



**LAC-IEE-04-46**

**ENVIRONMENTAL THRESHOLD DECISION**

<b>Activity Location</b>	Guatemala
<b>Activity Title</b>	SO 2: Economic Freedom: An Open, Diversified, Expanding Economy
<b>Activity Number</b>	520-022
<b>Funding:</b>	\$18 million DA
<b>Life of Project:</b>	FY 2004 – FY 2009
<b>IEE Prepared by:</b>	Michael Nehrbass, PDM/G-CAP
<b>Recommended Threshold Decision:</b>	Categorical Exclusion, Negative Determination with Conditions, Positive Determination, and Deferral
<b>Reference:</b>	LAC-IEE-04-011 for Certified Sustainable Products Alliance/GDA; Maya Biosphere PEA Approval Cable (95)State 123997; Environmental Impact Assessment of Pesticides in Guatemala by IRG dated, 12/21/2001
<b>Bureau Threshold Decision:</b>	Concur with Modified Recommendations: Categorical Exclusion, Negative Determinations with Conditions, and Deferral

**Comments:** USAID environmental procedures set forth in 22 CFR 216.2(a) require an environmental analysis/evaluation for new projects, programs or activities authorized by USAID. The attached initial environmental examination (IEE) presents an analysis of new activities planned as part of the approved Strategic Objective (SO2) 520-022 “Economic Freedom: An Open, Diversified, Expanding Economy”. Based on that IEE and pursuant to

22 CFR 216.2(c)(2)(i), (iii), and (v), a **Categorical Exclusion** is issued to the activities under three intermediate results (IR 1, IR 2 and IR 3) under the SO involving technical assistance, analyses, studies, academic or research workshops and meetings, education, training, and others, as identified in the IEE that will not have an impact on the environment.

A **Negative Determination with Conditions** is issued for IR1 activities pursuant to 22 CFR 216.3(a)(2)(iii) that promote a change in land use or land use policy, for activities under IR2, and for microfinance activities under IR3. For such activities implementing partners shall follow USAID guidelines in identifying mitigation measures and developing environmental mitigation plans. The construction plans and any proposed monitoring procedures shall be submitted to the Mission Environmental Officer (MEO) for review and approval before commencing these activities. Environmental mitigation plans will be developed using USAID's "Environmental Guidelines for Development Activities in Latin America." The following chapters are the most relevant to the proposed activities: Chapter 2: Small-Scale Infrastructure, Chapter 4: Microfinance and Micro- and Small Enterprises, Chapter 6: Renewable Energy Systems, and Chapter 7: Ecotourism.

A **Negative Determination with Conditions** is also issued pursuant to 22 CFR 216.3(a)(2)(iii) for all forestry management activities, including the purchase of processing equipment (portable saw mills, peelers, etc). A new EA is not required because as noted in the IEE, the mitigation measures developed in the Programmatic Environmental Assessment, as refined in existing documents for the Maya Biosphere Project continue to apply for the proposed activities. Moreover, the Mission will continue to submit to LAC BEO yearly evaluations of environmental compliance of forest management activities in the forest concessions and forest management units of the Maya Biosphere Reserve (MBR). A supplemental IEE shall be submitted to LAC BEO if forest management activities extend to other parts of the country outside of the MBR.

A **Deferral** is issued for all activities involving pesticide purchase or use, including training, per 22 CFR 216.3(a)(7) and per 22 CFR 216.3(a)(1)(iii) and 22 CFR 216.3(b)(1)(i). A supplemental IEE evaluating the economic, social, and environmental risks and benefits of the planned pesticide use (commonly called Pesticide Environmental Report and Safer Use Action Plan or PERSUAP) needs to be submitted to and approved by the LAC BEO prior to commencing any assistance for the procurement or use of pesticides per 22 CFR 216.3(b)(1)(i). The PERSUAP will respond to each element (a-l) of this part of the regulation. If, after submission of the PERSUAP, the LAC BEO requests preparation of an Environmental Assessment or Environmental Impact Statement, such document shall also be submitted to and approved by the LAC BEO prior to commencing any assistance for the procurement or use of pesticides.

**The underlined statements will be a condition of the agreement with the implementing agency.**

A **Deferral** pursuant to 22 CFR 216.3(a)(7) is also issued for the Glamis/CDC activity because the activity has not yet been identified. Approval of funding will be based on a further proposal which will require a Supplemental IEE.

