

ASTA 11-57

REQUEST FOR CATEGORICAL EXCLUSION

PROGRAM / ACTIVITY DATA

Program / Project Title: The USAID CAR/EG IQC consisting of two (2) components:
The USAID Macroeconomic Foundations for Growth IQC (EG MACRO)
The USAID Microeconomic Foundations for Growth IQC (EG MICRO)

Program / Project Number: Request for Proposal (RFP) SOL-176-11-000002
Request for Proposal (RFP) SOL-176-11-000003

Project Countries: Central Asian Region

Performance Period: FY 2012 – 2019

Life of Activity Funding: \$100 million (2 ceilings of \$50 million each)

IEE Amendment Yes _____ No X If yes, date of original IEE: _____

IEE Prepared by: James Borger _____
CAR/EG Date

ENVIRONMENTAL ACTION RECOMMENDED (check all that apply):

Categorical Exclusion X Negative Determination _____
Positive Determination _____ Negative Determination w/Conditions _____
Deferral _____

SUMMARY OF FINDINGS AND RECOMMENDED THRESHOLD DECISION

The \$50 million USAID Macroeconomic Foundations for Growth IQC (EG MACRO) and the \$50 million USAID Microeconomic Foundations for Growth IQC (EG MICRO) components will serve as CAR/EG's core mechanism for the provision of support and services to the five (5) USAID country offices of the Central Asia Republics – Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan – to design, implement, monitor and evaluate a broad range of macro/micro economic initiatives and activities related to private-sector development and market-led poverty reduction, including in post conflict environments. These IQCs, once in place, will enable USAID/CAR to effectively address a broad range of economic growth challenges and will be the major contractual vehicles for the Economic Growth Office over the next five years.

The CAR regional IQCs build upon the experience with implementing the EGAT Global Economic Growth for Poverty Reduction (EG4PR) IQC (RCE approved by Joyce A. Jatko on 02/18/10) and its proposed activities by adapting the technical assistance that USAID will provide to the Central Asia Republics and specializing the scopes of work to fit the strategic goals of the five country offices. For the Central Asian Republics to achieve their potential their economies have to be diversified and trade liberalized. USAID/CAR needs to address the

challenges of developing contractual vehicles to meet the requirements of a volatile and dynamic region and design program descriptions to fit the needs of CAR's changing landscape.

For Task Orders that USAID/CAR/EG may award under these IQCs, contractors will perform functions such as diagnostics, analysis and designs, strategic planning, institutional capacity building, policy reform, legal and regulatory reform, improving the competitiveness of sectors, value chains and individual firms, transaction facilitation, grant management, evaluation and research, training, workshops and private partnership building. EG MACRO and EG MICRO will also foster learning and practical application through knowledge management and dissemination of evidence-based best practices through the Internet and other forms of technology.

As currently planned, no interventions will directly affect the environment. Therefore, pursuant to USAID authority under 22 CFR 216, Section 216.2(c), a Categorical Exclusion is recommended for The USAID CAR/EG IQC consisting of two (2) components: The USAID Macroeconomic Foundations for Growth IQC (EG MACRO) and The USAID Microeconomic Foundations for Growth IQC (EG MICRO).

1. PROJECT GOALS, OBJECTIVES AND DELIVERABLES – EG MACRO

The objective of EG MACRO is to facilitate USAID/CAR's continued engagement in macroeconomic reform, improvement of the business environment and public sector capacity, and trade facilitation through a structured procurement process. EG MACRO will build on previous USAID-funded efforts in addressing these areas.

USAID/CAR/EG's primary program objectives focus on devising and implementing robust activities that promote real economic growth, reduce poverty, graduate transitional countries from aid to trade, promote open competitive markets, develop the private sector, and mobilize private financing sources to supplement and eventually replace development assistance. These activities should seek to enhance regional economic integration where it is mutually beneficial to Central Asian nations.

