

# Strategic Environmental Assessment in the World Bank: An Overview

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On behalf of the World Bank Institute, I would like to welcome you to the distance learning course on strategic environmental assessment (SEA).

I would like to briefly introduce WBI, our environmental program in China, and then move on to the introduction to this course.

Hello. My name is Kulsum Ahmed. I am the Team Leader for the Institutions and Governance Program in the Environment Department at the World Bank.

In the next 30 minutes or so, I am going to try and give you an overview of the use of strategic environmental assessment, SEA, as a tool in the World Bank.

Let's start off with the context for this presentation, which has been the shift in focus of development assistance from a focus on technical solutions and attention to projects, to much more so of a focus on policies and institutions, as well as attention to building country capacity.

This has equally resulted in a shift in the focus of environmental tools from not only impact assessment, but also the use of much more upstream analysis to get a better understanding of the environmental issues linked up with development issues.

SEA was first used by the World Bank in the context of its safeguard policies. These are its policies both related to environment, social, as well as fiduciary aspects, to try to assure that no harm is done in the context of a particular project with respect to these issues.

The use of SEA as a tool beyond impact analysis was recognized in the World Bank's first environment strategy which was approved by the Bank's Board in 2001. In that environment strategy, SEA was highlighted as a crucial tool to integrate environmental considerations into sectoral policies, programs and plans.

Now, this slide here shows you--describes the World Bank's approach to SEA. It's important for me to point out that this is an approach, not a definition for SEA. There are

a range of different methodologies that can be used to conduct an SEA, and this approach sort of describes in an umbrella way the different methodologies that could be used.

Let me read this definition out first, and then let me come back and highlight particular points. The World Bank approach to SEA emphasizes a participatory approach for upstreaming environmental and social issues to influence policymaking, development planning and programming and implementation processes at the strategic level.

There are three words that are particularly important in this approach. The first is participation, that there is an emphasis on a participatory approach to doing an SEA.

The second aspect that is important is that of upstreaming environmental and social issues. This is looking up in--prior to the actual process of preparing a program, plan or policy, what are the important aspects with respect to environment in integrating these in advance of the process?

The third aspect that's important, the third word that's important is strategic. It's looking not just at every issue linked up with environment, but strategic issues. And I will come back to this later on in this presentation.

Now, the fourth thing that I want to mention is that in this approach there is an implicit assumption about the importance of a strong analytical basis, of strong analytical work, underlying analytical work, which supports this approach to SEA.

Now, with that, let's look at the different activities in which SEA is used at the World Bank. The first of these, as I've already mentioned, is the use of SEAs in application of the safeguard policies of the Bank. The second is in the context of analytical and advisory activities. These are studies typically that the Bank finances. The third way that SEA appears in World Bank activities is in the context of capacity building in client countries, as they do SEAs, as well as training programs such as this one. And fourthly, we see SEA appear as a key tool in development policy lending, and this is a much more recent activity, and I will come back to this again later on in the presentation.

Let's actually look at the relevant World Bank policies that mention SEA. The first of these, Operational Directive 4.21, was approved by the Bank's Board in 1989. This required environmental assessment for all investment projects, but it makes allowance for the use of sectoral and regional environmental assessment if that is appropriate. Now, some types of sectoral and regional environmental assessment are strategic environmental assessments, SEAs.

Next, there was a revision about 10 years later in 1999 of that same policy, when sectoral adjustment loans also became subject to this policy. Now, the most common form of analysis, EAs of the sectoral adjustment loans, has been strategic environmental assessment, SEA, and again, I will come back to some examples of this later.

The third, the more recent example that I mentioned, is the mention of SEA in the context of the Bank's Operational Policy 8.60, for Development Policy Lending, which was revised in 2004, and came into effect on the 1st of September 2004.

Development policy lending is basically fast-disbursing loans for reforms, policy and institutional reforms carried out in a country. Now, this policy requires that with respect to environment, that certain steps be carried out in terms of determining whether there are likely significant effects with respect to environment of the policy and institutional reforms that are in the project.

It also requires an analysis of the country's capacity to manage potential effects, since often the effects, it isn't very clear what the effects are in the time frame that they will happen or even which direction they will happen in, whether they will be positive or negative vis-a-vis the environment.

Then thirdly, it's important to describe what are the gaps, both in terms of analytical work as well as in terms of country capacity and how these will be addressed.

Both strategic environmental assessment, as well as another tool, which I will again come back to in this presentation, Country Environmental Analysis, are considered important tools in order to implement this Operational Policy 8.60.

I also wanted to mention that sectoral adjustment loans, which previously came under Operational Policy 4.01 on environmental assessment now are subject to this operational policy instead.

