



**U.S. Agency for International Development
INITIAL ENVIRONMENTAL EXAMINATION
Approval of the activity “Microenterprise Funding and Learning for Growth Project (MFLGP)”
(Project name subject to modification during negotiation with Contracting Officer)
USAID Macedonia**

A. PROGRAM AND ACTIVITY DATA

PROJECT NAME: Microenterprise Funding and Learning for Growth Project - a grant to the Center for Entrepreneurship and Executive Development Center (CEED)

ASSISTANCE OBJECTIVE: Economic Growth

PROGRAM AREA: Economic Opportunity

COUNTRY: Macedonia

ORIGINATING OFFICE Economic Growth Office

DATE: February 7, 2011

IEE AMENDMENT: Yes No

DCN OF ORIGINAL IEE: N/A

PURPOSE OF AMENDMENT: N/A

IMPLEMENTATION START: o/a February 2011

IMPLEMENTATION END: o/a February 2016

LOP AMOUNT: \$1,979,400

AMENDMENT FUNDING AMOUNT: N/A

CONTRACT/AWARD # IF KNOWN: N/A

Environmental Media and/or Human Health Potentially Impacted (check all that apply):
None Air Water Land Biodiversity Human health Other

Environmental Action Recommended:

Categorical Exclusion:	<input checked="" type="checkbox"/>	Positive Determination:	<input type="checkbox"/>
Negative Determination:	<input type="checkbox"/>	Deferral:	<input type="checkbox"/>
Neg. Deter. with Conditions:	<input checked="" type="checkbox"/>	Exemption:	<input type="checkbox"/>

B. BACKGROUND AND ACTIVITY/PROGRAM DESCRIPTION

Objectives – The overall objective of the Microenterprise Funding and Learning for Growth Project is to enhance economic growth and increase job creation by strengthening microenterprises to maximize their contribution to the national economy. The core pool of project beneficiaries will consist of 275 different microenterprises and entrepreneurs from four Macedonian regions. The companies will come from a variety of industries that will be determined during implementation of each phase, including, but not limited to the areas such as ICT, agricultural, tourism, industrial and manufacturing, transportation and construction sectors. The approach involves three phases, each of which is based on approaches currently used by the Center for Entrepreneurship and Executive Development Center (CEED) and recently piloted using past USAID support.

Three 3 phases:

1. Practical Micro-entrepreneurial Learning Programs -

CEED will adapt and expand the existing CEED Top Class Programs, which currently target experienced entrepreneurs and managers, to the needs of micro and small enterprises and start-ups. Courses will be offered in in four regions: Skopje region, Polog region, East region and Southeast and/or Vardar region with office locations in Strumica and Kavadarci or Negotino. The Top Class program was initially developed with USAID support in 2007. The expected result of Phase 1 is the creation of 100 new jobs.

2. In-Company Support, Know-How and Incubation Services for Regional Growth - Phase 2 begins after micro-enterprises are enrolled in the adapted Top Class Programs in Phase 1. The objective of Phase 2 is to enable microenterprises to expand into regional and foreign markets. The expected result of Phase 1 in the first three years is the creation of 50 new jobs.

3. Small Equity, Quasi Equity and Angel Capital for microenterprises -

Phase 3 will be dedicated to investing capital from a new investment fund into selected microenterprises that demonstrate the capability to expand profitably to local and regional markets during phases 1 and 2. This approach is modeled after CEED's successful experience with Small Enterprise Assistance Funds (SEAF) that was initially launched in 2007 with USAID assistance. The expected result of Phase 1 is the creation of 75 - 100 new jobs in the first three years.

C. COUNTRY AND ENVIRONMENTAL INFORMATION (BASELINE INFORMATION)

a. Country Information (Baseline Information on the Need for the Project)

With a population of two million, Macedonia is a country working towards its entry into the EU but is challenged by difficult political relations with Greece and stunted economic growth due to the world economic crisis. In fact, Macedonia's economic performance not only compares unfavorably by transition country standards but also lags behind all other Balkan countries. Looking at the economy by sector highlights major imbalances. Foreign direct investment has been meager; the labor market faces major challenges; the economy has expanded at only a modest pace; gains from growth have been unequally distributed; real wages have stagnated; and, unemployment is pervasive. Corresponding statistics are stark: official unemployment at 35 percent (over 50 percent for ethnic minorities); 60 percent of the registered labor force earning 100 Euros or less per month, youth unemployment hovering over 60 percent; improved but modest, 5.5 percent annual GDP growth; and the lowest foreign investment in the region. The EU Commission's report in 2007 also stated, "...the problem of unemployment was still seen as one of the greatest economic challenges facing Macedonia."

The development of microenterprises is critical to the economic development of the country. They (along with small and medium enterprises) provide employment to approximately 40 percent of the workforce, make up a significant portion of its GDP (43 percent of total revenues), and play an important role in its

exports. Microenterprises have traditionally had challenges accessing finance, as they are deemed too “high-risk” as investments by traditional banks. The growth of microfinance institutions (facilitated by USAID/Macedonia) has alleviated some of their financing challenges.

b. Baseline Environmental Information

Macedonia was a republic in the former Yugoslavia. Serbia borders it on the north, Bulgaria on the east, Greece on the south and Albania to the west. It is landlocked and approximately 25,000 square kilometers in area. The population is estimated to be two million. The terrain is mountainous, but covered with deep basins and valleys. A frontier border divides each of the three large lakes, while the Vardar River bisects the country. Land use is predominately devoted to field crops including rice, corn, tobacco, wheat, millet, cotton, sesame, citrus and vegetables; only 24% of the total territory is arable. Farmers also produce beef, mutton, pork and poultry.

