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ecoBUDGET AND EMAS

A COMPARISON

Briefing note

Preface

This document shall provide recommendations to the current EMAS revision process from the perspective of ICLEI – Local Governments for Sustainability and the Lake Constance Foundation. The comments are based on the organisations long-term experiences with the implementation of environmental management systems. Lake Constances Foundation have carried out the ECO-LUP project implementing EMAS into local land-use planning processes. ICLEI together with member local governments have been developing the ecoBUDGET method for local environmental management. The Commission is aware of both processes.

The document porvides an impression of the inter-relationship and possible linkages between EMAS/ISO 14001 and ecoBUDGET. It presents similarities, complementary aspects, possible interfaces and added values of ecoBUDGET in comparison with EMAS. The outline is based on a thorough analysis of the two approaches, practical experiences from the European ecoBUDGET Pilot Project, the valuable ECO-LUP experiences as well as discussions between the European Commission, ICLEI, Lake Constance Foundation and project partners.

Parallel development

EMAS/ISO 14001 and *ecoBUDGET* have been developed in parallel over the last decade.

Environmental Budgeting has been developed over the last decade, in conscious imitation of conventional/financial budgeting. The European Commission Expert Group on the Urban Environment (European Sustainable Cities, p.75 Brussels 1996) stated: *"Ecological ideas such as natural capital, carrying capacity and constant natural assets already use the language and concepts of financial accountancy. Environmental Budgeting develops this metaphor into a practical tool for environmental management."*

ICLEI – Local Governments for Sustainability has adopted and developed the idea of a local environmental budget as the political framework for steering local communities and their authorities towards environmental sustainability. *ecoBUDGET*, the method for environmental budgeting, has been developed as

environmental management system particularly designed for and with local governments. The method implements the postulates of the Aalborg Charter, 1994 (to date signed by some 2000 local governments), in which local leaders agreed to develop instruments and tools available for urban management towards sustainability, which is addressed at the end of Chapter 1 of the Charter.

"We, cities and towns, pledge to use the political and technical instruments and tools available for an ecosystem approach to urban management. We shall take advantage of a wide range of instruments including those for collecting and processing environmental data; environmental planning; regulatory, economic, and communication instruments such as directives, taxes and fees; and mechanisms for awareness-raising including public participation. We seek to establish new **environmental budgeting systems**, which allow for the management of our natural resources as economically as our artificial resource, 'money'" (Aalborg Charter, Part 1.14).

This statement is being confirmed by the Lisbon Action Plan (1997) and the Hanover Call (February 2000), in which local leaders called upon other to assume responsibility and accountability for the use of natural resources and environmental quality locally, and introduce management systems for local sustainability and environmental performance such as **Environmental Budgeting** and **EMAS**. It further helps implementation of Local Action 21 as agreed by local government leaders at WSSD 2002 in Johannesburg and meeting the requirements of the Aalborg Commitments of the European Sustainable Cities & Towns Campaign 2004.

The European Union's EMAS regulation (EMAS –Environmental Management & Audit Scheme) originally institutionalised an environmental registration system for **trade and industry**. Initially applied to individual sites, it provided an incentive to companies to increase sales by proving that they used environmentally sustainable means of production. Validation and registration also became possible **for local authorities**, from early 1998 after it was extended from the production sector to the service industry sector. The potential scope of application was broadened in the joint draft for EMAS II that was approved by the European Parliament on the 14th of February 2001. As a result of this, all elements in the system now can apply to whole organisations and no longer to individual sites alone.

Current status

EMAS is currently the largest and most widely spread authority initiated initiative for voluntary environmental management. At present EMAS holds 3642 registrations in the EU, with the most representation in Germany (2364) followed by Austria (300) and Spain (289). However, only approximately 120 of these registered organisations are local authorities (although, most of these are only departments or parts of local authorities). A recent trend is that the number of EMAS registered organisations remains static. Several initiatives

have been developed to combat this situation, such as the incorporation of ISO 14001 as an annex to the EMAS regulation.