So moving on to the next slide. I wanted to talk a little bit about how one actually does SEA, Typically there are two types of methodologies. There's output-based methodology, producing a report. This is essentially an extension of environmental impact assessment, and has typically been applied to the preparation of plans and programs. There are many such examples both in the Bank as well as outside the Bank of the applications of SEA to, for example, land use plans or to sectoral programs. I will give a couple of examples of these in the next couple of slides.

The second methodology, the other extreme, if you will--and there are many methodologies that come in the middle of these two extremes--is a continuous process methodology. This is something that isn't a report, but assumes that in the context of an institutional process or procedure, that certain elements happen and that you're constantly looking at how environment is integrated into whatever it is that you're trying to integrate environment into, the plan, the program, the policy. So there is basically a systematic mainstreaming or integration of environmental considerations into public policy formulation as well as implementation.

Examples of this are much rarer, and I will come back and talk about a particular example in Latin America with respect to the water sector.

I've given you a very broad definition of the types of methodologies, but it's important to mention that the details, exactly what you do, needs to be tailor made. It depends on the context. It depends on the desired output. It depends on what is the time frame that you have, as well as the data. There may be a lot of data available but there may only be six weeks in order to do something so that it actually has an influence or an impact.

On the other hand, there may be a long period of time or a short period of time, but not enough data, and then on the basis of available data certain decisions have to be made as to what is the best thing to do to integrate environment in order to influence the particular policy, plan or program?

The third aspect that is important to consider is whether the SEA is something that happens in a parallel process or whether it's integrated into the existing process of preparation of whatever it is that you're trying to influence, the plan, the program, the policy, whether a different team can conduct it in parallel and feed the results in at certain periods of time, or whether it just needs to seamlessly be integrated into the existing process of preparation of that plan, program or policy.

What are the benefits of SEA? I would say that there are four major benefits.

The first is that SEA often raises commitment. The example that I'm going to give of water policy reform in Indonesia is I think an example of exactly that type.

On the other hand, SEA can also limit mistakes. Again, I will come back to this in the presentation with a specific example.

Thirdly, SEA often points at better options than what is currently on the table, simply because the plan maker, the policymaker, haven't looked at certain options or looked at them from a certain perspective, so this opens up the number of options that become available to the person preparing the plan, program or policy.

And finally, and I would perhaps say most important, in the context of SEA that is done on a continuous process basis, it potentially becomes a very important way to learn, to learn from what has happened in the past so that you can feed it in to what is happening in the future, so a social learning mechanism.

Let's get to some of the examples. Specifically focusing on SEA and the application of the safeguard policies, strategic environmental assessment in this particular context is carried out by the borrowing country. The Bank has a role, but it is a review role, reviewing the terms of reference of the SEA as well as reviewing the actual draft SEA. It's not a function with respect to carrying it out. That lies very firmly with the borrower, with the borrowing country.

Historically there have been many sectoral environmental assessments, and the one that I would like to describe first is an example of a project that was a water policy reform project in Indonesia that was prepared in the late '90s.

In this particular context the SEA was called for in response to greater, a call for greater transparency on behalf of the government with respect to some of the reforms that were being contemplated at the time on water policy. So the SEA, as a result, going back to what I say, that the context is important, the SEA, as a result, included extensive public participation. There were roundtable sessions set up, several of them, where different stakeholders were brought together and there was a discussion on what was important from the perspective of these different stakeholders with respect to the reform.

What were the results of the SEA? Well, clearly there were results in the context of substantive issues that were raised in the context of preparing the SEA, but equally there were results in terms of an enhanced credibility and legitimacy of the reform, and also lessened resistance from a number of stakeholders because there had been an effort to get the different stakeholders together in order to prepare the SEA and to debate and discuss the different reforms to people understood other people's perceptions and viewpoints with respect to what was important.

Turning to another example, this one is a flood protection project in Argentina. Here basically the project consists of 50 sub-projects in three river systems, and the SEA here looked at the cumulative effects of individual flood protection projects. It showed that there was actually little coordination between the cities, as well as the agencies in the flood plain. So the project, as a result, included a component to address this lack of coordination.

Now, this is a very nice example of how SEA can be used to limit mistakes in the context of project preparation.

Turning to examples where SEA has been used in the context of analytical and advisory activities prepared by the Bank. Now, these are a different category of activities, so here typically the SEA is financed by the Bank, even though it is carried out in close coordination with the country.

Perhaps the best example of these types of SEAs are those of the energy sector, energy environment reviews, which are basically reviews of energy environment issues in one or more sector in a country.

Turning to an example, this is a very recent example of an energy environment review in Iran that has been conducted in 2004-2005. In this particular example, the energy environment review basically assessed current and future environmental priorities in the energy sector in terms of damage costs. It actually uses a methodology, ExternE, which is a methodology used by European Union member states. In doing so it estimated damage costs in Iran's energy sector as 2.3 percent of GDP. And also this assessment showed that the main problem in Iran was the growth of pollution from private gasoline vehicles specifically.