The capital city is Skopje with a population of over 560,000. Manufacturing and mining of coal, metallic chromium, zinc, lead, and ferronickel account for nearly 40% of the labor force. The climate is essentially continental due to the isolation from the Adriatic and Mediterranean Sea climate zones caused by the mountain ranges to the west and partially to the south. The summers are hot and dry with relatively cold winters with heavy snowfall. Macedonia is party to international agreements on air pollution, biodiversity, climate change, hazardous wastes, law of the sea, and ozone layer protection.

The Law on Natural Rarity Conservation ("The Official Gazette of SRM" No. 41/73) and the 2005 Law on Environment of Macedonia were prepared with support from the EU-funded European Agency for Reconstruction.

D. EVALUATION OF ACTIVITY WITH RESPECT TO ENVIRONMENTAL IMPACT POTENTIAL AND IDENTIFICATION OF MITIGATION MEASURES

Phase 1 Practical Micro-entrepreneurial Learning Programs - CEED will adapt the Top Class Programs implemented currently in Macedonia, Slovenia, Bulgaria, Romania, Kosovo and Serbia for micro-entrepreneurs. The CEED Top Class program that has been implemented in Macedonia for three years is aimed for experienced entrepreneurs and managers of SMEs that have well established business operations in the country and abroad and have high potential for growth. The training to be adapted to smaller micro-entrepreneurs and start-ups includes the following topics:

- Entrepreneurial leadership,
- Different strategies for growth
- HR - Analysis and motivation of employees
- Finance - Cost optimization
- How to raise capital for growth
- New techniques for sales and export
- B2B and B2C Marketing
- How to expand internationally
- How to sell/buy a company
- Team Building
- Entrepreneurship Leadership
- Advanced Communication Skills
- Effective internal communication
- Coaching for Development
- Prioritizing for Success
- Advanced Delegation Skills
- Change Management – Patrice
- Innovation and Creativity
- Advanced Decision Making Skills
- Advanced Communication Skills
- Effective external communication
- Influence and Negotiation Strategies
- Business diagnosis,
- Manager styles,
- Finance and costs optimization,
- Performance management,
- Sales/Focus on clients (CRM)
- Stress management.

Table 1 Illustrative activities under Phase One—Potential Environmental Impacts, and Recommended Environmental Determination and Mitigation Measures/Conditions			
Illustrative Activities	Potential Impacts	22 CFR 216 Environmental Determination	Mitigation Measures/Conditions
1.1 Adapt Top Class Training Courses to micro-entrepreneurs and start-ups	None Anticipated	Categorical exclusion pursuant 216.2c(2)(i) Education, technical assistance, or training programs except to the extent such programs include activities directly affecting the environment	Not applicable
1.2 Promote program to	None Anticipated	Categorical exclusion pursuant to 16.2C216.2c(2)(i)	Not applicable

Table 1 Illustrative activities under Phase One—Potential Environmental Impacts, and Recommended Environmental Determination and Mitigation Measures/Conditions			
Illustrative Activities	Potential Impacts	22 CFR 216 Environmental Determination	Mitigation Measures/Conditions
potential students		Education, technical assistance, or training programs except to the extent such programs include activities directly affecting the environment.	
1.3 Select micro entrepreneurs to participate in the courses	None Anticipated	Categorical exclusion pursuant to 16.2C216.2c(2)(i) Education, technical assistance, or training programs except to the extent such programs include activities directly affecting the environment.	Not applicable
1.4 Implement learning Programs	None Anticipated	Categorical exclusion pursuant to 16.2C216.2c(2)(i) Education, technical assistance, or training programs except to the extent such programs include activities directly affecting the environment.	Not applicable

2. Phase 2 – 2. In-Company Support, Know-How and Incubation Services for Regional Growth –

Phase 2 begins after micro-enterprises are enrolled in the adapted Top Class Programs in Phase 1. The objective of Phase 2 is to enable microenterprises to expand into regional and foreign markets. This phase will build on CEED's experience in implementing the Kosovo Integrated Market Entry Support Project (KIMES) that was piloted with support from the on-going USAID Macedonia Competitiveness Project. The KIMES Office Business Center in Kosovo provides administrative support at the office in Kosovo, consultancy and pre-sales assistance to Macedonian firms in order to initiate or grow sales in Kosovo. Examples of the services provided include technical assistance in areas such as: organizational changes, operational improvement, human resources, financial management, technology implementation, quality certifications, improvement of product design, packaging, adaptation to local tastes/preferences, expanding distribution channels, finding a local partner, conducting mini-market research, etc). CEED proposes to implement Phase 2 using the existing Office Business Center in Kosovo, as well as, launch similar services and eventual offices in Serbia and Albania. The business support services in Serbia will be provided by CEED Serbia, using its office space, professional networks and local knowledge. Services for expansion into Albania will be started once sufficient demand among the project beneficiaries is identified. The expected result of Phase 2 in the first three years is the creation of 50 new jobs.

