

Experiences with SEA in Latin America and the Case of Colombia

by Ernesto Sanchez

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I would like to try to answer the final question that was posed by Juan David--how to set up continuous improvement processes based on strong institutions. We are working right now with the Government of Colombia on the preparation of a new operation, a structural adjustment operation on sustainable development.

We are right now coming to the conclusion that strong institutions are conducive to economic growth in Colombia. And the definition of institutions that we have been discussing and we have adopted from the economic literature is that institutions are humanly devised constraints that shape human interaction, and they are mainly there to have the role of reducing uncertainty so that they could establish a stable structure for human interaction.

That means providing political stability, property rights, and in general legal certainty. Institutions, according to the economic definition from Douglas North, are comprised of formal rules and informal rules, and also of their enforcement.

I think that throughout the evolution of these 10 or 12 years of designing and implementing the sectoral policies, National Development Plans, and also environmental policy in Colombia, it has been clear that now the Colombians have a grasp on how to improve particularly the way formal rules are designed and implemented.

However, perhaps more important than how to design these policies and these laws and these decrees and regulations is how to shape informal rules and how to establish the right setting and the right framework of incentives so that these informal rules can be changed toward aiming toward sustainability. And in this case, what we have been discussing lately--and I am talking about the last few months--with the Colombian and Government representatives and also members of the private sector and civil society there is that several elements of a Strategic Environmental Assessment could be used to design and implement these rules for sustainability.

The elements that we think could be used are mainly this focus on setting up continuous improvement processes rather than focusing on the traditional output-based procedure of environmental impact assessment. A second component of SEA that could be used to design and implement those rules for sustainability are the use of analytical tools to identify linkages. And here, we are moving away from the mere identification of impact. We are talking about linkages in a broader way, as Juan David was discussing before. The idea is to link economic growth

with poverty alleviation and with environment. And if you only take a look at impacts, perhaps you could be missing the overall picture.

A third component that right now is being discussed is how to incorporate into these processes stakeholder analysis. And this component is mainly to understand the political economy, how the actors behave strategically in the design and in the discussion of policy design, and of course in its implementation.

A topic that is repeatedly discussed and that came out from all the SEAs that were undertaken in the last 12 or 14 years in Colombia is the one on institutional coordination. And all of that should be shaped into a social learning process, a process of learning by doing and improving gradually based on lessons learned.

Given that this is a somewhat different approach to incorporate and mainstream environmental considerations into national policies, we have been discussing also with the Colombian Government the possibility to call this whole process a sustainable governance system.

We are talking here about a system in an adaptive management way, in a way that would allow for the identification and correction of errors throughout a process that involves inter-institutional coordination, the setting of priorities, the analysis of the political economy of the different behaviors of stakeholders, the analysis and identification of links between economic growth, poverty alleviation, and environment, consensus-building on the policy design and the issuance of these policies in the way of laws and regulations, also in the way of informal rules, its implementation and its continuous evaluation so that finally, you have a process that is embedded in a feedback loop of adaptive management.

This is what we are tentatively calling "sustainable governance systems," and for a priority sector, it would incorporate these main components--mainly, the identification of links, the stakeholder analysis, the process of setting priorities in an inter-institutional coordination mechanism, then the definition and monitoring of indicators and the public disclosure of these indicators so that accountability will be strengthened, and the feedback loop that embraces this adaptive management approach.

The identification of links, as I mentioned before and as also Juan David pointed out clearly during his presentation, would aim at maximizing positive environmental externalities. In the case of the water supply and sanitation sector SEA that was conducted in Colombia, it was shown that the main priority was to maximize public health benefits, and that was mainly through increasing service coverage and also through these hand-washing campaigns, through environmental education campaigns.

The identification of links also is associated with deferring economic costs through efficiency improvements. Here, we are talking about the possibility of demand side management in the water sector or in the electric power sector, and of course, the incorporation of minimization of the potential harm to third parties of given policies or actions in an economic sector.

The stakeholder analysis, the second component of these SEAs, would allow to identify who are the actors in the design and implementation of the policy, what are their goals, their interests, their behavior and also their incentives, and based on that, identify who is winning and who is losing with a given alternative policy.

One of the goals of this stakeholder analysis is also to identify which are the weakest groups, which are the most vulnerable groups, to bring them to the table and particularly to have a voice for those who don't have a voice. Particularly in the case of these national policy sectors, there are people who are either poor or who are segregated by ethnicity or who are too young to be able to speak out for their groups, and the idea is to have at the discussion table representatives of their interests and their goals. Also the idea is to be able to devise a strategy so that consensus-building will be obtained throughout the inter-institutional coordination.

This is going to be the next step, and the inter-institutional coordination would allow for the development of all this consensus. The idea is to build consensus, incorporating many actions that affect sustainability and that also are an opportunity so that the weakest have a voice. And also, this inter-institutional coordination and consensus-building exercise would allow for the priority-setting and the shaping of informal rules throughout the making of durable commitments.

A third component of the SEAs is the identification of indicators and also the monitoring of those indicators and their public disclosure. The idea is that the shaping of informal rules be done so that at the end, the processes build constituencies which in turn will be able to ensure the sustainability of those rules toward sustainability.

The indicator monitoring and disclosure will also strengthen accountability on the part of the stakeholders that are abiding by it--in a way, it is going to be a contract, the design and implementation of a policy. And also, the indicator monitoring and disclosure will help to collect particularly primary data so that the analytical work could be undertaken continuously so that the design and implementation of policies are implemented continuously.

Finally, the component that ties everything together is the feedback loop for adaptive management. In our discussions with the Colombian Government, in the discussions of the Bank with the Colombian Government, it has been recognized that it is almost impossible to get things right the first time, to get optimum designs of policies the first time, and the idea is instead of aiming to get perfect or the very best policy design, to allow for the building of these social learning processes that would allow for the identification of errors and the subsequent action to correct them.

In this way, the dialogue with the Colombian Government is coming out to show that in the short term, we think that within the next year, we'll have this structural adjustment operation designed so that the goal of this new operation will be to establish the basis to ensure social learning and continuous improvement in the design of policies aimed toward sustainable development.