Then there was very detailed cost benefit analysis carried out of both price reform policies as well as sectoral measures to reduce environmental impacts. So now your analysis was done. In order to try and inform decisionmakers and to provide them with a better context for decisionmaking through a number of workshops as to what measures or what combination of measures could be most effective in addressing this problem.

The outcome? The outcome, these are specifically the recommendations in the Iran energy environment review, have been an input, or are an input to the formulation of the forthcoming fourth year development plan by the government. The recommendations are also being taken into account in the context of the Bank's Country Assistance Strategy to Iran, which is its program of support to Iran.

Turning now to the third area that I talked about, capacity building and training. In this particular category I wanted to highlight technical assistance being provided by the Bank to client countries for SEAs that are being undertaken by these countries or by regions or sub-agencies within the country.

Specific examples here are the strategic environmental assessment of power development options that has been carried out in the Nile Equatorial Lakes Region. This seeks to understand from the perspective of sub-regions or several countries what is the best options, what are the best options with respect to power development, rather than just from the perspective of a country in that sub-region.

The second example is in India. It's a major basin in India, the Palao(?) Basin. And there an SEA is being undertaken in order to understand best how to optimize water resources management in the context of that basin.

The third example is in the context of a structural adjustment loan or development policy loan, as they are now known, in Mexico, which focuses specifically on the environment sector and on the integration of environmental issues in key sectors of the Mexican economy.

Two of the sectors that are under this loan on which the Bank is providing technical assistance are energy and tourism, and there are SEAs being done on each of these, and the Bank is playing a role with respect to providing technical assistance to the Mexican Government as these SEAs are carried out.

The other example, of course, of capacity building and training are training programs in countries for SEA, such as this one being undertaken by the World Bank Institute.

Now, let's talk about the fourth area. This is SEA as a key tool in development policy lending. It is a new policy, as I mentioned, so there is limited experience to date with respect to using SEA in this context. However, there are plans for a number of SEAs in some countries linked up with this particular operational policy.

As I had mentioned earlier, the emphasis in this policy is on drawing upon upstream analytical work to analyze potential effects, particularly significant effects with respect to environment, as well as the institutional capacity in the country to manage potential effects. Now, there is a study that is currently under way in the Bank to try and get a better understanding of the most effective framework for carrying out an SEA of policies based on lessons learned.

SEAs of policies, it appears, are somewhat different to SEAs of programs and plans, and what the emerging message seems to be from this study is that SEA is a very powerful tool or could be a very powerful tool, but used specifically in the context of not a run-off instrument, an output-based instrument, but in the context of a continuous process approach from which there is constant learning and feeding in the lessons of that learning into policy formulation.

Turning to a couple of examples of exactly that, in the context of two sector reforms in the water supply and sanitation sector in Latin America, specifically Colombia and Argentina, I just wanted to give you a sense of what I mean by such a process.

Now, in these two examples, there was upstream analytical work done, first to set priorities to get a better sense of what were the major ways, or strategically what were the issues that were important with respect to environment and the water supply and sanitation sector, as well as an assessment of institutional capacity to get a better understanding of what were the strengths as well as the weaknesses of the existing set up to address those priority issues.

Now, in the context of Colombia, the priority issue that came out of this SEA was water-borne diseases, the importance or the effect of water-borne disease on health, and particularly on poorer segments of the population, but more generally on the population itself with respect to loss of productivity and so forth. In the case of Argentina what came out as most important was unaccounted for water losses, so two very different priorities on the same issue in two different countries.

But going back to what I said earlier, the context is very important, and it's important to identify what are the issues that really matter or matter the most, as opposed to trying to identify each and every issue that could come under the heading of environment in these particular sectors, trying to identify in particular the ones that have a major impact vis-a-vis the goals of economic development and growth, as well as poverty reduction.

Now, in both of these countries, the SEA actually pointed to the importance and the need for greater stakeholder involvement, particularly to represent the more vulnerable groups, and often the less powerful groups in decisionmaking when a policy is formulated, as these policies are formulated so that their voice be heard in the context of formulation of the policy.

The third aspect that's important to highlight is the generation of different policy alternatives to enhance environmental benefits. The issues that I talked about, water-borne diseases in the context of Colombia, and unaccounted for water losses in the context of Argentina, means that if you bring in the environmental benefits and look at the alternatives that enhance the environmental benefits, you're going to make probably much more of an impact vis-a-vis sectoral policies than focusing on things which are perhaps not as strategic or not as central to that sector in terms of both poverty reduction and in terms of economic growth and development.

