

Case Experiences of International Development Institutions

by David Annandale

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I'm going to take you through five issues in this session. We're going to look, first of all, in an introductory sense at what's driving the use of SEA in international development institutions. The term "IDI," so that everybody's familiar, refers to international development institutions. These are sometimes known as multilateral financial institutions or multilateral development banks. And, in practice, the most active IDIs in China are the World Bank and the Asian Development Bank.

I'm going to also define for you a typology of SEA for development cooperation so that will help us talk about how it's been applied by IDIs over the last 15-odd years. I want to briefly scan SEA application in bilateral institutions, meaning agencies of national governments that have an aid focus, and we'll also briefly scan how it's worked in other multilateral development institutions as well.

I'll cover some brief examples of SEA use by IDIs, and then finish off by talking about the use of SEA by international development institutions and how that relates to the work of partner governments such as China's.

So let's turn first to the issue of what's actually driving the use of strategic environmental assessment in international development institutions. There's a very clear conclusion that can be drawn that IDIs have expanded their use of strategic environmental assessment in recent times, and I think it's fair to say that's been especially the case in the last three years or so.

Now, I think that growth of interest in SEA is driven by four concerns. The most influential driver is the change in lending and granting profile in IDIs over the last decade. There's been a substantial shift away from lending for development projects in banks such as the World Bank and the Asian Development Bank to lending for macroeconomic adjustments, especially in sectors. That's been a clear and obvious trend.

Now, while those institutions have a good feeling for how to do EIA for projects, they have a less clear understanding of how to do environmental assessment of policy lending, and that's driven their interest in strategic assessment in the last few years.

Another driver is that IDIs have become very interested in the idea that development cooperation might be more effective if it focuses on improving sustainability at the national level as opposed to a more limited project-driven approach. That's also led them to take an interest in SEA.

Thirdly, it's well recognized that project EIA has a number of limitations and weaknesses. The belief is that SEA can help to refocus and streamline project EIA.

And then, finally, some of the weaknesses of project EIA include difficulty in dealing with issues such as cumulative impacts, large-scale impacts, and indirect impacts. SEA can deal with those issues, and so IDIs are interested in experimenting with it.

Let's have a look at how we can define the use of SEA by IDIs in development cooperation.

First of all, I refer you back to earlier sessions from both Elvis Au and Maria Partidario, in particular, where we've pointed out that there are two main ways of thinking about how SEA should proceed, whether it should be EIA-driven, using an extension of approaches and methodologies that have been applied in project EIA over the last few decades, or whether it should be a sustainability-led process instead. And I think that kind of thinking has influenced the way in which SEA for development cooperation can actually be categorized.

In 1997, the OECD produced a useful report from its Development Assistance Committee looking at how SEA had been applied up to that point by OECD bilateral agencies and by multilateral IDIs. And the report categorized the different experiences with SEA into four types. It defined Type 1A SEAs as those where SEA is used to integrate environmental concerns into the policy formulation processes of IDIs themselves. Type 2A SEAs are those where SEA is used to integrate environmental issues into the policy formulation process of the partner government's programming or planning framework. And both of those two types of SEA, Type 1A and 2A, are akin to sustainability-led SEA.

Type 1B SEAs are those where strategic environmental assessment is used to evaluate the donor's policy, planning, or programming framework, and Type 2B SEAs are those where strategic environmental assessment is used to evaluate the partner government's policy, planning, or programming framework. And both Type B SEAs are ex post or after-the-fact uses of SEA, once a policy, a plan, or a program has already been developed, and they follow the EIA-driven approach to thinking about how SEAs should work.

Let me now turn briefly to introducing you to how SEA has been applied in bilateral and multilateral development institutions over the years.

First of all, I said I'd say something quickly about bilateral agencies. The 1997 OECD report that I've already mentioned reviewed the use of SEA in 23 bilateral OECD donors and lenders, and it found that 19 of those 23 had undertaken SEA in some form. The basis for strategic environmental assessment in its use by those agencies varied from ad hoc case-by-case use through to SEA based on policy and then to SEA mandated by law. It's fair to say that the most active bilaterals in the use of SEA are DFID, the U.K. bilateral agency, the Department for International Development; the Canadian agency CIDA; the Danish agency DANIDA; GTZ

from Germany; SIDA from Sweden; and NETVAN(?--not in slide--JS), the Netherlands aid agency.

The multilaterals--and I mean by that the World Bank, the Asian Development Bank, and some of the other regional institutions, such as the Inter-American Development Bank--tend to have more experience with SEA, probably as a result of their stronger interest in policy-based lending, but also because their large projects have been under significant scrutiny by international NGOs. And I'll provide some examples of SEA use by IDIs in a short while.

But to summarize, the most active have been the World Bank and the Asian Development Bank, and of those two, the World Bank has been the most active in its use of SEA over the last two decades.

The World Bank has used predominantly two forms of strategic environmental assessment: sector EIA and regional EIA. And they've been part of World Bank policy and procedures for environmental assessment since 1989 when they were introduced by Operational Directive 4.00.

In 2001, the World Bank introduced a new environmental strategy which commits the Bank to using SEA as a central instrument for moving towards sustainable development.

As a consequence, in addition to sector EIA and regional EIA, the World Bank now uses procedures such as country environmental analysis, environmental reviews, and poverty and social impact analysis to both mainstream environmental issues into the program cycle of the Bank and to upstream environmental issues into the policy lending arena.