CTOs should be made aware that they are legally responsible for making sure environmental requirements are met. It is the responsibility of the SO Team to ensure that the SOAG and MAARDs contain specific instructions to this effect especially concerning the deferral language above.

A monitoring program will be instituted to track the implementation and effectiveness of the mitigation measures. Monitoring results will be reported annually within the context of regular reporting requirements.

\_\_\_\_\_  
Date \_\_\_\_\_  
George R. Thompson, P.E.  
Bureau Environmental Officer  
Bureau for Latin America & the Caribbean

Clearance: Jeff Lifur, GC/LAC: email \_\_\_\_\_ Date: 8/4/04 \_\_\_\_\_

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Attachment: IEE

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## INITIAL ENVIRONMENTAL EXAMINATION

<b>Activity Location</b>	Guatemala
<b>Activity Title</b>	SO 2: Economic Freedom: An Open, Diversified, Expanding Economy
<b>Activity Number</b>	520-022
<b>Funding Source</b>	DA
<b>Funding</b>	\$18 million DA
<b>Life of Project</b>	FY 2004 – FY 2009
<b>IEE Prepared by</b>	Michael Nehrbass, PDM/G-CAP
<b>Recommended Threshold Decision</b>	Categorical Exclusion, Negative Determination with Conditions, Positive Determination, and Deferral
<b>Date Prepared</b>	May 6, 2004
<b>Reference:</b>	LAC-IEE-04-011 for Certified Sustainable Products Alliance/GDA

### I. Summary of Recommended Threshold Decision

Pursuant to Section 216.2(a) of A.I.D. environmental procedures, environmental analysis/evaluation is required for new projects, programs or activities authorized by A.I.D. The attached information presents an analysis of the activities planned for the Strategic Objective (SO2) 520-022 “Economic Freedom: An Open, Diversified, Expanding Economy” under the approved Country Plan for Guatemala, proposed actions and the environmental impacts of those actions.

Pursuant to 22 CFR 216.2(c)(2)(i), (iii), and (viii) [Q: Is sub-clause (viii) applicable? Did we mean to include a different sub-clause?], a **Categorical Exclusion** is recommended to the activities under IR 1, IR 2 and IR 3 involving technical assistance, analyses, studies, academic or research workshops and meetings, education, training, and others, as identified in the IEE that will not have an impact on the environment.

**A Negative Determination with Conditions** [Q: Pursuant to what CFR section?] is recommended for IR1 activities that promote a change in land use or land use policy, for activities under IR2, and for microfinance activities under IR3. For such activities implementing partners shall follow USAID guidelines in identifying mitigation measures and developing environmental mitigation plans. The construction plans and any proposed monitoring procedures shall be submitted to the Mission Environmental Officer (MEO) for review and approval before commencing these activities. Environmental mitigation plans will be developed using USAID’s “Environmental Guidelines for Development Activities in Latin America.” The following chapters are the most relevant to the proposed activities: Chapter 2: Small-Scale Infrastructure, Chapter 4: Microfinance and Micro- and Small Enterprises, Chapter 6: Renewable Energy Systems, and Chapter 7: Ecotourism.

**A Positive Determination** [Q: Pursuant to what CFR section?] is recommended for all forestry management activities, including the purchase of processing equipment (portable saw mills, peelers, etc). As noted in the IEE, the mitigation measures developed in the Programmatic Environmental Assessment (PEA), as refined in existing documents for the Maya Biosphere Project continue to apply for the proposed activities. Moreover, the Mission will continue to submit to LAC BEO yearly evaluations of environmental compliance of forest management activities in the forest concessions and forest management units of the Maya Biosphere Reserve (MBR). A supplemental IEE shall be submitted to LAC BEO if forest management activities extend to other parts of the country outside of the MBR.

**A Positive Determination** is recommended for all activities involving pesticide purchase or use, including training, per 22 CFR 216.3(a)(1)(iii) and 22 CFR 216.3(b)(1)(i). If an approval document does not already exist, a pesticide use plan needs to be submitted to the MEO prior to commencing any assistance in procurement or use of pesticides per 22 CFR 216.3(b)(1)(i)(a-1) in compliance with PEA conducted for income generating activities in Guatemala. Comprehensive training in pesticide use will be provided to partners. Any pesticides not covered in the PEA will require clearance from LAC BEO.