Table 2 Illustrative activities under Program Component Two—Assisted MSMEs engage in identified market opportunities, Potential Environmental Impacts, and Recommended Environmental Determination and Mitigation Measures/Conditions			
Illustrative Activities	Potential Impacts	22 CFR 216 Environmental Determination	Mitigation Measures/Conditions
2.1 Promote the services offered by CEED for expanding into regional and foreign markets to TOP Class students.	None Anticipated	Categorical exclusion pursuant 216.2c(2)(i) Education, technical assistance, or training programs except to the extent such programs include activities directly affecting the environment	Not applicable
2.2 Implement In-Company Interventions by project staff and international experts to improve and adapt products and services for regional expansion to Albania, Kosovo and Serbia. (for example: organizational changes, operational improvement, HR consulting, finance management, technology implementation, quality certifications, improvement of the product design, packaging, adaptation to local tastes/preferences, expanding distribution channels, finding a local partner, conducting market	None Anticipated	Categorical exclusion pursuant 216.2c(2)(i) Education, technical assistance, or training programs except to the extent such programs include activities directly affecting the environment	Not applicable

Table 2 Illustrative activities under Program Component Two—Assisted MSMEs engage in identified market opportunities, Potential Environmental Impacts, and Recommended Environmental Determination and Mitigation Measures/Conditions			
Illustrative Activities	Potential Impacts	22 CFR 216 Environmental Determination	Mitigation Measures/Conditions
research, etc.).			

3. Phase 3 – Small Equity, Quasi Equity and Angel Capital for microenterprises -

Phase 3 will be dedicated to microenterprises enrolled in the adapted CEED Microenterprise Programs in Phases 1 and 2 and that show capability to expand to local and regional markets. It will invest capital from a new investment fund into selected microenterprises that demonstrate the capability to expand profitably to local and regional markets during phases 1 and 2. The fund will total approximately \$800,000 and invest in approximately 10 firms at an investment of approximately \$80,000 per firm. This approach is modeled after CEED’s successful experience with Small Enterprise Assistance Funds (SEAF) that was initially launched in 2007 with USAID assistance.

Phase 3 will involve due diligence of potential firms for investment, including the analysis of finances, market /competition, human resources, and legal status in order to ensure that the microenterprises have the capability to appropriately use and manage the equity and generate appropriate returns on the capital. Upon successful completion, the fund manager, SPMG, who is sub-contracted by CEED, will invest equity, quasi equity or angel capital into the most promising firms, which will give them the financial injection needed to finance their growth. An Investment Committee made up of CEED and SPMG representatives will make the investment and/or loan decisions. The USAID AOTR will serve as an observer and clear on the decisions. Investments or loans from the fund will go to a variety of types of companies for a variety of purposes that will be determined during implementation of Phase 2, including, but not limited to the areas such as ICT, agricultural, tourism, industrial and manufacturing, transportation and construction sectors, which may have a significant effect on the environment. The Fund Manager will determine the most appropriate time to divest from each company when the growth of the company is perceived to be sustainable or there is a liquidation event, such as purchase by another company or going public onto a stock exchange. The proceeds from divestment (i.e. sales of shares) will go back to the investment fund and be reinvested into another generation of microenterprises and start-ups.

As a result of these investments or loans, a significant increase in operations and revenues is expected, which will lead to creation of new jobs. In order to achieve this goal, CEED will establish a private equity fund to be managed by SPMG, which will be in accordance with the Macedonian Law on Investment Funds. Finally, CEED will monitor the performance of the Investees’ against targets and ensure that: the financing provided is used according to the agreed terms and the development of the microenterprises is on the right path. The expected result of Phase 3 is the creation of 75 - 100 new jobs in the first three years.

Table 3 Illustrative activities under Program Component Three —<u>Business support organizations provide quality services to MSMEs to pursue the identified market opportunities</u>, Potential Environmental Impacts, and Recommended Environmental Determination and Mitigation Measures/Conditions			
Illustrative Activities	Potential Impacts	22 CFR 216 Environmental Determination	Mitigation Measures/Conditions
3.1 Due Diligence - complete financial, market, HR and legal due diligence of the microenterprises, analysis of the market potential, the competition, general analysis of the industry and analysis of the capabilities and the		Categorical exclusion pursuant to 22 CFR 216.2(c)(2)(iii) for analyses, studies, academic or research, workshops and meetings.	

Table 3 Illustrative activities under Program Component Three —<u>Business support organizations provide quality services to MSMEs to pursue the identified market opportunities</u>, Potential Environmental Impacts, and Recommended Environmental Determination and Mitigation Measures/Conditions			
Illustrative Activities	Potential Impacts	22 CFR 216 Environmental Determination	Mitigation Measures/Conditions
potential of the management team of the potential Investee.			
3.2 Implement Investment - provide capital (cash), in the most suitable form (equity, quasi equity or angel capital) to investees.	Currently it is not known from which industries the potential investees will come and for what purpose the investment or loan funds will go. The investments could potentially be in the areas of agricultural, tourism, industrial and manufacturing, transportation and construction sectors which could have an effect on the environment pursuant to 216.2(d)(1), 216.(b) pesticides; and 216.5, endangered	Negative determination with conditions pursuant to 22 CFR 216.3(a)(2)(iii)	The implementing partner shall prepare a project description questionnaire (Annex I) for each investment project, and screen each loan to determine whether the specific loan is a categorical exclusion (Category I) or a negative determination with conditions (Category II). If the investment falls under Category I the loan may proceed without additional environmental review. If the loan falls under Category II, the implementing partner shall prepare a sub-award project environmental report. (Annex III). Subawards falling under Category III are not allowed. In developing mitigation measures, the implementing partner shall incorporate relevant guidance for small scale activities found at http://www.encapafrika.org . The implementing partner shall also ensure that the subaward meets requirements of all local and national laws and

Table 3 Illustrative activities under Program Component Three —<u>Business support organizations provide quality services to MSMEs to pursue the identified market opportunities</u>, Potential Environmental Impacts, and Recommended Environmental Determination and Mitigation Measures/Conditions			
Illustrative Activities	Potential Impacts	22 CFR 216 Environmental Determination	Mitigation Measures/Conditions
	species.		regulations.
3.3 Grow Investments that result in Job Creation - constantly work with and monitor the performance of the Investee's, ensuring that the financing provided is used according to the agreed terms, and that the development of the microenterprises is on the right path.		Negative determination with conditions pursuant to 22 CFR 216.3(a)(2)(iii)	The Fund Manager will assist the investee to implement the environmental mitigation and monitoring plans for each investment as set forth in the environmental report (prepared under 3.2 above) as necessary.