Another remarkable EMAS development is the abundance of European projects aiming at finding a lighter or simpler version of the standard, sometimes referred to as "EMAS light" initiatives (eg. the EMAS Peer Review approach). Critics of this approach are claiming that a "EMAS light" would jeopardise and under-mine the credibility of the system as well as further worsen the situation of decreasing registrations according to the "full version" EMAS.

The *ecoBUDGET* concept has been successfully implemented during a pilot-phase in Europe (refer to European *ecoBUDGET* Pilot Project) proving applicability under different national legislative, political and administrative conditions as well as in local authorities of different size and structure. Currently *ecoBUDGET* is being implemented in 11 local authorities in 5 European countries. A European *ecoBUDGET* pilot project was initiated after the successful implementation of *ecoBUDGET* in 4 German cities and 1 county. The geographical scope, political element and flexibility of *ecoBUDGET* have initiated interested from several local authorities in Europe. And especially the World Summit on Sustainable Development motivated numerous authorities from all over the world to approach ICLEI with requests of information or start-up of implementation projects.

Call for combined use

A group of international experts and practitioners from Finland, Germany, Norway, Spain, UK and Ukraine met at the International Workshop "Environmental Management Instruments and Local Agenda 21" in n El Prat de Llobregat, Spain to discuss different urban environmental management systems. In their 1999 'Llobregat Conclusions on environmental management instruments and Local Agenda 21,' they made the following comment on the added value of EMAS and *ecoBUDGET*: *"We have shared practical experiences of local authorities applying EMAS-related environmental management systems and systems of environmental budgeting. We paid special attention to the model ecoBUDGET. In general we believe that these approaches could and should complement each other. The ecoBUDGET-approach is a strong instrument for political decision-making, EMAS-based approaches are strong in activating the single units. We recommend that local authorities involved in EMAS-related EMS should complement these activities by introducing an ecoBUDGET. This will ensure that the full dimension of environmental problems and political priorities will be considered and the influence for and of political decision-makers will be assured."*

Through the work in the present *ecoBUDGET* pilot project (LIFE Environment "European *ecoBUDGET*"), the partners have recognised the need and possibilities for a supporting mechanism or system and also identified similarities and differences between EMAS and *ecoBUDGET* (see tables below).

EMAS is often criticised for being a bureaucratic and site specific system with significant costs for audit and verification. Local governments called for

“lighter versions” that in particular suit small organisations. Of course bureaucracy can be a heavy chore for smaller organisations, on the other hand it secures the quality and accuracy of documents and information. However, the practical use of EMAS has shown a general lack of geographic scope, political involvement and commitment and a community-based approach (in many cases manifested by the environmental targets) because of its site- and organisation-specific purpose. However, EMAS creates an excellent framework for managing, controlling, monitoring and evaluating the organisation’s performance. Contrary to ISO 14001, the transparency and credibility of EMAS has always been highlighted as valuable system strengths.

Up to now, there are only very few examples where EMAS has been implemented into strategic decision making processes in Local Governments. None of them is involving decision-making on targets setting within the highest decision making body of Local Governments – the city or county council. The ECOLUP project carried out by Lake Constance Foundation between 2002 and 2004 was the first successful and inspiring attempt to implement EMAS into land use planning processes.

Reasons for reluctance of local governments in this regard are:

Neither does the EMAS Directive explicitly highlight application within strategic decision making processes nor application in planning processes. Instead, the latter are included in what is called “indirect environmental aspects” – a definition which insufficiently covers character and importance of strategic planning processes. The fundamental position of urban land-use planning - a service provided by local governments for their citizens - is highlighted by the fact as that it covers a range of direct environmental aspects such as urban sprawl, sealing surface, landscape development, use of green areas, energy consumption, congestion, and rain-water run-off.

Another reason might be connected to the strong political implication resulting from implementation of EMAS into planning processes: With an environmental programme approved by the municipality council, the municipality potentially accepts “restrictions /limitations” of their future development. “Why restrict ourselves – if it is not legally required” was a common argument of councillors.

