

PART III. NATIONAL REPORTING GUIDELINES FOR CSD-14/15 THEMATIC AREAS

C. INDUSTRIAL DEVELOPMENT

Government focal point(s): DG Environment

Responding ministry/office(s): DG Environment

Industrial Development in Developing Countries

Industrial development is an integral part of private sector development, a key objective of the EU development policy. Enterprises face a lot of constraints in developing countries including access to finance and to business development services (BDS). Over the years, the EC has developed many programmes to address those constraints. The Centre for the Development of Enterprises, CDE was thus established to provide BDS to ACP firms, and PROINVEST was launched to promote investments, business linkages and inter-enterprise partnership and cooperation, while the €2.2 billion Investment Facility, managed by the EIB was providing loans, equity and guarantees to private companies.

Lessons learned and good practice

The EC has devised a comprehensive strategy to help third countries private sector overcome the obstacles mentioned above. This strategy, initiated in 1998 in the ACP countries to address all the main constraints to business development, was extended to all developing countries by the 2003 Communication to the Council and European Parliament on business development in third countries. It is this policy as a whole for enterprise development, both industrial and service companies, that should be considered good practice.

Trends and emerging issues

Increasing globalisation affects Developing Countries in many ways. While some countries profit from trade liberalisation, others face growing difficulties due to lack of diversification of their economies, vulnerability to economic and environmental shocks, and increasing demand for higher quality products on the side of industrialised countries. Foreign Direct Investment is strongly linked to risk of conflict and good governance; not surprisingly, private investors hesitate to start business development in countries afflicted by corruption and violent conflict. That is the reason why more and more donors, including the EC, pay a growing attention to the improvement of the business environment. The European Commission has recently approved a new private sector enabling environment facility to complement its all ACP mechanisms for business development. This facility will be active in promoting policy reform and public-private dialogue.

Constraints and challenges

Business development, especially that of SMEs, is a key objective of EU aid policy, because ODA alone, even when substantially increased, will never be sufficient to fulfil the needs of the population in developing countries. A vibrant private sector must play its role as the main engine of economic growth and thus as a major actor in reducing poverty.

Constraints to private sector development exist at macro level (non-conducive business climate), meso level (weak intermediary organisations) and at micro level (difficult access to financial and non financial support). Not all constraints can be addressed at the same time. Some prioritisation is therefore necessary.

EMAS

The Eco-Management and Audit Scheme (EMAS) is the EU voluntary scheme for organisations willing to commit themselves to evaluate, improve and report on their environmental performances. The scheme was launched in April 1995 and revised in 2001.

Lessons learned and good practices

"EMAS-Easy" concept for micro-companies. Capacity building project in 5 new Member States to fully register 50 companies EMAS, based on this EMAS-Easy approach, aimed at demonstrating that EMAS is also suitable/affordable/effective and useful not only for large companies, but also for small to micro-companies.

Trends and emerging issues

Growing demand from companies to be able to certify their products within the EMAS management system, compared to the current situation. Corporate Social Responsibility reporting is emerging as opposed to reporting on environmental issues only with EMAS.

Constraints and challenges

There is still a low take up of EMAS (and Environmental Management Systems in general) in companies and public administrations in the EU, especially among SMEs (which represent more than 98% of 20 million enterprises in the EU). Many environmental management systems/programs are "competing" in the EU, with various degrees of requirements and various levels of monitoring processes: it is therefore difficult for consumers and in business-to-business relationships to know which system delivers exactly what in terms of requirements.

SMEs and the environment

Small and medium-sized enterprises (SMEs) are important engines of economic growth and employment throughout the European Union. At the same time, they are no different from large companies in exerting considerable pressures on the environment, not necessarily individually but through their combined total impact across sectors. It is therefore vital that the environmental policy of the EU should be further developed in order to promote sustainable development in SMEs - both in terms of the pollution caused by their plants and in terms of the goods and services that they produce.

Lessons learned and good practices

There is a growing awareness of the important economic, social and environmental role of SMEs in Europe, and policy making is taking their peculiarities into consideration at an early stage. The internal extended impact assessment, the exercise for simplifying legislation and the new Lisbon Strategy show a great commitment by the EU to address SME problems.

Trends and emerging issues

SMEs themselves are often unaware, or not fully aware, of their environmental impacts, and they are not always well informed about their obligations under environmental legislation. A growing interest in environmental aspects of the business activity is nevertheless perceivable.

Proper implementation of existing EU legislation and, at the same time, fostering the eco-efficiency of Small and Medium-sized Enterprises (SMEs) are the challenges of the Compliance assistance programme foreseen as a key initiative for 2006. This is in line with the renewed Lisbon Strategy objectives and constitutes also a contribution to our WSSD commitments on Sustainable Production and Consumption.

Constraints and challenges

For many reasons, involvement of SMEs in the field of environment is very low and, consequently, the pressure exerted by them on environment is high. A recent report about the corporate social responsibility provides evidence that green activities are not integrated within the firms' core businesses.

Comprehensive pollution or resource consumption statistics for SMEs do not exist, making it difficult to determine the contribution of SMEs to environmental degradation. In most OECD countries, statistics on SMEs do not tally with data collected on emissions, waste generation and effluents from firms so there is little hard data to determine the small firm contribution to pollution load or to make cross-country comparisons.

One of the main obstacles to an effective environmental policy is the relationship between a future and uncertain economic advantage and the actual costs incurred by the need for technological adequacy and certification.