CTOs should be made aware that they are legally responsible for making sure environmental requirements are met. It is the responsibility of the SO Team to ensure that the SOAG and MAARDs contain specific instructions to this effect.

A monitoring program will be instituted to track the implementation and effectiveness of the mitigation measures. Monitoring results will be reported annually within regular reporting requirements.

## **II. Program Description**

The long-term goal of the strategic objective is to ensure “Economic Freedom: An Open, Diversified, Expanding Economy” in Guatemala. Working with the Ministry of Agriculture (MAGA), the Guatemala National Competitiveness Program (PRONACOM), and key private sector organizations such as the Non-traditional Product Exporters

Association (AGEXPRONT), the Mission will pursue policy reform through **IR 1: Laws, policies, and regulations that promote trade and investment.** Our policy dialogue will focus on improving land security, payments for environmental services, and streamlining customs and fiscal administration. Most of our efforts on competitiveness, however, will focus on specific policy issues related to those industry clusters chosen for IR2 below.

**IR 2: “More competitive, market-oriented, private enterprises,”** will work intensively to strengthen key rural private sector industry groups, thus promoting fundamental changes in the capacity of Guatemalan enterprises to compete in world and regional markets. Local business leaders will be better able to address production and marketing problems, and businesses within groups will be better linked to create a stronger, common competitive position. Increased competitiveness will lead directly to improved indicators at firm and industry levels. Small-scale enterprises and poorer households, including those headed by women, will expand their participation in markets, generating sustainable household incomes and improving food security. These advances will be reflected by improved productivity, increased production, and increased volume of sales. These, in turn, will depend on improved business and technical skills and access to reliable, cost-effective financial services, and may require certification of how products are produced. Assistance from USAID will contribute to bridge the enormous food security and income gaps between rural indigenous highland populations and the rest of the country.

**IR 3: “Broader Access to Financial Markets and Services”** will focus on resolving constraints related to broader access to financial markets and services by using USAID’s Development Credit Authority, providing technical assistance to private banks to help them develop new financial products, increase service delivery to micro and small business in rural areas, and increase efficiency in the flow of remittances and their use for business development services.

### **III. Analysis of Anticipated Results and Links to Specific Activities**

#### **Intermediate Result 1: Laws, policies, and regulations that promote trade and investment.**

Assistance will be provided in addressing cross-cutting policy issues and constraints that influence competitiveness. Proposed interventions will be further refined upon finalization of the CAFTA Trade and Commercial Assessment. We will pursue policy formulation or revision to address constraints identified in the assessment, as well as to address issues/constraints affecting the competitiveness of the business clusters chosen in IR2.

Possible interventions will include:

##### At the macro level:

- promoting improved competitiveness of Guatemalan enterprises through support for PRONACOM (will complement the \$20 Million World Bank program with PRONACOM);

- supporting measures/actions to facilitate investment, foreign and domestic as identified in the FUNDESA study and elsewhere;
- Support for the development of the policy for sustainable rural development and any restructuring of the public sector required for its effective implementation.

#### Business development:

- Assistance to meet TCB, SPS, certification, and clean production standards at the firm-level, complemented by regional TA and training to support harmonization of product norms, standards, measurements, and commercial codes required for implementation of CAFTA and other trade agreements.
- Streamlining business registration processes and reducing unnecessary small business regulation (as identified in the World Bank “Doing Business in 2004” and elsewhere.)

#### Commercial law:

- Strengthening contract law and enforcement.
- Modernization of the Commercial Code.

#### Secure Property Rights Policy and Initiatives

- Review of existing policies and their revision, as necessary, to ensure more secure property rights and land tenure, and resolve conflict through the most appropriate means which may include the measurement and GPS identification of the specific properties in conflict. (Land titling and cadastre activities are not being proposed.)
- Support for the local peaceful mediation and settlement of land conflicts, and promotion of private infrastructure investment.

Other potential public sector competitiveness issues include assisting the customs administration to improve the efficiency of moving imports and exports through ports, and tax administration, particularly for value added tax rebates to exporters.

An important element of rural economic growth is the productive use of Guatemala’s “environmental assets”. This includes such things as the sale of biodiversity conservation, carbon sequestration services, or water supply. A side benefit is that the active pursuit of these economic options will promote strengthened environmental regulations helping maintain competitiveness in the agricultural and tourism sectors, rather than discouraging investment. Possible interventions will include:

- Review of the existing policy and legal framework for payment for environmental services, the identification of critical issues, drafting legislation to address issues and establish the legal framework required for payments for environmental services, and create financial mechanisms and regulations for channeling fees

generated through such payments to local funds for maintaining the natural resource base.