Complementary strengths (differences)

*“As you rightly stated, there still is need for adaptation of EMAS to the local peculiarities and current approaches give only new labels to existing environmental activities. That is why I consider your objective to not foster competition between the two instruments EMAS and ecoBUDGET but to integrate and generate synergies. You present important interfaces for this.”
Helga Kanning, University of Hanover, Institute for Planning and Spatial Research, 26.07.97*

ecoBUDGET has similarities with EMS standards in that they all involve gathering of information, target setting, monitoring and feedback stages. To date, the EMS standards applied in local authorities have been used mainly to

reduce the environmental impacts of internal administrative activities and those of local authority controlled activities in the wider community. With its political approach *ecoBUDGET* provides the necessary framework for extensive management of natural resources and reduction of environmental impacts in the whole municipality. This main difference stems from the fact that the EMS standards were developed for use by businesses and therefore do not have the inbuilt consideration for local politics and local administration procedures.

Table: *ecoBUDGET* in contrast to EMAS/ISO14001

EMAS/ISO14001	<i>ecoBUDGET</i>
EMS is used to deal with environmental aspects mainly within the administration (the local authority applying the EMS as if it were a business) and some that it can control in the wider community	Political Approach –local authority acts in initiating environmentally responsible behaviour in the whole municipality as well as in internal administrative procedures
Objective of continuous improvement	Objective of sustainability
Implemented by co-ordinators with compliance and collaboration of the rest of local authority staff, and public involvement	Political targets mean a source of orientation for staff across sectors and for the public
Aim at verification/registration by third parties (external audit)	Aims at approval, controlling, and steering by the city council (internal audit)
Apply time-related targets (e.g. triennial targets in EMAS)	Applies time-related short-term and long-term targets, annual cycle
Environmental guidelines are formulated at the highest management levels. Political bodies informed.	Priorities and targets (Environmental master budget) ratified by political body (Council)
Make use of market and image	Make use of political legitimisation
Document control and senior management commitment	Political commitment
Strong EMS under defined boundaries	Geographical and community-based scope
Financial implications (benefits)	Links to/Integration with financial budget
Rigid structure	Flexibility & adaptability
Strict system requirements	Few system requirements
Staff involvement	Political, administrative, community involvement

EMAS/ISO14001	<i>eco</i> BUDGET
Environmental problems	Resources and assets
Significance test	Priority setting
Legal compliance	Target compliance
Primarily geared to a local authority's internal procedures	Aimed at local authority's entire area of jurisdiction

A way forward – integration of *eco*BUDGET & EMAS

Used alongside an existing EMS standard, *eco*BUDGET can be regarded as the **political** system showing “what” needs to be done and the EMAS or ISO14001 system provides a more detailed plan of “how” this will be done. From the budget and time-related targets of *eco*BUDGET the Environmental Policy can be defined and Environmental Objectives and Programme can be produced showing in detail, what measures are to be implemented, and what action will be undertaken if targets are not being met. The detailed requirements set out in ISO14001 or EMAS provide the auditing and monitoring structure to evaluate if the system is satisfactory and at the final environmental budget balance and reporting stage, all results can be combined and used for the next cycles.

Both EMAS and *eco*BUDGET use the cyclical elements of environmental management. The essential difference between them lies in their respective outlooks. Whereas in practice EMAS is primarily geared to a local authority's **internal procedures** and directed at minimising the ecological effects of their activities . *eco*BUDGET is drawn up primarily to **set comprehensive political targets and priorities** to maintain or improve environmental resources, for the sustainable development of a local authority's entire area of jurisdiction.

Depending on particular requirements, EMAS may point beyond the local authority's narrow area of responsibility. Up to now, it has primarily been performed as an "internal audit" in which the units of the local authority (departments) and municipal service providers are treated as "companies" whose "sites" are inspected and audited. This approach has arisen from the methodological development of corporate environmental management systems. A recent survey in the framework of the LEAP project has proven this is still the main focus.

The central aim of the European EMAS directive is to ensure that existing guidelines are complied with and that **continual improvement** in an organisation's environmental performance, i.e. reduced environmental impact and improved environmental quality. Within this framework, it is the organisation's responsibility to define its overall targets clearly. Auditors check whether these targets – and thus the desired environmental performance – have been attained.