The Integrated Pollution Prevention and Control (IPPC) Directive

The EU has a set of common rules for the regulation of pollution by industrial installations. These rules are set out in the so-called **IPPC Directive** of 1996. IPPC stands for *Integrated Pollution Prevention and Control*. In essence, the IPPC Directive is about minimising pollution from various point sources throughout the European Union. All installations covered by *Annex I* of the Directive are required to obtain an authorisation (permit) from the authorities in the EU countries. Unless they have a permit, they are not allowed to operate. The permits must be based on the concept of *Best Available Techniques* (or *BAT*), which is defined in Article 2 of the Directive. In many cases *BAT* means quite radical environmental improvements and sometimes it will be very costly for companies to adapt their plants to *BAT*. To impose new and considerably tougher *BAT* rules on all existing installations in the European Union could jeopardise many European jobs, and therefore the Directive grants these installations an eleven year long transition period counting from the day that the Directive entered into force.

Lessons learned and good practice

The general view is that the IPPC Directive is an effective tool in combating pollution from industrial installations, bringing a number of benefits, in particular as regards the integrated and preventive approach, the implementation of permit conditions based on *BAT*, the updating of permits, improved monitoring and public participation.

One of the key success of the implementation of the Directive has been the publication by the Commission of the *BAT Reference Documents* (the so-called *BREFs*). The *BREFs* are the results of the information exchange organised by the European Commission (the European IPPC Bureau in the Joint Research Centre based in Seville). This exercise is a key driver for improved environmental performance as it involves systematic sector-by-sector benchmarking and comprehensive screening and assessment of techniques applied. The information exchange is also a highly cost-effective activity, as, in its absence, each Member State would be required to do a corresponding identification/determination of *BAT* in order to

fulfil its obligations under the Directive. Member States, industry representatives and NGOs are fully involved in the information exchange.

Trends and emerging issues

One of the main trends as regards the permission and control of industrial installations is the issue of streamlining existing legislation to avoid problems of coherence between legal requirements. This is an important feature both at national and Community level.

The Commission is currently assessing policy options to streamline existing legislation on industrial emissions in order to achieve “better regulation”. In this context, the Commission is preparing a review of the IPPC Directive which will also aim at clarifying the Directive and at assessing the possible use of economic instruments or incentives to encourage innovation to reduce industrial emissions.

There is also a trend, in particular at national and regional level, to disseminate more widely the information on Best Available Techniques.

Constraints and challenges

The IPPC Directive adopted in October 1996 aims at achieving integrated prevention and control of pollution arising from about 50.000 large industrial installations across the EU. The IPPC Directive has applied to new installations since 30 October 1999. For existing installations, the final deadline to achieve full compliance with the Directive is 30 October 2007, unless an installation is subject to a “substantial” change before that date.

One of the main constraints of the Directive is therefore to meet the deadline of October 2007 for all existing installations. It is indeed not sufficient to simply issue a permit but the installations should operate in full compliance with the Directive by this date. The Directive requires that the permit conditions should be based on Best Available Techniques (BAT) taking into account the technical characteristics of the installation concerned, its geographical location and the local environmental conditions. The actual implementation of this key requirement is left to the discretion of the competent authorities in the Member States. The implementation of the Directive remains therefore a challenge both for the competent authorities due to the resources needed to issue or review permits and for the operators in view of the possible investments needed to comply with permits conditions.

The implementation can be all the more complex as a number of existing installations are old and are far from applying BAT. The Directive provides for sufficient flexibility to allow competent authorities and operators to take into account constraints resulting from basic choices in the production process or plant layout and to respect cost efficiency considerations.

There is however a risk that certain Member States set permit conditions which are too lenient and not based on BAT. A close monitoring by the European Commission is therefore needed. This has started with the use of the EPER (European Pollutant Emission Register) data which has highlighted that certain installations generate large amounts of pollutants. Sectoral studies are also carried out to benchmark the level of environmental performance of industrial installations across the EU and make sure that the principles of the Directive are properly implemented.

EU Research Activities

The overall picture: EU research activities funded by the Industrial Technologies Directorate (FP5 and FP6), to be followed by the 7th Framework Programme, have taken constant care to integrate the three pillars of sustainable development: economic, social and environmental.

Lessons learned – good practices:

- All research projects (a total of 1.4 billion Euros in the 6th Framework Programme alone) are related to common everyday use materials and products and to the corresponding production processes. With three quarters of EU economic output based directly or indirectly on industrial activity, these products and processes largely determine society's environmental impact. Research efforts in these areas (e.g. life-cycle approaches encompassing natural resource management, starting at the products' inception; new intelligent materials, nanotechnologies etc) are thus directly contributing to help attain both economic growth and sustainable development objectives and findings are applicable in developed and developing countries.
- New knowledge through ongoing and future EU-funded R&D activities is applicable to developing economies.

Trends and emerging issues:

- An increasingly knowledge-based industry is replacing the current material-based paradigm.
- Increasing functionalities are being embedded in the product all the way down to the nano-scale for new intelligent materials.
- Convergence of nano-bio-info-cognitive and other dimensions
- Research policies deal with technological domains (materials, processes, nanotechnologies, life sciences, information technologies, etc.) in a more integrated way

Constraints and challenges:

- The rate of adoption of new knowledge-based paradigms by traditional industrial sectors in order to increase competitiveness, keep employment and greatly reduce environmental impacts.
- The understanding and alleviation through research of potential risks following the introduction of nanotechnologies.
- In-depth understanding and support of coherent and sustainable consumption patterns in the society, and their integration upstream of the production chain.