



## **Policies and Tools (1): National Level**

**Background:** World trade and foreign investment have grown dramatically over the past 25 years, serving as major drivers for global economic growth. This process, often referred to as globalisation, involves the integration of national economies into a single market for goods and services, and for capital and investment flows. Globalisation has emerged as trade and investment liberalisation policies have become prominent features of restructured national economies throughout the world, substantially removing national market boundaries and linking countries into a single world economy.

With the recent acceleration of global trade, countries throughout the world have benefited from more investment, industrial development, employment and income growth. However, these benefits are unevenly spread across and within countries, and some countries are finding that free trade has significant developmental costs as well as benefits. Many developing countries have witnessed growing trade deficits and falling annual growth rates. From an environmental perspective, increased trade and investment in natural resource-based sectors is placing unprecedented pressures on the world's ecosystems. Many countries have found that economic activities supporting rapidly expanded trade can result in serious environmental degradation unless complementary environmental policies are established.

It is now clear that trade liberalisation, driven by macroeconomic policies and trade-related economic reforms, has negative as well as positive environmental and social impacts. A clear analysis of these impacts and effective policies to reduce negative and strengthen positive impacts are needed. Policy tools are available for these purposes, but there is a need to encourage greater adoption and use of relevant tools which already exist, as well as to develop and apply new ones.

Since its establishment, UNEP has worked with developing countries and countries with economies in transition to assist them in their efforts to assess the environmental impacts of national economic development policies and to address them through policy reform. Over the past decade, these efforts have been supported by UNEP's development of methodologies and guidelines: for environmental impact assessment; for the valuation of natural and environmental resources and their integration into systems of national accounting; and for the selection, design and implementation of economic instruments to sustainably manage natural and environmental resources.

**Goals and Objectives:** Better design and application of environmental assessments will help integrate environmental considerations into macroeconomic policies and decision-making, and facilitate sustainable development. With impact assessments feeding into the policy development process, effective market-based incentives can be designed to influence the production and consumption patterns, leading to a more sustainable use of resources and trading activity. The technical challenges of developing and applying policy tools for assessment and policy development are being addressed by UNEP, with emphasis focused on developing practical and implementable tools that effectively integrate national environment and development objectives in the context of open and equitable trade relations.

UNEP's work on assessment and policy reform aims to promote the development of mutually supportive trade and environment policies at the national level by integrating environmental considerations into economic decision-making. Furthermore, it aims to provide insights to negotiators elaborating multilateral trade rules so that the latter can effectively support national environmental objectives. To achieve these goals, UNEP assists interested countries to:

- assess the environmental, social and economic impacts of national macroeconomic and trade-related policies, and of multilateral trading system policies;
- enhance national awareness of these impacts through multi-stakeholder communication;
- assign values to natural and environmental resources of strategic national importance;
- design and implement policy packages/instruments, including economic instruments, for specific sectors in order to internalise environmental costs in selected sectors; and
- build the capacity of their negotiators to effectively address trade-related environmental and social concerns through future regional and multilateral trade policy.

## Activities:

**Environmental Impact Assessment (EIA):** UNEP continues to work closely with governments to assist them in their efforts to enhance their institutional and human capacities for integrating environmental considerations in development planning and decision-making. As a result of this work, the UNEP EIA Training Resource Manual was launched in June 1996 to enable trainers, particularly in developing countries and countries with economies in transition, to develop tailor-made EIA training courses. Widespread acceptance and use of the first edition of the manual has helped build local capacity to develop EIA procedures and legislation, conduct EIAs, and monitor and evaluate the implementation of EIAs. Based on field trials of the manual and requests from governments, UNEP is currently preparing a Revised EIA Training Resource Manual to include a module on Strategic Environmental Assessment, focusing on selected sectors of national importance. As a supplement, it will also include a Collection of Case Study Experiences with EIA, particularly from developing countries. UNEP is also preparing a revised version of its EIA: Issues, Trends and Practices that provides an up-to-date overview of EIA for decision makers and practitioners, assisting them in understanding EIA and developing national EIA strategies and procedures.

**Economic valuation of natural and environmental resources:** UNEP continues to develop and promote the application of methodologies for valuing environmental and natural resources, with particular emphasis on valuing services and quantifying damage incurred through the use of environmental assets. These methodologies can be used in EIA, cost-benefit analysis, risk assessment, in environmental and natural resource accounting, and as a basis for the internalization of environmental costs. In 2000, UNEP published "Environmental Valuation" which presents the results of a range of international applications of different valuation techniques.

**National environmental accounting:** UNEP was involved in the preparation of an operational manual on Integrated Environmental and Economic Accounting (IEEA) published in December 2000. The manual serves as a reference document for the implementation of integrated environmental and economic accounting at the national level. It supplements the United Nations handbook and work undertaken by the United Nations Statistical Division (UNSD) and other international and national organisations in this area. The manual will be used as a primary reference tool in both UNEP Country Projects on Trade Liberalisation and the Environment and UNEP-UNCTAD CBTF Country Projects (See separate Fact Sheets).

**National policy development and reform:** Economic instruments are widely recognised as effective tools for the attainment of national environmental objectives. UNEP assists countries with the selection, design and implementation of economic instruments for environmental management in specific sectors of importance to the host country, such as energy, water, agriculture or fisheries. Such projects are a major component of UNEP Country Projects on Trade Liberalisation and the Environment and UNEP-UNCTAD CBTF Country Projects (See separate Fact Sheets).

**Integrated assessment of trade and trade-related policies:** Recently, UNEP has worked to develop more practical and effective assessment tools to: 1) extend assessment beyond environmental impacts to include social and economic impacts; 2) focus assessments on trade-related policies where impacts are often more difficult to assess; and 3) adopt an ex-ante rather than ex-post approach to assessment and corrective policy development. These efforts have evolved into a programme for research and methodology development for integrated (environmental, social and economic) assessment of trade and trade-related policies.

In early 2000, UNEP commissioned an International Expert Group on Integrated Assessment to develop the UNEP Reference Manual for the Integrated Assessment of Trade-related Policies. The manual is UNEP's response to growing demand for a tool to assess trade policies. It is designed to assist both developed and developing country negotiators, policy makers and trade-environment experts to assess multilateral trade policy during its negotiation. To prepare the manual, the expert group – comprised of experts on the impact assessment of trade from governments, intergovernmental organisations and academia as well as national team members of UNEP Country Projects who field-tested the manual – met in four international workshops during 2000. The final version of the Manual will be available in early 2001. The manual will be used a primary reference tool in both UNEP Country Projects on Trade Liberalisation and the Environment, and UNEP-UNCTAD CBTF Country Projects (See separate Fact Sheets). It will also be introduced to WTO negotiators through a UNEP workshop to be convened in Geneva in 2001.

**Further Information** on UNEP's assessment and policy development tools is available at the website: [www.unep.ch/etu](http://www.unep.ch/etu) and through numerous publications available in electronic format online and in hardcopy format through the Online UNEP EarthPrint Bookshop.