



LAC-IEE-04-012

**SUPPLEMENTAL
ENVIRONMENTAL THRESHOLD DECISION
For
Amended IEE**

Activity Location:	Peru
Activity Title:	Strengthening Democratic Processes and Institutions in Critical Areas
Activity Number:	527-0402
Estimated Funding:	\$55,500,000
Life of Activity:	FY 2001 - 2006
IEE Prepared by:	Kimberly Delaney, USAID/Peru
Ref:	LAC-IEE-01-50
Recommended Threshold Decision:	Negative Determination with Conditions
Bureau Threshold Decision:	Concur with Recommendation

Comments:

This amended IEE is being prepared to cover the addition of small-scale infrastructure activities which are part of the a \$4 million competitive Special Incentive Fund (SIF) for regional or local governments. These activities may include Health and Sanitation, Education, Energy, Productive and Income Generation activities which have been identified and prioritized through a participatory planning process and which are designed to improve the living conditions of the local population. Pursuant to 22 CFR 216.3(a)(3), a **Negative Determination with Conditions** is issued for these activities.

The two other types of activities that could be supported by the grant component of the local government program are covered by the original **Categorical Exclusion** provided under the original IEE for the entire Democracy SO, which the LAC Bureau concurred with in LAC-IEE-01-50.

Given the size of grants that are available, it is probable that small-scale infrastructure activities would be limited to the following types of activities:

- Rehabilitation of existing schools (painting, structural repair)
- Rehabilitation of existing health posts (painting, structural repair)
- Maintenance of existing rural roads

A negative determination with conditions is issued for the small-scale infrastructure projects. The conditions are that to address environmental considerations, the implementing agent will follow the guidelines in the SIF grant manual, SIF application and SIF environmental procedures which they have developed. The implementing agent has hired a SIF Field Coordinator who will manage the SIF fund. The Field Coordinator has prior experience in managing these types of grants with Peruvian municipalities.

Though the above mentioned three types of activities will be the most likely, any other listed type of activity is still covered by this ETD as long as the hereby approved SIF environmental procedures are followed. For all proposed activities, if any significant environmental impact is foreseen in the future, that was not foreseen by the present examination, a supplemental IEE will be prepared for approval by the BEO before the activity is approved.

In particular, for water supply projects, the possible impact of added potable water resources on the sanitary system will be analyzed, providing estimates of scope and type of any impacts foreseen. This report shall be approved by the REA before water supply projects are approved.

CTOs are responsible for making sure environmental requirements are met. It is the responsibility of the SO Team to ensure that the implementing documents contain specific instructions to this effect.

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

Copy to: Mission Director, USAID/Peru

Copy to: Edilberto, Alarcon, MEO, USAID/Peru

Copy to: Timothy Miller, USAID/Peru
Copy to: RMChávez, PDP, USAID/Peru
Copy to: HCruz-Hubbard, RLA, USAID/Peru
Copy to: Leslie Reed, DDIR, USAID/Peru
Copy to: Victor Bullen, REA
Copy to: David Johnston, LAC/Peru
Copy to: IEE File

P:\LAC.RSD.PUB\RSDPUB\EES\Reg 216\IEE\IEE04\IEE04-12.ETD(PER-DG-PRODES).doc

Attachment: IEE

INITIAL ENVIRONMENTAL EXAMINATION – AMENDMENT

Activity Location:	Peru
Activity Title:	Strengthening Democratic Processes and Institutions in Critical Areas
Activity Number:	527-0402
Estimated Funding:	\$55,500,000
Life of Activity:	FY 2001 - 2006
IEE Prepared by:	Kimberly Delaney, USAID/Peru
Recommended Threshold Decision:	Categorical Exclusion / Negative Determination

I. Summary of Recommended Decision:

This amended IEE is being prepared to cover the addition of small-scale infrastructure activities to the grant component of USAID/Peru's local government program. A negative determination with conditions is recommended for these activities.

The two other types of activities that could be supported by the grant component of the local government program are covered by the original categorical exclusion provided under the original IEE for the entire Democracy SO, which the LAC Bureau concurred with in LAC-IEE-01-50.

II. Activity Focus

Part of USAID/Peru's local government activities are being implemented through a contract with ARD for the Pro-Decentralization (PRODES) program. The contract was awarded in February 2003. In addition to training and technical assistance for national level policy reforms and for local and regional governments, which is the major emphasis of the approximately \$20 million contract, the contract also includes a \$4 million competitive Special Incentive Fund (SIF) for regional or local governments. The SIF could be used to support three types of activities:

- **Small-scale infrastructure projects** (Health and Sanitation, Education, Energy, Productive Infrastructure and Income Generation) which have been identified and prioritized through a participatory planning process and which are designed to improve the living conditions of the local population.