Indigenous communities are often marginalized or excluded from active participation in the management of cultural and biodiversity endowments. This can too easily lead to such things as the looting of archeological sites, illegal logging, and illegal hunting. However, communities will work to safeguard these assets if they have an ownership stake. Possible interventions will include:

- Reinforcement and expansion of co-management policies with indigenous community groups, and the development of an action plan for implementing the policies.

The government needs to take legislative action to reform banking collateral requirements and banking supervision. With regard to microfinance, specific issues which need to be addressed include: interest rate subsidies, the role of the public sector in microfinance, standard accounting and financial management procedures for microfinance institutions. Possible interventions will include:

- Establishment of a clear policy against interest rate subsidies and the imposition of interest rate ceilings, and assistance in enacting of framework legislation for microfinance institution regulation and oversight.

### ***Recommendations for Environmental Action***

Pursuant to 22 CFR 216.2 (c) (2) (i), (iii), (iv), and (xiv) a **Categorical Exclusion** is recommended for activities involving technical assistance, training, preparation of analyses and studies, and others that will not have an impact on the environment. A **Negative Determination with Conditions** is recommended for IR 1 activities that promote a change in land use policy.

### **Intermediate Result 2: More Competitive, Market-Oriented, Private Enterprises**

USAID will work intensively to strengthen key rural private sector industry groups and promote fundamental changes in the capacity of Guatemalan enterprises to compete in world and regional markets. Improved productivity, increased production, the creation of employment opportunities, and increased volume of sales, will depend on improved access to business and technical skills training and access to reliable, cost-effective financial services. Increasingly, international markets also require certification of how products are produced. To access export markets and better compete under new realities and requirements, the ability and skills of small-scale producers and the enterprises that market their production need to be improved. They require assistance to conform to international standards such as those related to sanitary and phyto-sanitary (SPS) issues; ISO 9000, ISO 14000, and SA 8000 (on labor); as well as, industry-specific (food processing) standards such as HACCP.

The ability and skills of small-scale producers and marketing enterprises need to be improved to take advantage of market opportunities in tourism, high-value horticultural



exports (including specialty coffee), and certified forest products. Activities to increase market access for certified products will include the identification of niches, higher value production, and application of better business practices. The government's active collaboration is also essential to sustainable tourism and forestry since it has control over significant biodiversity and cultural assets that can best be managed in partnership with the private sector, NGOs, and local communities. The private sector, however, must be the driving force behind these groupings, with links to the public sector. USAID will work closely with municipalities, the National Council for Protected Areas (CONAP), and the Ministry of Culture to develop co-management schemes that allow private enterprise and communities to work in partnership with government to use and protect these areas to generate income. Since tourism is currently the second largest source of foreign currency, USAID will help harness the income generating potential of the natural and cultural diversity for rural communities, as well as tourism, in general, at a more competitive level. For tourism the emphasis will also be on the provision of technical assistance for matching demand and supply, generating new business ideas, leveraging of funds for major investments and, in coordination with the GOG, greater complementarity between on-site services and infrastructure. The program will also replicate the forestry concession system in Petén with municipalities that own large forested areas.

The Mission recently established a GDA-type window with the Association of Exporters of Non-Traditional Products of Guatemala (AGEXPRONT) that was able to generate a three-to-one match in resources from the Guatemalan private sector. The Mission will continue using its limited resources beyond FY04 via similar mechanisms to focus on CAFTA trade capacity building needs, strategic clusters, and geographic areas.

#### 1. Sustainable Tourism and Handicrafts

The GOG counterpart for this component will be the new Presidential Commissioner for Tourism who is responsible for implementing the National Tourism Strategy and managing the many cross-cutting issues and constraints affecting tourism, such as the need to up-date and reorient all the legislation and related regulations impacting on tourism, the lack of adequate physical security for tourists, the infrastructure constraints, and policy issues such as 'use' fees and the application of these fees to protect and maintain the cultural and natural base generating the fees.