E. RECOMMENDED ENVIRONMENTAL ACTION

1. Recommended Environmental Threshold Determinations:

Categorical Exclusions:

A categorical exclusion pursuant to 22 CFR 216.2(c)(2)(i) for education, technical assistance, or training programs except to the extent such programs include activities directly affecting the environment is recommended for Phase 1 - Practical Micro-entrepreneurial Learning Programs; and Phase 2- In-Company Support, Know-How and Incubation Services for Regional Growth.

Negative Determination with Conditions

A negative determination with conditions is recommended for activities 3.1 and 3.2 which provide for subawards that may have an adverse impact on the environment.

2. Conditions and Mitigation Measures

- a. For all subawards, the implementing partner must complete the project description questionnaire (Annex I). Based on the project description, the subaward will be screened using the screening tool of Annex II to determine the significance of environmental effects. If a subaward falls within Category I, no further environmental review is needed. For subawards falling under Category II, an environmental report must be prepared (Annex III). The Mission Environmental Officer must approve all environmental reports and provide a copy to the Bureau Environmental Officer. If Annex III, Section F, Box 3 is checked, the project cannot be awarded.
- b. If the Mission wishes to pursue a subaward for a Category III project for which Annex III, Section F, Box 3 is relevant, then it must consult the Bureau Environmental Officer for how best to proceed. The IEE must be amended to a positive determination. An environmental scoping statement must be prepared and approved by the BEO prior to initiating an environmental assessment. An environmental assessment must be approved by the BEO before the subaward activity can proceed.
- c. The MEO shall provide a copy to the BEO of all sub-award environmental review documents (Annex's I, II, and III).
- d. The Mission shall ensure that adequate environmental expertise is available within the project to enable the environmental review process to be undertaken in a meaningful manner.
- e. If the project intends to disseminate information on the use of pesticides, to procure equipment or services to support pesticides use, or to procure pesticides for use, the a Pesticide Evaluation Report and Safe Use Action Plan must be approved by the Bureau Environmental Office prior to initiating such activities.

2. Monitoring

The AOTR/COTR and MEO shall conduct site visits to each project subaward to verify that identified mitigation and monitoring measures are being carried out as required.

F. MANDATORY INCLUSION OF ENVIRONMENTAL COMPLIANCE REQUIREMENTS IN SOLICITATIONS, AWARDS, BUDGETS AND WORKPLANS

- This grant was selected under the Development Grant Program (RFA # M/OAA/GRO/EGAS-DGP-10-001) Sector – Microenterprise on April 30, 2010. The grant agreement must ensure that appropriate environmental compliance language is included and that the budget includes an appropriate level of funding and staffing to satisfy the environmental compliance requirements set forth in this IEE.
- Implementing partner will incorporate conditions set forth in this IEE in to their work plans and an indicator for environmental compliance shall be included as part of the project’s performance monitoring plan.

G. LIMITATIONS OF THE IEE:

This IEE does not cover activities involving:

- Classes of actions normally having a significant effect on the environment pursuant to 22 CFR 216.2(d):
 - b. programs of river basin development;
 - c. irrigation and water management;
 - d. Agricultural land leveling
 - e. Drainage projects
 - f. Large scale agricultural mechanization
 - g. New land development
 - h. Penetration road building and road improvement
 - i. Powerplants;
 - j. Industrial plants
 - k. Potable water and sewerage projects
- Activities effecting endangered species or introducing exoctic species
- Support to extractive industries (e.g. mining and quarrying).
- Support for activities that promote timber harvesting;
- Assistance for the procurement (including payment in kind, donations, guarantees of credit) or use (including handling, transport, fuel for transport, storage, mixing, loading, application, clean up of spray equipment, and disposal) of pesticides or activities involving procurement, transport, use, storage, or disposal of toxic materials. Pesticides cover all insecticides, fungicides, rodenticides, etc. covered under FIFRA – ‘Federal Insecticide, Fungicide, and Rodenticide Act’.
- Potential activity components dealing with privatization of industrial facilities or infrastructure with heavily polluted property. In such cases, an amendment to the IEE will be required to conduct Environmental Liability Assessment (ELA) as part of the privatization process.
- Procurement or use of genetically modified organisms (GMOs).
- Project preparation, project feasibility studies, and infrastructure investments for projects that may have a potentially significant impact on the environment.
- Construction, reconstruction, rehabilitation, or renovation work.
- Activities involving support to industrial enterprises, and regulatory permitting.
- DCA or GDA programs.

Any of the above actions would require an amendment to the IEE approved by the E&E Bureau Environmental Officer (EE/BEO).

H. REVISIONS:

Pursuant to 22 CFR 216.3(a)(2)(iii) if during the environmental assessment process it is determined that the project may not have a significant effect on the environment, this IEE may be amended to record a negative determination (with or without conditions).