One of the advantages of the EMAS regulation is that it sets down guidelines for the structure, function and organisation of the management system. This is intended to ensure that the responsible persons are closely involved, and guarantees that decisions really address existing problems and their possible solutions. Used in and taking consideration of local authority structures the local authority's decisions about target setting would have to be taken through the political body.

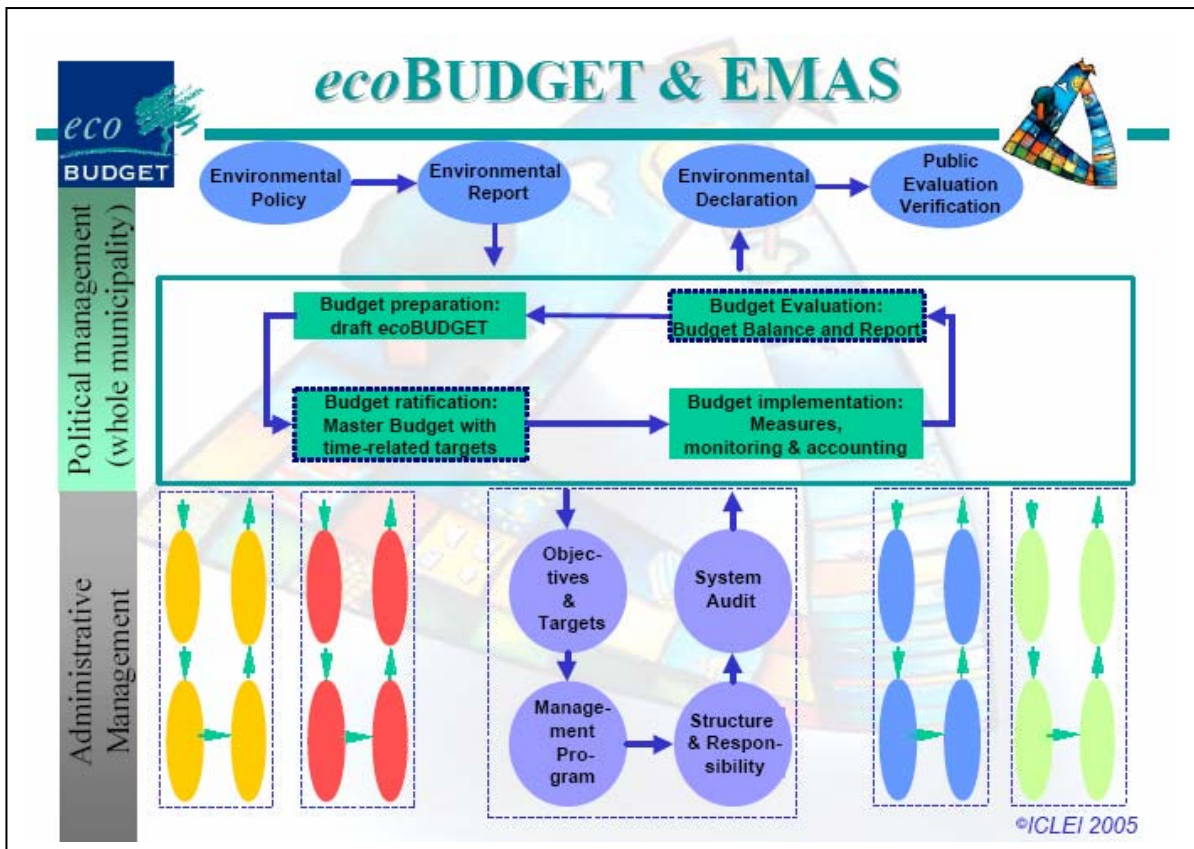
However, currently the scheme does not incorporate guidelines for the involvement of Councillors in objective and target setting. In fact, this is usually carried out by the administrative committees and related departments, the decision-making political committees are merely informed. If, however, political decision-makers are excluded, the chances of implementing successful local environmental management are greatly reduced. It is logical to say that if political decision-makers are not involved in the determination of targets relating to the consumption of natural resources, the specified ecological targets are not continually taken into account in the political decision-making process. In addition, community involvement in achieving the environmental targets, within the framework of an Agenda 21 process is undefined. There is no real **political management**, even though this is indispensable for coordinating with the Local Agenda 21 process and for modernising a local administration (in both cases, the political target becomes the focal point). This is where local environmental budgeting comes into play. It contributes innovative techniques for anchoring decisions relevant to the environment at the political level of local authorities. Overall, the EMAS and *ecoBUDGET* systems complement each other.