This also points to a need and a promotion of institutional change because as we look at this process as a continuous process, one is constantly learning, one is assessing what are the results, is one having an impact or not? And then feeding that back so that future policymaking is informed with what we've learned in the past. So it's actually a mechanism for promoting institutional change in the longer term.

Turning now to some other strategic studies. I think it's important to mention these because many outside the World Bank often call many of these studies strategic

environmental assessments. They are strategic. They are about environment. They are assessments. They do seek to influence policies, programs and plans. But they're not taught as SEAs within the World Bank at least. So I think it's important though to describe them for the more complete discussion on SEAs in the World Bank.

The first one that I wanted to mention is Country Environmental Analysis. This is basically a study that is prepared by the Bank, it is carried out by the Bank, working closely with the country. The aim of this study is to inform country level programming with respect to what are the key issues one environment that link up with development issues in a country, and what the status is of policies and institutions in order to address those priority issues.

Often--well, the CEA, a bit like the SEA, varies in scope. It depends on the context. It depends why you're doing it and what it feeds into. So a CEA will look slightly different if it is being done in order to provide input to the Bank's Country Assistance Strategy, or if it's being done for donor coordination purposes, or if it's being done as a basis of preparation of a major sectoral program. It's going to look different, and I think it's important to recognize that.

The CEA has three main building blocks. The first of these is the state of the environment and linking this up with the priorities for development. The other two blocks, as I have mentioned, the first is a policy analysis and then the final one is an assessment of institutional capacity and performance.

What is the aim of these three? Well, the aim is to feed into the broader dialogue in a country with respect to improving quality of life. By that I mean enhancing--improving environmental health, reducing vulnerability to natural disasters, environmental disasters specifically, getting a better understanding of what are the poverty environmental linkages and how to tackle them, improving the quality of growth as well as environmental governance, and finally, getting a better understanding of global and regional environmental issues and their linkages to local environmental issues.

What are other examples of strategic studies? Poverty and social impact analysis is another one that's important to mention. This is a family of tools basically designed to analyze the distributional impact of individual policy reforms. The emphasis is again on participation and focusing on more vulnerable groups.

There are other tools which are complementary to poverty and social impact analysis, such as country social analysis as well as other analytical work more broadly that focuses on particular sectoral issue. An example would be the study in India on household energy, indoor air pollution and health.

So let me end with where are we trying to go? Where is the Bank trying to go on strategic environmental assessment under this Institutions and Governance program?

The first thing--and I hope if I leave you with one message, this is the one that you go away with more than any other message, is that SEA is just tool. It's a means to an end, so it's a tool to help you do something. It's not an end in itself. So what is most

important is that the tool is used to influence outcomes. For that reason also it's perhaps less important, whether it's called an SEA or sometimes people use other terms, integrated assessment and so on. I think this is again less important.

What is most important is conceptually that it's a tool that you use to integrate environmental and social issues upstream of the actual process of preparing a program, plan or policy. And it's the level of success with respect to influencing outcomes that's important.

What we're trying to do in the Bank is learn from our past experiences so that we can constantly apply these lessons learned to new pilots and continuously improve in the way that we can influence outcomes using this tool.

The other that we're trying to do is promote flexibility with respect to methodological approaches, focusing more on good principles, rather than on a checklist or a menu, you know, follow step 1, step 2, step 3. Again, this will vary depending on the context, depending on the country, depending on the culture, depending on the timeframe you have, on many of these things. It's much more important to focus on good principles rather than be stuck on a menu of doing things in a particular way.

We are also trying to take a sectoral approach to staff training. As you can see, the minute we get into a little bit more detail on the strategic environmental assessment, we begin to tackle issues that are central to that sector itself. You saw the example in the case of the Latin America water and sanitation reforms. So we're trying to take a sectoral approach to our own staff training so that we can get into much more depth with respect to policy recommendations and outcomes in a particular sector, rather than talk generically about SEA principles.

We are also trying to promote capacity building for client-led SEAs. This is crucial because at the end of the day the programs, plans and policies are in countries, and it is the country that has to take the lead with respect to doing SEAs and influencing its own programs, plans and policies. This shouldn't be done by some outside party. This should be done by the country itself in order to influence its own processes. So capacity building, building capacity in countries, to undertake SEA on a much more systematic basis is central to our work program.

Finally, we are also trying to promote harmonization amongst other multilateral financial institutions, as well as other development partners with respect to the critical elements of good practice SEA, so that all of us come to the table with the same messages as to what is important to our country clients.

I wanted to end with a couple of websites, which may be useful, where you could find more detailed information describing what I have tried to do in the last 30 minutes, and I wish you luck as you implement your own SEAs.

Thank you very much for your attention.