Possible interventions will include:

- Assistance to promote new business ideas, destination marketing campaigns, leveraging of alliances and funds for major investments, training on international tourism standards and the certification of these standards, their application in the design of new facilities and upgrading of already existing facilities, logistical assistance in managing and controlling tourist flows, and working cooperatively with cruise ships;
- Assistance to improve promotion and develop ecologically and socially viable income generating activities through community-based tourism, specialty coffee production, and natural resource management planning in activities such as water and forests;

- Leveraging of funds to provide ‘seed capital’ for the best ideas on how to promote sustainable resource-friendly tourism; and,
- Promotion of exchange visits to give entrepreneurs new information and ideas.

These activities will include the participation of the GOG, municipalities, local entrepreneurs, tour operators, NGOs, finance institutions, and major corporate and other alliance partners, etc.

## 2. Agro-Industry

To spur rural income growth, agricultural production must meet domestic demand and achieve higher growth rates through exports. For the most part, the economies of the Central American countries still rely heavily on the agricultural sector as a source of employment and income generation. To penetrate new markets, producers must meet higher standards for quality, volume, and delivery. The Michigan State University Partnerships for Food Industry Development – Fruits and Vegetables (PFID-F&V) has started activities in Guatemala to increase market access and transactions for and by farmers in local, regional and international markets, in partnership with AGEXPRONT.

Possible interventions will include:

- Technical assistance and training to sustainably improve the quantity, quality, and product safety of selected non-traditional agricultural products, including specialty coffee;
- Expand access to business development and financial services to help producers strategically target and sell to supermarkets, food service firms, specialized wholesalers, and food manufacturing firms regionally and internationally. The buy-in to the regional PFID-MSU activity would provide additional demand side market access potential. The BDU is intended to be a fee-base unit to provide individual firms with access to business development services, including information on new market realities, in order to become commercially viable; and
- Firm-level assistance to implement CAFTA and other trade agreements, which could include sanitary and phytosanitary standards, certification requirements, and clean production standards (in coordination with and complemented by USAID’s regional technical assistance);

Note: Since USAID has been working with and supporting AGEXPRONT for more than 10 years, we will also conduct a joint, in-depth evaluation of the current programs to guide future activities.

## 3. Forestry

FORESCOM is a forestry enterprise formed by the initiative of the Petén concessionaires for the marketing of timber and non-timber products. The process of providing the concessionaires with basic commercial services such as marketing, planning, administration and technical assistance for responding to market needs has just been initiated and needs to be consolidated. The FONTIERRAS community concessions require

assistance in developing increased income opportunities consistent with their commitment and obligation to maintain existing forest cover. The forestry concession system in Petén could also be replicated with municipalities that own large forested areas.

#### Illustrative Activities:

- Assistance to improve organization and administration of the forestry concessions (i.e., business planning, cash flow management and financial administration and credit);
- Support for the certification process (increasing the number of operations certified, and maintaining the certification);
- Develop increased and more effective commercial collaboration, including commercial partners and strategic alliances (using the regional Rainforest Alliance GDA) and the consolidation of FORESCOM;
- Improve revenue from non-timber forest products such as xate and pimienta; and
- Increased attendance at U.S. and international trade shows.

#### 4. Strategic Alliances

- Ixil Triangle Impact Area

Fundación AGROS is currently working in the three municipalities identified as the Ixil Triangle in the Department of El Quiché in the Small Farmer Technical Support Initiative to alleviate poverty and promote economic development by improving agricultural practices and food security and increasing income generating opportunities. This region was one of the most adversely affected during the internal conflict and still evidences the dramatic inequities that gave rise to the conflict. AGROS will bring its land purchasing program to the new multi-year strategic alliance and the opportunity to engage in activities in all three principal business clusters in a region that desperately needs economic reactivation.

- Increased Economic Opportunities in Western Guatemala

The strategic alliance with Glamis/Citizen Development Corps (CDC) is an opportunity to implement an integrated community development program to promote trade-led growth in western Guatemala and help the region develop its trade ties with Mexico. It will do this by identifying the strengths and weaknesses of the regional economy and providing business development services activities and TA to target areas that need assistance. The application will be subject to a technical review, due diligence, and an overall assessment. Subject to a positive outcome of this review, it will proceed as a GDA with \$250,000 from the GDA Secretariat and \$250,000 from USAID/Guatemala. USAID/Guatemala funds would be used to expand activities to include environmental monitoring of water sources, to ensure the protection of human health and continued agricultural capacity in the area. The proposed community activities will be subject to Reg. 216.