The Asian Development Bank has taken a slightly different route to the World Bank in relation to SEA. The ADB has experimented for 15 years with a tool known as economic cum environmental planning, or ECE planning. This approach is akin to strategic environmental assessment, and it works at the subnational level, and there are some case studies in China that I'll refer to soon.

In its new environment policy, developed in the last few years, the Asian Development Bank has responded to the need to consider the environment at the strategic level by introducing new EIA requirements for program loans and sector loans. And those developments are quite similar to what's occurred with the World Bank over the last few years. And a recent practical example for the ADB can be seen in its Pacific Region Environmental Strategy, which you can look at on the ADB's website.

It's worth mentioning just quickly in passing that other regional IDIs, such as the European Bank for Reconstruction and Development, EBRD, and banks such as the European Investment Bank and the Inter-American Development Bank, are also beginning to examine the use of SEA in their activities, although they're not as far down the track as the World Bank and the Asian Development Bank are. And, again, finally, it's worth saying that although the UNDP and UNEP are not, strictly speaking, financial institutions, they also have experience, much experience with SEA approaches--in the case of UNEP for assessment of trade impacts, and in the case of UNDP with what's called a strategic overview of programs.

I'd like to turn now to some specific examples of SEA use by IDIs, and I want to look at examples categorized according to the OECD typology that I introduced to you earlier and other SEA examples in China.

The next slide that we're going to show you will be difficult for you to read because it has a lot of material on it. We'll try to show you the specifics, but if it's difficult for you to read, then I'll refer you to the PowerPoint material itself.

Here we have a range of examples that have been used by IDIs in the course of the last couple of decades. Let's look quickly at Type 1A SEA, and to remind you, that's where SEA is used to integrate environmental concerns into the policy formulation process of the IDIs themselves. There's not a lot of experience with this kind of strategic assessment, but two worth mentioning are the Pacific Region Environment Strategy that I've already referred to, the ADB's from 2003, and another piece of Asian Development Bank work from 2002 known as the Greater Mekong Subregion Environmental Framework.

Some examples of Type 2A strategic environmental assessment where the technique is used to integrate environmental issues into the policy formulation process of the partner government's programming, two good examples are the Argentina Flood Protection Project, which was a World Bank regional EA job done in 1995, and another World Bank job from 1994 known as the Environmental Management Plan for Dakshina Kanada District in India.

There's much more experience with SEA for Type 1B and Type 2B categories because those are where SEA is applied to policies, plans, or programs after they have already been developed, and this is the ex post EIA-driven approach to SEA. Some examples of Type 1B SEA are the Paraguay Natural Resources Management Project, which was a World Bank sector EA job in 1992; the Ecuador Mining Development and Environmental Control Project, another World Bank job in 1993, which focused on the mining sector; and, finally, the so-called Biodiversity Conservation Project in Indonesia, again, a sector EA job by the World Bank in 1993.

Finally, some examples of Type 2B strategic environmental assessments where the technique is used to evaluate a partner government's policy, planning, or programming framework include a highway sector loan in Thailand; a development plan for a valley in Somalia; two examples from China funded by the World Bank, the Sichuan Gas Development and Conservation Plan in 1994 and the SEA of the Great Western Development Strategy, which is ongoing.

I should also mention at this point two examples of Asian Development Bank economic cum environmental planning work. That's the Hainan Environmental and Natural Resources Project in 1993 and the Haihe River Basin Environmental Management Study in 1994, all examples of Type 2B strategic assessment work funded by IDIs.

I thought I would also very quickly mention some other Chinese strategic assessment examples which you might cover in more detail in other sessions, and there are four worth noting: a piece of work done on the Shaanxi Province Coal and Electricity Strategy; SEA for the China

Automobile Industry Development Policy; SEA for Xiamen Coastal Zone Planning; and, finally, strategic assessment done on a proposed new law, the Air Pollution Prevention and Control Act.

Let me finish now by saying a few final words about the relationship between IDIs and partner governments in relation to SEA. I think the move towards policy-based lending that I introduced to you at the start of this presentation and consequent environmental assessment of non-project loans and grants has a number of implications for partner governments such as China. Possibly the most significant implication is that IDIs are going to continue to want to examine the environmental implications of non-project lending, of PPPs, in other words, and I think that interest will intensify rather than dissipate.

In their own country planning, IDIs will be looking at ways in which environmental issues can be upstreamed and mainstreamed in their own work. And you should have a read of the article by myself and others that addresses this concept. It's entitled "The Potential Role of SEA in the Activities of Multilateral Development Banks," and it's the required reading for this session. And that will give you more of an idea of how IDIs are thinking about upstreaming and mainstreaming environmental issues.

That internal interest that IDIs have will mean that they'll want to deal with those kinds of issues when they come to China on their regular country programming missions, and you'll need staff who understand this new IDI internal interest.

Another development that partner governments need to take account of is the notion of integrated or sustainability assessment. All IDIs are interested in how PPPs can be assessed not just from an environmental point of view. And this will entail partner governments coming to terms with new thinking about sustainability assessment or triple bottom line assessment, not just environmental assessment.

Finally, there's obviously pressure from IDIs for partner governments to undertake SEA more often in relation to their own activities, in China, for example, and that will require capacity building inside partner governments. And I suggest that partner governments such as China should request technical assistance grants to enable this expertise to be developed in China so that you can meet the demands of IDIs.