I. RECOMMENDED ENVIRONMENTAL THRESHOLD DECISION

(i) Categorical Exclusions:

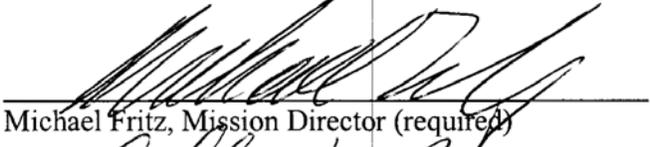
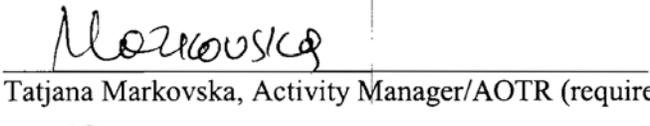
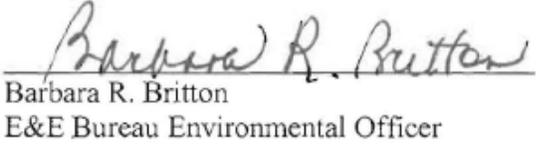
A categorical exclusion pursuant to 22 CFR 216.2(c)(2)(i) for education, technical assistance, or training programs except to the extent such programs include activities directly affecting the environment is recommended for Phase 1 - Practical Micro-entrepreneurial Learning Programs; and Phase 2- In-Company Support, Know-How and Incubation Services for Regional Growth.

(ii) Negative Determination with Conditions:

A negative determination with conditions is recommended for activities 3.1 and 3.2 which provide for subawards that may have an adverse impact on the environment.

USAID Approval of Recommended Environmental Threshold Decision:

USAID Approval of Recommended Environmental Threshold Decision:

Approval :	 Michael Fritz, Mission Director (required)	<u>2-10-2011</u> Date
Approval:	 Cullen Hughes, Mission Environmental Officer (required)	<u>2-7-11</u> Date
Approval :	 Tatjana Markovska, Activity Manager/AOTR (required)	<u>2-7-11</u> Date
Concurrence:	 Barbara R. Britton E&E Bureau Environmental Officer	<u>2/10/11</u> Date

Attachments:

Annex I: PROJECT DESCRIPTION QUESTIONNAIRE

Annex II: Screening Tool to Determine Significance of Environmental Impacts for Sub-Projects

Annex III: Environmental Report Format

Distribution:

IEE File

Mission Environmental Officer

Annex I: PROJECT DESCRIPTION QUESTIONNAIRE

A. GENERAL INFORMATION

1. Name of enterprise & owner/operator
2. Address
3. Activity Name and Activity Description
4. Location of the enterprise (lot, settlement, town, district, province, etc.)
5. Area: (a) rural (b) urban (c) semirural
6. Zone: (a) industrial (b) residential (c) commercial

B. GENERAL DESCRIPTION OF THE ENTERPRISE

7. Number of employees (including family members)
8. Use of the premises: (a) workshop-house (b) workshop-store (c) workshop only (d) office (e) warehouse (f) production facility
9. Products: (a) manufactured in order of importance (b) not manufactured by borrower, sold as trade goods or equipment in order of importance
10. Services provided for clients
11. Machinery and equipment used (number of units, types, age in years)
12. The company performs the following activities: gluing, painting, polishing, dying, stamping, smelting, welding, applying lead, type setting, diluting acids, tanning, washing, rinsing, galvanizing, etc. (mark the activity)

C. POSSIBLE IMPACTS ON PERSONNEL AND FAMILY

13. What raw materials and other inputs are used (glues, solvents, catalysts, preservatives, etc.)? What quantities are used each month?
14. Do you know if any of the products used contain toxic substances? If so, what are the products and the toxic substances they contain?
15. Are combustibles kept out of the sun?
16. What other precautions do you usually take at your workplace to prevent injury to health?
17. Do your employees use protective gear (mark the equipment used)? (a) masks (b) goggles (c) earplugs (d) hard hats (e) gloves (f) protective clothing (g) respirators (h) boots
18. Do you have first aid equipment? Yes () No ()
19. Who knows how to use the first aid equipment?
20. Do you have a properly charged fire extinguisher? Yes () No ()
21. Do you and your employees know how to use it? Yes () No ()
22. If you use substances that could be harmful to health do you keep them in a safe place out of the reach of children? Yes () No () Do not use ()

D. IMPACT ON WATER RESOURCES

23. Is there potential for contaminating ground water with oil or chemical spills from your operations?
24. Could your operation result in degradation or contamination of ground or surface water?
25. Does your used water contain contaminating substances? Please list them (none, alkalies, acids, coloring agents, paints, solvents, oils, poisonous substances, etc.)
26. How do you dispose of your liquid waste (alkalies, acids, oils, paints, solvents, toxic substances, etc.)?
 - a. Pour it untreated down the drain

- b. Treat it prior to pouring them down the drain
 - c. Dump it in the ground
 - d. Place it in the garbage in sealed containers
 - e. Reuse it
 - f. Sell it or give it away for recycling
 - g. Dispose of it at approved facility
27. If you have a system for the treatment of liquid waste or used water, please describe it.
28. Where do you dispose of solid waste? (a) down the drain (b) in a ditch or river (c) in an approved landfill/waste facility or have it removed by approved waste service
29. Do you create areas of standing water?

E. POSSIBLE IMPACT ON CONSUMERS

30. Do the products you make contain any toxic substance that could pose a risk to consumer health? If so, have you affixed a warning to the packaging? Have you posted warning notices in your premises?
31. Are your inputs, products, or processes registered with the competent authorities (e.g. health permit, environmental permit, licenses, permits for certain substances)? Please list them.