Table: Similarities - corresponding elements of *ecoBUDGET* and EMAS

EMAS/ISO14001	<i>ecoBUDGET</i>
Environmental review	Resource identification
Significance test	Priority setting and Indicator identification
Environmental policy, goals	Master budget
Program	Measures
Management commitment	Political ratification
Monitoring, control	Monitoring, accounting
Management review	Environmental Budget Balance (Report)
Environmental report	Annual accounts, Statement of Env. Assets, Env. Benefit analysis

Complementary interaction between EMAS and *eco*BUDGET

This leads to a **complementary interaction** between *eco*BUDGET and EMAS at the local government level. The foundations of environmental action within an entire local government should be the **environmental policy** and **guidelines** that are worked out in an Agenda 21 process. Both documents shall be ratified by the council. Policy and guidelines can then be used to **set** quantified, time-referenced and **politically binding, ratified targets** (master budget) that are geared to the ecological sustainability of the entire local authority so as to include local administration, businesses and private households. This provides local environmental budgeting with a clear auditing standard. In accordance with EMAS, objectives and targets for each of the local administration's individual departments or municipal companies, are derived from the master budget. The environmental management programme is geared towards the attainment of the targets indicated in the environmental budget and monitored using auditing techniques. The results are entered into the *eco*BUDGET **accounting process** and subsequently become part of the **environmental budget balance**. The sections concerning the **environmental performance** of the local administration and municipal service providers are added to the **environmental budget report**. The environmental budget report also forms the local government's **environmental declaration** can then be used as the basis for the **validation** stage of EMAS.



The Figure explains how the contents of the two management systems are linked.

Fig.: Interaction of *eco*BUDGET and EMAS

In this way, a local authority's environmental action is integrated into the processes of both Local Agenda 21 and public management. The indicators from the environmental master budget give 'political' environmental targets for the services and products provided by administrative units or different departments. This means that each administrative unit or department will implement measures to support the targets indicated in the environmental or master budget. That would satisfy one of the main requirements of modern public management: **The council decides on 'what', the local administration on the 'how' of policy implementation.** *eco*BUDGET entrenches a local authority's environmental action at the political level, showing "what" is being done and where efforts need to be concentrated. With EMAS, the local administration and municipal service providers have a mechanism to aid them in determining how to achieve implementation and target attainment. In this way, a powerful combination of environmental management systems can be introduced to increase the efficiency of local authority environmental policy.

Recommendation for EMAS Revision:

1. Involvement of politicians:

Environmental management, target setting, implementation of measures, evaluation and reporting requires backing, mandate and commitment of the key decision making bodies of local governments: the Mayor and the Council. The current EMAS Directive leaves the level of involvement of these bodies to considerations of the importance of the “object of validation”. Experience with environmental management shows, successful environmental management requires regular involvement of key political bodies at strategically important steps of the Environmental Management – target setting, decision of a plan of measures, evaluation of the achievements. We recommend to make involvement of key decision making bodies (i.e. political bodies) a regular element of Urban Environmental Management. This involves approval of Environmental Policy (including “guidelines/priorities” and commitment for continuous environmental improvement) and Environmental Programme (including objectives and concrete measures regarding all relevant environmental aspects) by the Council and subsequent public presentation of the Environmental Declaration signed by the Mayor. We furthermore recommend to utilise the inspiring experiences with *ecoBUDGET* as means to add-in the decisive role of regular political decision making at all decisive stages of the environmental management. We furthermore recommend, an integration of *ecoBUDGET* and EMAS by annexing the instrument to the EMAS Directive would be a major leap (refer to outline below). We furthermore recommend to integrate existing instruments upon condition of EMAS being the principal instrument within the EU 25 to deliver environmental regulatory compliance. This involves recognition, that many local governments prefer ISO14000 or *ecoBUDGET* as instrument for managing their environmental aspects.