- Competitive Rural Enterprise Development

Proposed interventions under the “high” scenario include using additional DA funding, and the DCHA/FFP hybrid transfer mechanism, to form a strategic alliance with the PL 480 Title II Cooperating Sponsors in food insecure areas to:

- Empower local communities to become more involved in the development process through joint multi-sector targeting efforts to allow the poor in vulnerable areas to access new opportunities and pull themselves out of poverty.
- Promote establishment of a development fund which can be accessed by community development groups, leveraging different institutions (international development, trade and financial institutions) through a decentralized sustainable approach targeting vulnerable populations.
- Improve the supply chain from the field to the consumer and to open up new market opportunities for small farmers to improve family revenues and food security.

- Innovative Deployment of Low-cost Networking Technology

Most technologies were developed for places where people are relatively wealthy. Existing business models focus on wealthy economies – the top of the economic pyramid, rather than the bottom. Today, wireless technologies can provide rural connectivity at much lower cost than ever before and new micro and small business models in the IT sector make this connectivity profitable. The proposed “Last Mile Initiative” (LMI) under SO 2 will complement and reinforce the proposed EGAT/EIT LMI activity (\$500,000) in Guatemala, and build upon the Mission’s investment in over 30 Electronic Business Centers. LMI will allow the internet centers to become internet service providers which will greatly enhance their income and sustainability. Interventions include expanding the wireless pilot initiative in Nebaj, building on the mix of databases, best practices manuals, and websites produced under the previous strategy to create small business demand for internet access and utility, including flexible internet access for hotels, restaurants, and other small businesses in strategic rural areas.

### ***Recommendations for Environmental Action***

Pursuant to 22 CFR 216.2 (c) (2) (i), (iii), (iv), and (xiv) a **Categorical Exclusion** is issued for activities under IR 2 involving the following:

- education, technical assistance or training;
- analyses, studies, academic or research workshops and meetings;
- document and information transfers; and
- studies, projects or programs intended to develop the capability of recipient countries to engage in development planning.

As currently planned, this would include support to the business development centers, the Last Mile Initiative, and internet for economic development activity.

A **Conditional Negative Determination** is recommended for the following:

- technical assistance and training in sustainable agro-forestry for food security, conservation, environmental restoration and income generation;
- capacity building in community-based biodiversity conservation, integrated with sustainable tourism initiatives;
- training, education, and technical assistance in cultural and eco-tourism development, including organization of formal community tourism committees, development of community-based tourism management plans, and tourism training workshops;
- technical assistance and support in monitoring and evaluation services to finalize land titling and land use activities;
- general community development support to the target communities; and
- activities promoting and supporting green market certifications (timber, bananas, and coffee).

For such activities implementing partners shall follow USAID guidelines in identifying mitigation measures and developing environmental mitigation plans. Environmental mitigation plans will be developed using USAID's "Environmental Guidelines for Development Activities in Latin America." The following chapters are the most relevant to the proposed activities: Chapter 2: Small-Scale Infrastructure, Chapter 4: Microfinance and Micro- and Small Enterprises, Chapter 6: Renewable Energy Systems, and Chapter 7: Ecotourism.

Annual work plan and monitoring plan, with specific activities to be submitted to MEO for clearance, in order to determine whether activities shall require additional environmental review. Annual updates on status of environmental compliance shall be required from all grantees and/or contractors.

All activities involving on-the-ground construction and the use/promotion of tropical forest products require additional environmental review and must be approved by LAC BEO prior to commencing activities to ensure compliance with FAA 118 and 119.

Within work plans, partners should clearly state the negative environmental impact of activities, and the measures and monitoring activities designed to mitigate these impacts.