F. POSSIBLE LOCAL NOISE, AIR AND SOIL IMPACTS

32. Is there housing nearby? Yes () No ()
33. Do you produce noise that disturbs your neighbors? Yes () No ()
34. Do you have a noise-reduction system? Yes () No ()
35. Does your operation produce gas or foul odors that affect neighbors? Yes () No () If so, do you use any system to attenuate them? Yes () No () Please describe.
36. Do you work during the night? Yes () No ()
37. Do you have trash collection? Yes () No ()
38. If not, how do you dispose of your trash? (a) burn it (b) dump it (c) bury it (d) dump it in a river (e) dispose of at approved landfill/waste facility
39. Does your trash contain chemical waste? Yes () No ()
40. Do you reuse or sell any of your scrap or waste? Yes () No ()
41. Could your operation result in degradation or contamination of soils? Yes () No ()
42. Does your operation produce dust or other particulates that pollutes the air? Yes () No () If so, do you use any system to reduce the pollution? Yes () No () Please describe.

G. CLEANER PRODUCTION REVIEW

43. Do you follow standard “good housekeeping” procedures that reduce waste, minimize accidents, and reduce costs? Yes () No ()
44. Have you assessed your facility for cleaner production possibilities? Yes () No ()
45. Are you aware of the cost of waste produced by your operations, and the potential cost savings of reducing the waste? Yes () No ()
46. Is your enterprise using substantial amounts of resources that are becoming less and less available, and more and more expensive (e.g., clean water, fuelwood, etc.)? Yes () No ()

H. SUBSECTOR-SPECIFIC QUESTIONS

47. [Entrepreneurs should respond to any subsector-specific questions at this point. (See cleaner production subsector fact sheets for examples, and customize this questionnaire accordingly.)]

I. COLLECTIVE IMPACTS

- 48. Are there other facilities in the nearby community that are polluting the air, water or soil? Yes () No ()
- 49. Are there other facilities that are depleting resources important to the long-term sustainability of your business (e.g., clean water, fuelwood, etc.)? Yes () No ()
- 50. Does your company collect/buy/sell non-timber forest products? If so, do you know:
 - a. the carrying capacity of the source? Yes () No ()
 - b. how many others are collecting? _____
 - c. are the species being collected regulated or protected under local, national, or international law? Yes () No ()

J. ADDITIONAL INFORMATION OR COMMENTS

I formally declare the above information to be true.

(Signature of the borrower)

Date: _____

COMMENTS BY THE LOAN PROVIDER:

Annex II: Screening Tool to Determine Significance of Environmental Impacts for Sub-Projects

Classification Scheme

Group I	Categorically Excluded Project that have no significant effect on the environment
Group II	Small scale activities that may have some effects on the environment which can be controlled with appropriate mitigation measures
Group III	Activities expected to have potentially significant impact on the environment requiring an environmental scoping statement and an environmental assessment, both of which require BEO approval.

Group I: Categorically Excluded Project that have no significant effect on the environment

- Barber and beauty shops
- Business management services
- Domestic services
- Exhibition of films and video tapes
- Radio and television broadcasting
- Repair of footwear and leather articles
- Retail trade
- Sale of foods and beverages
- Sale of furniture and other household articles
- Sale of hardware and electrical appliances
- Sale of machinery for maintenance, industry, etc.
- Sale of textiles and clothing
- Sales of computers, supplies and equipment
- Technical support to authors, composers and artists
- Theatrical productions
- Watch, clock and jewelry repair

Group II: Small scale activities that may have some effects on the environment which can be controlled with appropriate mitigation measures

- Ecological sanitation (urine diverting toilets, arborloo latrines)
- Electrical repair shops
- Environmental education services
- Green (environmentally friendly) businesses
- Individual latrines including ventilated improved pit (VIP), composting latrines, dehydrating latrines, pour-flush latrines,
- Management and surveillance of national parks and reserves
- Medical, dental, paramedical, and veterinary services
- Nurseries and reforestation with native species
- Photographic studios, commercial photography
- Professional environmental and ecological services (waste collection, urban beautification)

- Protection of historical monuments
- Protection of public areas
- Public libraries, museums, botanical gardens
- Repair of motor vehicle, motorcycles, bicycles
- Restaurants, cafes, and other eating and drinking places
- Sale of containers and boxes
- Showers, clothes-washing basins, cattle troughs, hand washing taps for individual households
- Simple spring-fed gravity feed water distribution systems, well or surface water source pump with storage tank and piped distribution to stand posts or individual yard taps or connections,
- Small scale agro-processing
- Small scale animal feed manufacturing
- Small scale bakeries
- Small scale candles, matches manufacturing
- Small scale chocolate and sugar confectionery manufacturing
- Small scale clay pot manufacturing
- Small scale dairy manufacturing
- Small scale fish hatcheries of native species for repopulation of public watercourses
- Small scale fishery production
- Small scale fishing
- Small scale furniture manufacturing
- Small scale jewelry manufacturing
- Small scale meat sales
- Small Scale pond and spring improvements, hand-dug wells (requires water testing for new wells), small-diameter boreholes, wells with hand pumps, roof rainwater catchments
- Small scale renovation and refurbishing of homes, schools, office buildings, libraries
- Small scale soap, perfumes and cosmetics manufacturing
- Small scale soft drink manufacturing
- Small-scale septic and leach field systems
- Storage and warehousing

Group III. Activities expected to have potentially significant impact on the environment requiring an environmental scoping statement and an environmental assessment, both of which require BEO approval.