- **Project pre-feasibility or feasibility studies** for projects which have been identified and prioritized through a participatory planning process, leveraging the use of available project funds.
- **Institutional strengthening grants** whose aim is to improve the quality of provided social services and the responsiveness of municipal governments to the demands of citizens. This is likely to cover office equipment purchases, training or technical assistance.

This IEE amendment only covers one of the three types of grants that could be provided by the SIF, since the other two types are covered by the categorical exclusion for the Democracy SO approved in 2001.

During the life of the fund, ARD expects to award approximately 50-100 grants per year for four years, with amounts ranging from a minimum of US \$5,000 to a maximum of US \$45,000, if municipalities or regional governments submit joint applications. Local and regional government recipients are limited to one approved grant each calendar year. Recipients are also required to provide at least 25% of the financing for each project. The procurement or use of pesticides is not eligible for financing under this fund.

Given the size of grants that are available, it is probable that small-scale infrastructure activities would be limited to the following types of activities:

- Rehabilitation of existing schools (painting, structural repair)
- Rehabilitation of existing health posts (painting, structural repair)
- Maintenance of existing rural roads

A negative determination with conditions is being recommended for the small-scale infrastructure projects. To address environmental considerations, ARD has developed a SIF grant manual, a SIF application and SIF environmental procedures. Copies of these documents are attached. ARD has hired a SIF Field Coordinator who will manage the SIF fund. The Field Coordinator has prior experience in managing these types of grants with Peruvian municipalities.

In summary, SIF procedures for financing small-scale infrastructure require the following steps:

1. Submission of preliminary grant applications to ARD. The application must demonstrate that the proposed infrastructure project: 1) has been identified through a participatory process; 2) is included in the municipal or regional government's approved strategic plan; 3) has been classified as valid by the appropriate governmental body in accordance with the norms of the National Public Investment System (SNIP), which is managed by the Ministry of Economy and Finance; and 4) is technically, economically and socially feasible. The application must also adequately address environmental issues, in accordance with LAC guidelines for small-scale infrastructure;
2. Review of preliminary proposals by the SIF Field Coordinator with the applicant;

3. Identification of possible negative impacts and mitigation measures by ARD in coordination with the applicant, ensuring correct application of the LAC Guidelines for Small-Scale Infrastructure, to be completed by requiring all applicants to attend an environmental screening workshop;
4. Incorporation of mitigation measures into the project proposals and inclusion of any additional costs in the financial proposals;
5. Following grant approval, local management committees will be established to monitor and certify compliance with overall project implementation and the environmental mitigation plan. At the municipal level, the committee would include the mayor, a community representative and a representative designated by the local coordination council. ARD would provide any training required to ensure adequate oversight by these committees; and
6. ARD SIF Field Coordinators will conduct spot checks of the implementation of the infrastructure projects.

As outlined in the SIF procedures manual, the USAID CTO will approve each grant before it is awarded, providing an opportunity to ensure compliance with the established environmental guidelines and the environmental review checklist.

During the life of the program, ARD will be responsible for ensuring compliance with all procedures included in the manual, including the application of the steps described above. As part of ARD’s regular quarterly reports to the CTO on program progress, they will include a section on SIF implementation, including the number of grants provided, the ones which required environmental mitigation measures, and the systems used for monitoring grant compliance and performance by SIF field coordinators.

<p>_____</p> <p>Edilberto Alarcon USAID/Peru Environmental Officer</p> <p>Date: _____</p>	<p>_____</p> <p>Ken Yamashita Acting USAID/Peru Mission Director</p> <p>Date: _____</p>
---	---

Clearances:

- PDP:RMChávez (i.d.)
- RLA:HCruz-Hubbard (i.d.)
- DDIR: Leslie Reed (i.d.)

- Attachment 1: Initial Environmental Examination (IEE) – Environmental Guidelines and Mitigation Strategy
- Attachment 2: Peru: Pro-Decentralization (PRODES) Program – Special Incentive Fund – Request for Applications to the Design, Selection and Management of Projects
- Attachment 3: LAC Environmental Issues and Best Practices
- Attachment 4: 22CFR 216 – Agency Environmental Procedures