternative policy mix scenarios can be examined to deliver the objective set, such as to bring out, through an iterative process, the solution which "maximizes the positive or minimizes the negative impacts on all actors in society", by looking at the environmental, social and economic consequences simultaneously.

Assessments now done on a purely vertical basis by the directorate general concerned (impact assessment on firms, on the environment or on employment, for example) would change under the new approach in a bid to balance sectoral and horizontal aspects and encourage coordination between directorates. The analysis will take in the widest possible scope of the potential effects of the proposed measure, including outside the direct scope of its impact, looking at the economic, social and environmental aspects simultaneously.

One part of the impact assessment will be to identify the distributive effects of the proposed measure. This will mean identifying the "losers" and "winners", whether actors, social groups, economic sectors or geographical areas. Internal will be distinguished from external (non-EU) impacts.

The time dimension will be examined by balancing the short-term and long-term effects using discount rate methods in particular. The degree of irreversibility of decisions and the precautionary principle will also be taken into account.

Finally, the impact assessment is expected to identify the best trade-offs for the proposed policy option between competing economic, social and environmental objectives. This will involve quantifying the impacts in physical terms.

¹ Communication on impact assessment, COM 2002/276 of 5 June 2002.

² As part of the annual policy strategy and/or work programme, whether for regulatory measures or other proposals with economic, social and environmental impacts.

³ "Making the economy work for sustainable development", joint position of the ETUC, EEB, Social Platform, 6 March 2002; ETUC Resolution on Europe and sustainable development, 19 and 20 November 2002; EEB, ETUC, Social Platform Joint Declaration to the 2003 spring European Council of 6 March 2003.

A limited contribution to policy-making for sustainable development

The second reason for bringing in the impact assessment system was to fulfil the undertakings given at the Gothenburg European Council on establishing a method for assessing impacts on sustainable development. The issue is about the ability of the IA system to frame policies that contribute to sustainable development, which is more than just putting economic, social and environmental impact assessments alongside one another. Three things at least raise question marks about this.

The first is the lack of effective integration between the “pillars”. The impact assessment is done pillar by pillar (economic, social, environmental), without regard to the positive or negative synergies that may exist between performances of different natures. And yet the concept of “sustainability” refers to specific conditions that cut across economic, social and environmental issues (like equity within and between generations, protecting and conserving stocks of natural and human resources, reducing the material flows involved in the production of goods). Formal links between the different fields should be looked at, such as the interactions between the environment and the economy, by factoring social costs into prices or health impacts, or the impacts of an undertaking’s social and environmental performances on its economic performance.

The second problem, linked to this, is indicators. The Communication offers a list of relevant indicators by category (economic, social, environmental) but none of them takes specific account of sustainable development issues. This finding is simply a reflection of the fact that the EU currently lacks indicators by which to assess progress with the implementation of the European sustainable development strategy.

The third problem relates to the ability that impact assessors have to identify mitigating measures intended to minimize the negative impacts of the proposed measures. For one thing, the Communication is completely silent on such measures : do they, too, need to be assessed for their impact on sustainable development ? Can an impact assessment alone gauge the full severity of potential damage independently of the actors concerned ? Also, there is not always a gain to trade off against every loss, particularly where irreversible processes are involved. Unemployment, for example, causes identifiable

personal loss, but reskilling is not always accessible.

All this creates a risk that the impact assessment process will focus more on looking for mitigating measures than on exploring new opportunities for improving quality of employment, the state of the environment and economic development simultaneously.

Ideally, impact assessments should look at issues from a sustainable development angle : is trade in a given sector sustainable at present ? If not, why not ? What can the public authorities do to make it more sustainable ? This widens the scope : assessments should even be able to look at existing situations as a basis for the development of future policies or to cost out inaction.

For a more transparent process

The Communication says that “to show the different impacts, make comparisons easier and identify trade-offs and win-win situations” it is desirable “to quantify the impacts in physical and, where appropriate, monetary terms”. Many costing tools may exist with which to assess environmental issues, but much more clarity is still needed on what can be concluded from them, and their limitations.

Arguably, economic assessment is first and foremost a form of parlance - and currently a predominant one - through which to express issues like the collective interest of environmental protection. The outcomes of economic calculation are predicated by a number of things which stem from convention more than economic theory : national differences in how certain risks (loss of life for example) are costed, the amount of knowledge gained from the assessment, trend projection scenarios and break probabilities, choice of the method of calculation, choice of baseline scenario, etc.

As a tool for mediation, economic assessment can help in making choices by helping the parties to achieve consensus on a set of criteria, through relevance testing of alternative solutions that the parties can agree on beforehand. Endorsement and acceptance of the conventions used for the calculation by all the parties are therefore essential if economic assessment is to be used as an aid to debate rather than a tool of administration and control.

In a number of scenarios, too, economic calculation alone cannot deliver social and environmental objectives. In uncertain (non-probabilistic) and

serious risk (like climate change) situations, the first thing is to identify target levels (of pollution, environmental limits) through more collective procedures (voting, consultations, democratic forums,...). Economic assessment can then help to determine the most efficient ways to achieve them.

Finally, scoping the impact assessment is a big issue, and one which must be reasoned and transparent. Sustainable development must encompass the global and local aspects at once. One issue often overlooked in impact assessments of European policies is : how far if at all does achieving the EU's objectives contribute to global sustainability, especially a fairer geographical distribution of world wealth, rights or natural resources ? Integrating this aspect into impact assessments requires a systematic analysis of all the positive and negative flows between the EU and the rest of the world generated by the measure concerned, including product full life cycles and both direct economic and non-commercial effects.

Participation by interested parties

As well as being an aid to decision-making, impact assessment is meant to be a communication tool which, through "consultations with interested parties will generate useful discussion".

However, the conditions and procedures of consultation as set out in the Communication will not deliver that aim. Looking just at the minimum standards for consultation according to the guidelines laid down in the Communication on consultation⁴, the IA Communication fails to specify :

- at what stage of the analysis consultations should take place : before the assessment process, in the alternative scenario framing stage, or afterwards, to validate the outcomes;

- the scope of the consultations : collection of data and information, or validation of results;
- who exactly should be consulted : the document refers alternately to "interested parties" and "relevant experts".

The lack of a real strategy for consultation in the implementation of IA is a regrettable omission. Arguably, impact assessment should be seen more as an organized basis for discussion with experts and stakeholders designed to find trade-offs between economic, social and environmental objectives.

Participation by interested parties generally, and workers and their representatives in particular, could take place through an impact assessment steering committee. The idea would be to see that the impact assessment process reflects the sustainable development interests of the interested parties by going beyond a mere "external quality control" of data to actually shape the choices at the different stages of the assessment process : alternative scenario setting, scope of analysis, methods and criteria of assessment, etc.

Context and prospects

All proposals adopted by the Commission from 2004 onwards will have to be impact-assessed. Workers and their representatives at European level are bound to be involved in them, either through European level forums that they are involved in, or through sectoral representation. Effective participation by the unions in this process should not only get recognition for workers' rights and interests in sustainable development, but also further build trade union capacity for the assessment and management of sustainable development issues at both workplace and industry-wide level. ■

Sophie Dupressoir, TUTB Researcher
sdupressoir@etuc.org

⁴ *General principles and minimum standards for consultation of interested parties*
(http://europa.eu.int/comm/governance/suivi_lb_en.htm).