



LAC-IEE-04-37

## ENVIRONMENTAL THRESHOLD DECISION

<b>Program Location:</b>	Jamaica
<b>Program Title:</b>	Development Credit Authority (DCA) Activity in Jamaica with Jamaica National Building Society (JNBS)
<b>Life Of Program (LOP):</b>	2004-2009 (5 years)
<b>Lop Funding:</b>	\$ 243,950 (from USAID) \$ 8,500,000 (Total Loan Portfolio)
<b>IEE Prepared By:</b>	Sherril Thompson ( <i>Office of Economic Growth</i> )
<b>Recommended Threshold Decision:</b>	Categorical Exclusion/Negative Determination with Conditions
<b>Bureau Threshold Decision:</b>	Negative Determination/Negative Determination with Conditions

### Comments:

Under most circumstances the components of this program fall within the criteria for categorical exclusion 22CFR216.2 [c] (2) (i) and (ii). However, the criteria were only used to determine the classes of actions which can be excluded from preparation of IEEs. To be excluded an action must be within the classes listed. However, the attached IEE including its attachments are more than adequate to demonstrate that the activities contemplated either will not have significant effect on negative effect on the social or natural environment, or with the conditions to be applied will not have such effect.

Therefore, a **Negative determination** is issued for activities 1 and 2, because they will have negligible negative effect on the environment.

Furthermore, a **Negative Determination with conditions** is issued for activities 3 and 4, the condition being that the local financial institution will be held to Jamaica's legal requirements for planning and development which I have reviewed and find more than adequate.

Also, CTOs are responsible for making sure environmental requirements are met, especially the conditions set in the IEE. It is the responsibility of the SO Team to ensure that the SOAG and MAARDs for contracts and grants contain specific instructions to this effect.

The Mission Environmental Officer (MEO) will conduct spot checks to ensure that conditions in the IEE and this ETD are met and to ensure that all activities are implemented in an environmentally sound and sustainable manner.

\_\_\_\_\_Date\_\_\_\_\_

George R. Thompson, P.E.  
Bureau Environmental Officer  
Bureau for Latin America and the Caribbean

- Copy to : Karen Turner, Director, USAID/ Jamaica
- Copy to : Mcdonald-gayle, Karen, Car/ORD, USAID/Jamaica
- Copy to : Dormer, Diane, Car/ORD, USAID/Jamaica
- Copy to : Batson, Howard, Car/ORD, USAID/Jamaica
- Copy to : Jeffrey Miller, REA
- Copy to : Gerald Barth, LAC/CAR
- Copy to : IEE File

Attachment: IEE

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## **INITIAL ENVIRONMENTAL EXAMINATION**

**PROGRAM LOCATION:** Jamaica

**PROGRAM TITLE:** Development Credit Authority (DCA) Activity in Jamaica with Jamaica National Building Society (JNBS)

**LIFE OF PROGRAM (LOP):** 2004-2009 (5 years)

**LOP FUNDING:** \$ 243,950 (from USAID)  
\$ 8,500,000 (Total Loan Portfolio)

**RECOMMENDED THRESHOLD DECISION:** Categorical Exclusion/Negative Determination with Condition

**IEE PREPARED BY:** Sherril Thompson (*Office of Economic Growth*)

### **Activity Description:**

The proposed DCA facility will facilitate lending for four (4) main purposes:

1. Mortgage loans to low income individuals
2. Financing to facilitate the acquisition of formal land titles for the poor
3. Loans to developers for low income housing and
4. Micro loans in high risk areas specifically inner cities and rural areas

The proposed DCA Loan Guarantee Program is designed to support the Economic Growth Objective (SO1) "Improving the Business Environment for Developing the Small Medium and Micro Enterprise Sectors." The program assists in developing the business environment in which the private sector operates and, more directly, gives support to the Small Medium and Micro Enterprise (SMME) sectors. The SMME sector contributes approximately 40% of Jamaica's GDP.

The DCA loan portfolio guarantees provide an excellent support to complement ongoing programs to increase the number of loans made to underserved sectors and strengthen the small and micro enterprise sector (SME) sectors. Using a loan portfolio guarantee, USAID, working together with a building society called Jamaica National Building Society (JNBS), will provide access to needed capital to the poor and other disadvantaged groups, to help these groups transition out of poverty and to stimulate growth in these sectors. The SME sectors in particular will benefit from increased access to credit to expand business operations in order to meet the challenges of a global economy. The DCA guarantee together with current USAID projects will result in sustained economic growth in these sectors; essential to the Mission's development goals.

Not only is this DCA activity an essential component of USAID/Jamaica's Mission strategy through its contribution to the Mission's economic growth program, but it further cements USAID/Jamaica's commitment to the Government of Jamaica in implementing its Competitive Strategy for the Private Sector.

### **Illustrative Activities for DCA Program:**

The DCA loan guarantee program will provide support to underserved/disadvantaged groups such as rural poor, inner cities, small and micro farmers and small and micro enterprises where access to credit is limited. Loans generally will be for low income housing development, mortgages, loans to acquire land titles, and loans for micro and small business development. Some illustrative activities are mentioned below.

#### *Activity 1: Increased mortgage lending to low-income individuals*

Under the DCA guarantee, JNBS will develop a new mortgage product tailored for low-income segments just above the poverty line. JNBS will relax the one-third rule to as high as 50%; reduce the percentage of mandatory deposit to between 2-5%, and structure repayment on a weekly schedule, making it more affordable for the poor segment of the market to acquire a home.

#### *Activity 2: Financing to facilitate the acquisition of formal land title*

JNBS will develop a new product to help eligible households bridge the financial barrier and obtain formal titles. JNBS will offer a loan product to cover the stamp tax, transfer duty, registration fee and legal fees associated with obtaining formal title. This new product will dovetail on the national campaign to increase land titling.