2. Stronger focus on indirect aspects and (land-use) planning processes:

Land-use planning is one of local governments most important instruments to act and directly and indirectly (i.e. through information, motivation, incentives ...) influence shape and design of cities, construction activities of citizens, companies and the local government itself. To this end it appears inappropriate to subsume land-use planning under “indirect environmental aspects. We recommend to regard land-use planning issues as direct environmental aspect. We also recommend to establish EMAS for the assessment of indirect aspects concerning the environmental performances of local governments

3. Conscious development of organisational set-up and stakeholder involvement:

Experience shows that successful environmental management always is matter to cross-cutting co-operation and communication. Sound environmental management need to involve all relevant actors and stakeholders where and as appropriate (i.e. in particular for target setting, implementation of measures, evaluation). We recommend establishment of a mandatory “Environmental Team” lead by the public administration. This shall consist of representatives of all relevant municipal departments, regional

administration and private stakeholders (NGOs, Local Agenda 21, Farmers Federation, Chamber of Commerce, etc.), The Environmental Team shall perform the co-ordination of contributions of all relevant actors at all relevant steps of the Environmental management cycle.

4. Appropriate validation:

Experience shows that many local governments are hesitant to go for a third party validation of their environmental management. This is due to the demanding auditing process and usually limited capacity (as EMAS is voluntary, local governments consider this as 'additional burden' added to their mandatory business). We recommend to utilise the inspiring experiences with an EMAS peer review as 'second way of validation'. The peer review allows not only for validation but is actually meant to be a handhold-process of peers (another municipality) supporting peers with the implementation of the environmental management system..

5. Appropriate collaboration with regional administration:

Experience shows, that regional administration often is detached from local environmental management. This appears to be a major set-back for successful implementation of environmental management as regional administration is acting as auditor to local governments (in particular planning), sets the framework for municipal planning and owns necessary know-how with regard to monitoring and evaluation to support local environmental management substantially. In addition, regional administration could provide a "regional profile" based on information /feedback from the local environmental management processes. This could potentially perform a benchmarking of local governments environmental performance in the respective region. We therefore recommend to open the peer review approach to regional administration supporting local governments.

6. Extension of EMAS to the "whole functional area".

By now, only a few local governments have implemented EMAS for the whole public administration. No experiences are available to apply EMAS for the territory of cities and towns. To the same token, the functional inter-linkages with areas outside the geographical area of cities and towns are neglected. This leaves local governments with insecurities. Neither does EMAS provide appropriate definition of the responsible organisation (who will be certified) nor the object (what will be certified). However, as the draft Thematic Strategy for the Urban Environment addresses the functional inter-linkages of cities and towns, EMAS need to appropriately respond. We recommend to incorporate both definition of organisation and object of the whole functional urban area into the EMAS Directive. We furthermore recommend to utilise the valuable and inspiring experiences of *ecoBUDGET* (in particular regarding indicators, target setting and involvement) and *ECO-LUP* (in particular regarding validation) in this regard.

7. Incentives to implement EMAS into local governments:

"What does this cost and what economic benefits can we draw from it?" – this question is usually posted by decision-makers in local governments. EMAS usually is promoted based on the argument of "cost savings" through increase

of effectiveness and efficiency. However, at times of weak economy, it is particularly difficult to convince political decision-makers that an environmental management system can be beneficial using economic arguments. In fact, experience shows, that initial implementation of environmental management into local governments is the opposite – an investment involving additional costs. EC needs to recognise that although local governments may implement EMAS the benefits of registration may not outweigh the costs for some. In particular when implemented into strategic processes (e.g. land-use planning), it cannot be argued that an application will bring about immediate cost-savings through reduction of consumption of water, energy or office materials. A city employing environmental management in land-use planning certainly does not receive higher prices for land, nor does it immediately become more attractive for private companies looking for a new branch location. This is in contrast to environmental management systems applied in firms or for administration buildings. The question behind is, how can an improvement of environmental quality be 'monetised'? We recommend that EC provides financial support for local governments in new member states to implement EMAS. We furthermore recommend, that EC should support research into the costs and benefits of the tools and techniques available to manage the significant environmental aspects. We furthermore recommend, that application of EMAS would offer more and real incentives to local governments implementing an EMS for the whole functional area. EMAS authorities at national and European level should create incentives, that would give an EMAS applying local government advantages over non-applicants. This could involve deregulation of interaction procedures with other levels of public administration, advantages when looking for governmental funding would.