- Agricultural land leveling
- Agricultural machinery and equipment manufacturing
- Any activity relating to endangered species
- Batteries manufacturing and repairing
- Carpets and rugs manufacturing
- Cement, lime and plaster manufacturing
- Chemical products manufacturing
- Clay, china, porcelain objects manufacturing

- Containers and boxes of paper and paperboard manufacturing
- Cordage manufacturing
- Cutlery and general hardware manufacturing
- Distilling and rectifying of spirits
- Drainage projects
- Drugs and medicines manufacturing
- Electric equipment manufacturing
- Electrical appliances manufacturing
- Engines and turbines manufacturing
- Fertilizers and pesticides manufacturing
- Footwear, except rubber footwear manufacturing
- Fur dressing and dyeing
- Furniture and fixtures primarily of metal manufacturing
- Gas manufacturing and distribution
- Glass and glass products manufacturing
- Grain mill products manufacturing
- Hunting, trapping, repopulation
- Industrial chemicals, except fertilizers manufacturing
- Industrial machinery and equipment, except woodworking machinery manufacturing
- Industrial Plants
- Iron and steel basic industries
- Irrigation or water management
- Knitted fabrics manufacturing
- Large scale agricultural mechanization
- Machinery and equipment except electrical
- Medium and large scale agricultural production
- Medium and large scale water and sanitation projects
- Metal and woodworking machinery manufacturing
- Metal products manufacturing
- Motorcycles and bicycles manufacturing
- Musical instruments manufacturing
- New construction
- New lands development
- Nonferrous metal basic industries
- Nonmetallic mineral products manufacturing
- Paints, varnishes and lacquers manufacturing
- Paper and paperboard articles manufacturing
- Penetration road building or road improvement projects
- Pesticide use instruction, equipment procurement, or pesticide procurement and use
- Photographic and optical goods manufacturing
- Plastic footwear manufacturing
- Plastic products manufacturing

- Power plants
- Printing, publishing and allied industries
- Products of petroleum and coal manufacturing
- Pulp, paper and paperboard manufacturing
- Radio, television and communications equipment manufacturing
- Resettlement projects
- Resins and plastics materials manufacturing
- River basin development
- Rubber products manufacturing
- Sale of industrial minerals, metals, chemicals
- Ship building and repairing
- Sports goods manufacturing
- Straw hats manufacturing
- Structural clay products manufacturing
- Structural metal products manufacturing
- Tanning and dressing of leather
- Textiles (spinning, weaving, and finishing textiles, including bleaching and dyeing)
- Textiles manufacturing
- Textiles, except straw hats manufacturing
- Transport equipment manufacturing
- Vegetable and animal oils and fats manufacturing
- Veterinary medications manufacturing
- Wood and cork products manufacturing
- Wooden and cork containers manufacturing



USAID
FROM THE AMERICAN PEOPLE

DCN: 2011-MAC-002

(Annex III)

IEE Project Name
DCN of Parent IEE

**Environmental Review No. #: Environmental
Report for [Sub-project Name]**

Date

ENVIRONMENTAL REPORT

The purpose of the Environmental Report is to determine whether proposed action (scope of work) of sub projects & activities encompasses the potential for environmental pollution or concern and, if so, to determine the scope and extent of additional environmental evaluation, mitigation, and monitoring necessary to fulfill federal U.S. environmental requirements. It is intended to ensure that environmental consequences are taken into account by USAID and the host country, and to clarify the threshold decision for specific activities based on new information that was not available at the time the IEE was approved.

A. Project Data

Project Name: *(as stated in the triggering IEE)*

Country:

DCN of triggering IEE:

Sub-Project/Activity Name:

Type of Sub-Project/Activity:

Name of reviewer: *(must be qualified environmental professional)*

Date of Review:

B. Project/Activity Description: *(Provide sufficient description and details for environmental impact analysis)*

Location: *(Provide an image from Google Earth of the location and site photos)*

C. Baseline Environmental Conditions*:

D. CHECKLIST FOR ENVIRONMENTAL CONSEQUENCES (i.e., Environmental Impacts) : Check appropriate column as Yes (Y), Maybe (M), No (N) or Beneficial (B). Briefly explain Y, M and B checks in next Section, "Explanations". A "Y" response does not necessarily indicate a significant effect, but rather an issue that requires focused consideration.

Y. M. N or B

1. Earth Resources

a. grading, trenching, or excavation in cubic meters or hectare _____

- b. geologic hazards (faults, landslides, liquefaction, un-engineered fill, etc.) _____
- c. contaminated soils or ground water on the site _____
- d. offsite overburden/waste disposal or borrow pits required in cubic meters or tons _____
- e. loss of high-quality farmlands in hectares _____

- 2. Agricultural and Agrochemical**
- a. impacts of inputs such as seeds and fertilizers _____
- b. impact of production process on human health and environment _____
- c. other adverse impacts _____

- 3. Industries**
- a. impacts of run-off and run-on water _____
- b. impact of farming such as intensification or extensification _____
- c. impact of other factors _____

- 4. Air Quality**
- a. substantial increase in onsite air pollutant emissions (construction/operation) _____
- b. violation of applicable air pollutant emissions or ambient concentration standards _____
- c. substantial increase in vehicle traffic during construction or operation _____
- d. Demolition or blasting for construction _____
- e. substantial increase in odor during construction or operation _____
- f. substantial alteration of microclimate _____

- 5. Water Resources and Quality**
- a. river, stream or lake onsite or within 30 meters of construction _____
- b. withdrawals from or discharges to surface or ground water _____
- c. excavation or placing of fill, removing gravel from, a river, stream or lake _____
- d. onsite storage of liquid fuels or hazardous materials in bulk quantities _____