#### *Activity 3: Increased lending for developers building low-income housing*

Under the DCA program, JNBS will develop a new product and begin providing targeted housing developers with access to credit. This will provide a readily available stream of credit to developers who traditionally have had a problem accessing these loans.

#### *Activity 4: Increased micro lending in high-risk areas, specifically inner cities and rural areas*

With the proposed DCA guarantee, JNBS will establish branches in targeted communities, to provide credit to entrepreneurs in both inner city and rural communities. Entrepreneurs targeted under this loan facility engage in trading activities, but a few are involved in service such as hairdressing, barbering and dressmaking. JNBS will mitigate some of its risks by introducing its new lending product in inner-city communities, where USAID/Jamaica is already providing technical assistance to potential borrowers. USAID/Jamaica's Inner City Project focuses on building vocational skills and encouraging at-risk youth to become entrepreneurs.

### **Discussion:**

Under the DCA guarantee, JNBS uses its own funds for the loans. USAID funding in this project is to provide a loan guarantee to JNBS on these specific loans.

Activities 1 and 2 facilitate local financing and have no effect on the natural and physical environment.

Construction activities will be funded by JNBS under Activity 3 and may potentially be funded under Activity 4. While USAID funds will not be used directly under this program to fund construction of infrastructure projects, it is recognized that the potential exists for a causal relationship between the activity and the Agency. The DCA Agreement (Annex 1) stipulates the provision for "evidence sufficient to demonstrate compliance with local environmental laws and to enable USAID to make an assessment of the environmental impact of such activities."

While USAID, does not have control over the activities chosen by the local lending institution (JNBS), the legal agreement with JNBS addresses the environmental considerations associated with this activity and requires conformation to the Government of Jamaica’s environmental and planning approval.

Environmental and Planning Permission in Jamaica is issued by the National Environment and Planning Agency (NEPA) through the Natural Resources Conservation Act (1991). The requirement for permits includes a review of environmental impacts and an Environmental Impact Assessment as necessary (see Attachment A). USAID/Jamaica therefore endorses NEPA’s ability to conduct effective environmental reviews and determinations as the USAID/Jamaica Mission is satisfied with the legal framework within NEPA’s Environmental and Permit Regulations. This legal framework governs their ability to assess and mitigate against significant environmental effects. Further technical assistance is therefore not required.

**Recommendations:**

**Activities 1 and 2 are recommended for Categorical Exclusion** in accordance with 22CFR216.2 [c] (2) (i) as these activities do “not have an effect on the natural or physical environment”.

**Activities 3 and 4 are recommended for Negative Determination with condition** as the local financial institution will be held to Jamaica’s legal requirements for planning and development, which include an Environmental Permit Process (see Attachment B). Section 2.02 paragraph b. of the Portfolio Guarantee Agreement spells out the requirements for approval contingent upon the Guaranteed Party’s submission of evidence sufficient to demonstrate compliance with local environmental laws. The financial institution will therefore recognize the relevant environmental applications and determinations within their approval process. This condition also makes for more bankable projects as soundness of design and appropriateness of sites will improve the chances for sustainability.

Clearance of Mission Environmental Officer:

**I have reviewed the above statement and concur with the recommended Environmental Threshold Decision.**

\_\_\_\_\_  
**Karen McDonald-Gayle (for)**  
**Mission Environmental Officer**  
**USAID/Jamaica**

**Date:** \_\_\_\_\_

Concurrence of Mission Director:

**The Mission concurs with the above recommended Environmental Threshold Decision.**

\_\_\_\_\_  
**Karen D. Turner**  
**Mission Director**  
**USAID/Jamaica**

**Date:** \_\_\_\_\_

**Clearances:**

**SO1: JBurrowes** \_\_Cleared\_\_\_\_\_

**SO1: JWright:** \_\_\_\_\_

**SO2: KJohnston:** \_\_\_\_\_

**PDM: JTaffe:** \_\_\_\_\_

**PDM: LVega:** \_\_\_\_\_

ANNEX 1: DCA Loan Agreement Conditions

**The Loan must not be used to finance any of the following without the prior written approval of USAID:**

- (1) Pharmaceuticals,
- (2) Pesticides,
- (3) Logging equipment,
- (4) Luxury goods (including alcoholic beverages and jewelry),
- (5) Establishing or expanding any enterprise that will export raw materials that are likely to be in surplus in world markets at the time such production becomes effective and that are likely to cause substantial injury to U.S. producers,
- (6) Activities which would result in the loss of forest lands due to livestock rearing, road construction or maintenance, colonization of forest lands or construction of dams or other water control structures,
- (7) Activities which are likely to have a significant adverse effect on the environment, including any of the following (to the extent such activities are likely to have a significant adverse impact on the environment):
  - (a) *programs of river basin development,*
  - (b) *significant irrigation or water management projects (including dams and impoundments),*
  - (c) *agricultural land leveling,*
  - (d) *major drainage projects,*
  - (e) *large scale agricultural mechanization,*
  - (f) *new lands development,*
  - (g) *resettlement projects,*
  - (h) *penetration road building or road improvement projects,*
  - (i) *construction of powerplants or industrial plants, or*
  - (j) *large scale potable water and sewerage projects,*
- (8) Activities which are likely to involve the loss of jobs in the United States due to the relocation or expansion outside of the United States of an enterprise located in the United States, or
- (9) Activities which the Guaranteed Party is aware are reasonably likely to contribute to the violation of internationally recognized rights of workers.

Approval of loans to finance activities described in subsections (2), (3), (6) or (7) above will be contingent upon the submission by the Guaranteed Party of evidence sufficient to demonstrate compliance with local environmental laws and to enable USAID to make an assessment of the environmental impact of such activities.