8. Consistency and municipalities dedicated approach through appropriate terminology in EMAS Directive – consistency in performance of EMAS competent bodies across member states:

The EMAS II Directive provides a flexible framework for EMAS application in different organisational circumstances. However, interpretation of official auditors in a number of member states appears quite rigid scaring cities and towns of too much bureaucracy and rigidity! Misinterpretation could be avoided by appropriate wording for each target group. In addition, sometimes it seems, as if the reason not only is to maintain a "strong" EMAS, but to increase time needed for assessment, the number of visits for validation, etc., hence, to increase dependency from the auditing enterprises. This also stems from insecurities with interpretation and can be avoided. We recommend to make EMAS more specific and allow recipients to identify with the Directive. This shall be done by adaptation of wording to the different target groups: economical sector (production, services), administrations (local, regional), institutions: We furthermore recommend that competent bodies should better observe, monitor and evaluate auditing practises. Interpretation and handling of auditors must not "complicate" the EMAS implementation and process.

9. Clear requirements but flexible implementation:

It is important to both EMAS and the local government that the environmental

management system can be adapted to existing administrative structures. This is because the integration of EMAS into public administration need to create the necessary conditions for "continual improvement of local environmental performance". Experience show, that the process of implementing EMAS is burdened by insecurities with minimum requirements and rigidity in sequence of implementing the elements of the EMS. For example, it might be easier to define whom to involve and inform after discussion and agreement of contents (objectives, measures). Why should not the realisation of the System Audit as well as the definition of the EMS-System be implemented at a later more appropriate stage – for example following the elaboration of the draft of Environmental Programme.

However, key to successful implementation is to avoid misinterpretation! We recommend to better highlight the minimum requirements of EMAS (i.e. the elements of the management cycle). These are:

Elaboration and Implementation of EMAS:

- Environmental Assessment (Performance Audit and System Audit)
- Compliance Audit (legal compliance)
- Environmental Policy
- Environmental Programme
- Internal Audit (performance, system)
- Environmental Statement or Declaration (for the public)
- Initial Validation by external Auditor

Realisation:

- Internal Audit (every year)
- External Re-validation (minimum every three years)
- Up-dated Environmental statement /Declaration (minimum every three years)

10. Appropriate support to implementation:

- Elaboration of the environmental programme (aims and measures) through workshops with participation of environmental team and further stakeholders and administrations, depending on the agenda. The workshops would offer the possibility for capacity-building (keynote speech = input by experts) and discussion (between municipalities, between administrations, between public and private stakeholders)
- Support to build “convoys” for the EMAS-implementation based on experiences with the COMPASS project = reduction of costs for moderation and external assistance and platform for exchange of experience
- Training to Environmental auditors with regard to the target group local governments
- Support to peer-review approaches:
- Development of an EMAS benchmarking approach based on common monitoring system and EU wide indicators for communities as quality criteria for environmental performance. Thereby improving comparability and allowing benchmarking at regional, national, and European level

- Centrality of EMAS in all regulations, strategies, directives to deliver continual improvement in Europe's environment.
- Incentives for EMAS-validated local governments, eg.:
 - "plus" in case of an all-encompassing application at European, national or regional level
 - deregulation of administrative processes between local and regional or national level
 - special tax bonus
 - image campaign throughout Europe
- Support to development and better signposting of 'best practice', EMAS software, and case studies in tools and techniques, EMAS newsletter, EMAS publications on special issues, best EMAS local government of the year, "yellow pages" with all EMAS organisations according to type of business or organisation (= create an EMAS family feeling and a closer relationship to EMAS apart from the validation cycle)
- Creation of a network of EMAS peers and mentors to help overcome barriers and support implementation. Regular EMAS workshops for capacity-building and experience exchange