- 6. Cultural Resources**
- a. prehistoric, historic, or paleontological resources within 30 meters of construction _____
- b. site/facility with unique cultural or ethnic values _____

- 7. Biological Resources**
- a. vegetation removal or construction in wetlands or riparian areas in hectare _____
- b. use of pesticides/rodenticides, insecticides, or herbicides in hectare _____
- c. Construction in or adjacent to a designated wildlife refuge _____

- 8. Planning and Land Use**
- a. potential conflict with adjacent land uses _____
- b. non-compliance with existing codes, plans, permits or design factors _____
- c. construction in national park or designated recreational area _____
- d. create substantially annoying source of light or glare _____
- e. relocation of >10 individuals for +6 months _____
- f. interrupt necessary utility or municipal service > 10 individuals for +6 months _____
- g. substantial loss of inefficient use of mineral or non-renewable resources _____
- h. increase existing noise levels >5 decibels for +3 months _____

- 9. Traffic, Transportation and Circulation**
- a. increase vehicle trips >20% or cause substantial congestion _____
- b. design features cause or contribute to safety hazards _____
- c. inadequate access or emergency access for anticipated volume of people or traffic _____

- 10. Hazards**

- a. substantially increase risk of fire, explosion, or hazardous chemical release _____
- b. bulk quantities of hazardous materials or fuels stored on site +3 months _____
- c. create or substantially contribute to human health hazard _____

11. Other Issues (to be used for categories not captured under 1 through 10 above)

- a. Substantial adverse impact _____
- b. Adverse impact _____
- c. Minimal impact _____

E. EXPLANATION OF ENVIRONMENTAL CONSEQUENCES: explain Y, M and B responses

F. RECOMMENDED ACTION (Check applicable box. MEO MUST APPROVE RECOMMENDED ACTIONS 1 and 2 and the BEO must approve RECOMMENDED ACTION 3.

1. Categorical Exclusion: The sub-project has no potential for substantial adverse environmental effects. No further environmental review is required. A Categorical Exclusion is not allowed for any activity recommending use, procurement for, or use of any pesticide.

2. Negative Determination with Conditions: The sub-project has potential for adverse environmental concerns and/or environmental impacts. An environmental mitigation and monitoring plan (EMMP) will be developed and incorporated in to the project design & implementation phase. If unrestricted pesticides are to be recommended, procured or used a Pesticide Evaluation Report must be completed prior to initiating such activities. No restricted use pesticides are allowed under the subaward.

3. Positive Determination: The project poses significant effects on the environment. The sub-award cannot be made. The MEO and AOTR/COTR must consult with the BEO before any further action can be taken.

G. IDENTIFIED SIGNIFICANT ENVIRONMENTAL IMPACTS (including **physical, biological and social**), if any: (Use ER tools such as **Leopold Matrix** to identify significant environmental impacts)

Leopold Matrix – Insert Project Type Potential Impacts

Project Component ↓ Environmental component →		PHYSICAL ENVIRONMENT								BIOLOGICAL ENVIRONMENT							SOCIAL ENVIRONMENT														
		Agricultural Land	Soil Erosion	Slope Stability	Energy/Mineral	Surface Water	Surface Water	Ground Water	Ground Water	Air Quality	Noise	Aquatic Ecosystems	Wetland Ecosystems	Terrestrial	Endangered Species	Migratory Species	Beneficial Plants	Beneficial Animals	Pest Plants	Pest Animals	Disease Vectors	Public Health	Resource/Land Use	Distribution Systems	Employment	At Risk Population	Migrant Population	Community Stability	Cultural/Religious	Tourism/Recreation	Nutrition
PLANNING & DESIGN																															
Construction																															
OPERATION																															

KEY: Beneficial: O - High; O – Medium; O – Low Adverse: ■ - High; ■ – Medium; ■ – Low

H. Environmental Mitigation and Monitoring Plan

- The following EMMP format is recommended. It can be adapted, as necessary.
- The implementing partner should usually lead development of the EMMP, subject to review and oversight by the MEO and CTO.
- In all cases, the tasks identified in the EMMP are included in the subaward agreement document.

Environmental Mitigation and Monitoring Plan

Activity	IDENTIFIED ENVIRONMENTAL IMPACTS	Mitigation measure(s)	Monitoring indicator(s)	Monitoring and Reporting Frequency	Party(ies) responsible.
List all activities in IEE or project processes (e.g. asbestos roof removal, installation of toilets, remove and replace flooring) that are associated with a “negative determination with conditions.” A line must be included for each activity or process that is identified	Include a separate sub-line for each environmental impact associated with a single activity or process	Describe the mitigation measures that will offset the associated environmental impact. If mitigation measures are well-specified in the IEE, quote directly from IEE If they are not well-specified in the IEE, define more specifically here.	Specify indicators to (1) determine if mitigation is in place and (2) successful. For example, visual inspections for seepage around pit latrine; sedimentation at stream crossings, etc.)	For example: “monitor weekly, and report in quarterly reports. If XXX occurs, immediately inform USAID activity manager.”	If appropriate, <i>separately</i> specify the parties responsible for mitigation, for monitoring and for reporting.

I. APPROVAL:

Implementer Project Director/COP: _____ Date: _____
(name)

USAID/Project COTR/AOTR: _____ Date: _____
(name)

USAID/MEO: _____ Date: _____
(name)

MEO Copy To:

Bureau Environmental Officer: _____ Date: _____
Barbara Britton