### **Positive Determination**

Recommended for all forestry management activities, including the purchase of processing equipment (portable sawmills, peelers, etc.), per 22 CFR 216.2(c)(3); 216.6(a) and FAA 118(c)(13&14). Ongoing Forest Management activities in the Maya Biosphere Reserve will continue to implement the mitigations measures established under Maya Biosphere Project. A yearly evaluation of environmental compliance of forest management activities in the forest concessions and forest management units of the MBR will continue to be submitted to LAC/BEO. Environmental assessments and forest management plans must reflect environmental mitigations recommended in the PEA and site EA's and should be reviewed periodically by CTO to verify this is indeed the case. Concessions and forest management units that have failed to acquire certification and/or lose their certified status will not be supported by USAID/G. Under no circumstances will USAID funds be used for the procurement of pesticides, equipment for commercial timber harvesting or the purchase of equipment unless the MEO determines that current documentation covers the activity. Any new concession areas will require that EA be approved by REA prior to commencing. The CTO will be responsible for verifying every year in writing to LAC BEO that certification mechanisms being used are consistent with USAID environmental regulations and that the environmental review has been conducted. Certification programs that do not meet USAID criteria should not be promoted, and existing programs should be assessed during review of forestry activities to verify that they are consistent with USAID FAA 118 protocols. The program shall abide strictly by the findings of the PEA for the Maya Biosphere Project, and pay particular attention to the recommendations submitted as part of the annual reviews conducted of the forestry concessions. It is expected that mitigations submitted as part of the 2004 archaeological review of the concessions will also be implemented as well as the recommendations on the use of chemicals for treating wood. When working within protected areas in promoting new species and products, laws such as CITES shall be followed and only native species shall be used. If forest management activities commence in areas outside the Maya Biosphere Reserve, an IEE amendment will be submitted to LAC-BEO prior to commencing activities to determine whether it will be necessary to conduct a PEA.

### **Positive Determination**

Recommended for all activities involving pesticide purchase or use, including training, per 22 CFR 216.3(a)(1)(iii) and 22 CFR 216.3(b)(1)(i). If an approval document does not already exist, a pesticide use plan needs to be submitted to the MEO prior to commencing any assistance in procurement or use of pesticides per 22 CFR 216.3(b)(i)(a-1) in compliance with PEA conducted for income generating activities in Guatemala. Comprehensive training in pesticide use will be provided to partners. Any pesticides not covered in the PEA will require clearance from LAC BEO.

**Deferral** pursuant to 22 CFR 216.3(a)(7) for Glamis/CDC Project until we know what they will be doing. Their activities should be pertinent to the social effects of the mining operation. A supplemental IEE is required.

**General:**

A specific person shall be designated by each partner as the individual responsible for compliance with USAID environmental regulations, including monitoring and reporting of required conditions.

The Mission will submit for MEO approval yearly evaluations of environmental compliance for certification activities. The cost of these reviews shall be covered by the program.

All cooperative agreements and contracts issued under these activities should contain a condition that states that: “No on-the-ground construction activities will commence under the contract/cooperative agreement until guidelines and procedures for managing the potential environmental impacts of construction activities have been defined and are approved by LAC BEO.” The contractor/grantee shall ensure that mitigation or other prescribed environmental management measures are fully complied with. This also applies to improvement of transportation systems (e.g., road improvements).

The following special covenant will be include in the SOAG: “Except for activities qualifying for a Categorical Exclusion (as per Title 22 of the U.S. Code of Federal Regulations, Part 216) all sub-grants or contracts financed under this Agreement shall contain a requirement that no funds will be disbursed prior to the revision of the activities conducted by CTO and approved by the MEO.”

**Intermediate Result 3: Broader Access to Financial Markets and Services**

Proposed interventions include:

- Use of the existing DCAs to leverage additional financing for small and micro-businesses.
- Support the negotiation of DCAs with additional financial institutions.
- Technical assistance to private banks to help them to develop and manage new financial products and increase their financial service delivery in rural areas for small and micro-businesses, complementing the assistance being given to the clusters under IRs 1 and 2.
- Increased efficiency in the flow of remittances and their use for business development services.

***Recommendations for Environmental Action***

A **Conditional Negative Determination** is recommended [Q: Pursuant to what CFR section?]for the microfinance activities.

For such activities implementing partners shall follow USAID guidelines in identifying mitigation measures and developing environmental mitigation plans. Environmental mitigation plans will be developed using USAID’s “Environmental Guidelines for Development Activities in Latin America,” Chapter 4: Microfinance and Micro- and Small Enterprises.

The Cognizant Technical Officer (CTO) will submit annual work plan and monitoring plan with specific activities to MEO for clearance to determine whether activities shall require additional environmental review. Annual updates on status of environmental compliance shall be required from all grantees and/or contractors.

**Concurrence:**

\_\_\_\_\_  
Glenn E. Anders  
Mission Director, USAID/G-CAP

**Date:**

\_\_\_\_\_

**CLEARANCES**

KRockeman, INR (in draft)	Date _____
MNehrbass PDM LGil for (in draft)	Date _____
Anne Dix, MEO (in draft)	Date _____
Michael Donald, REA (in draft)	Date _____
Deborah Kennedy-Iraheta, DD (in draft)	Date _____