EG MACRO will provide assistance, advice and leadership in the broad technical areas of:

- (a) Legal and institutional reform
- (b) Financial sector and macro-economic reform and expansion
- (c) Economic policy and institutions
- (d) Trade and investment
- (e) Stabilization

1) Legal and institutional reform, comprising:

- a) Competition policy
 - i) Policy, laws, institutions, enforcement
 - ii) Control of and enforcement against private anti-competitive behavior
 - iii) Antitrust provisions, monopolies, cartel issues, other general restrictions on competition
- b) Commercial code(s)

- ii) New business entry - policy and process
 - iii) Incentives for small and micro-enterprise
 - c) Intellectual property
 - i) Protection and patent processes
 - ii) Copyrights, trademarks, enforcement
 - d) Contracts enforcement, dispute resolution methods
 - i) Petition rights and private rights to assert complaints seeking enforceable redress
 - ii) Arbitration and mediation
 - e) Transparency of public sector procedure and process
 - f) Bankruptcy and methods to allow redeployment of business assets in alternative functions
- 2) Financial sector reform and expansion, comprising:
 - a) Capital and credit market sources of funds for business growth and municipal finance availabilities
 - b) Foreign direct investment flows
 - c) Advice to development credit programs supplied by international donors
 - d) Technical assistance and support to other financial sector functions and institutions that support entrepreneurial drive, initiative, and risk-taking such as liquidity funds, investment funds, "enterprise" funds, seed-level venture capital funds and structures, and alternative financing media for small, medium and micro-enterprises
 - e) Pension funds and insurance funds
 - f) Technical assistance to monetary and tax policies that affect business growth
 - g) Tracking funds and money flows for financial system integrity and security
 - h) Alternative financial instruments, such as convertible bonds, asset-backed securities, basic hedge options, and other risk management instruments
- 3) Economic policy and institutions development comprising:
 - a) Reform of policies, regulations, and support institutions in order to identify and address barriers to business formation, operation, growth, change, and dissolution
 - b) Monetary policy, banking and central bank operation
 - c) Fiscal policy, and tax and customs administration
 - d) Trade and exchange rate policy
 - e) National income accounting and strategic development planning
 - f) Macroeconomic policy coordination/integration
 - g) Poverty reduction programs
 - h) Labor analysis and policy
 - i) Sectoral policy analysis
 - j) Technical assistance regarding the privatization of public sector functions and infrastructure to increase efficiency
 - k) Transparency of government procedures and processes
 - l) Communication and linkage between government entities and between government entities and the private sector
 - m) Capacity Building for State Officials – Human Institutional Capacity Development

- n) Development of think tanks and NGOS focused on government policies and transparency
- 4) Trade and investment, comprising:
 - a) Trade and investment related laws and infrastructure
 - b) Intra-country, regional, and international trade
 - c) WTO accession assistance
 - d) Customs capacity building
 - f) Foreign direct investment
 - g) Absorption and exploitation of foreign technology
 - h) Domestic investment expansion incentives
 - i) Incentives for private risk-taking and innovation
 - j) Risk sharing and risk-mitigation methods
 - k) Regional trade associations
- 5) Stabilization
 - a) Crisis assistance to assist Central Asian Republics in dealing with shocks that decrease economic activity and require rapid, corrective intervention

EG MACRO DELIVERABLES

The following represents general categories of illustrative deliverables that The USAID CAR/EG IQC could provide under its MACRO component:

1. Strategies, assessments, and analyses for macroeconomic growth, institutional capacity, regulatory reform, and other support functions that support private-sector-led growth,
2. Business environment changes that provide positive support for private sector led trade, investment, and entrepreneurial initiative,
3. Changes in fiscal and monetary regime conditions that increase the flow of funds to the private sector for business expansion, increased trade, and investment,
4. Institutional development and regulatory policies that support new business formation and operation, trade, and investment,
5. Government, private business, and higher education partnerships
6. Fostering access to and active membership in regional and international organizations
7. Assessing macroeconomic context of CARs and designing strategies and implementing programs of technical assistance to address that context
8. Knowledge management and dissemination activities, such as websites, databases, publications and other documentation,

9. Initiatives which, in conjunction with (1) to (8) above, assist in poverty reduction at the national, sub-national, and sector levels and increase the participation of the poor in the national political economy,
10. As a result of a sudden shift in political power a new government requires quick and varied technical assistance with various economic policy questions.

2. PROJECT GOALS, OBJECTIVES AND DELIVERABLES – EG MICRO

The objective of the EG MICRO IQC is to remove impediments to entrepreneurial initiative, output, productivity, and trade with a focus on private enterprise growth and small and medium sized enterprises as well as micro-enterprise development and expansion. The Contractor shall undertake targeted interventions to address these constraints and to create conditions for sustained productivity and growth at the enterprise, value chain, industry, and sector levels. Illustrative activities include:

The EG MICRO will provide technical assistance and leadership in the areas of:

- (a) Small and medium enterprise development
- (b) Microenterprise development
- (c) Support to agribusiness and agri-producers
- (d) Stabilization – crisis assistance

1) Small and medium enterprise development initiatives that address:

- a) Support for entrepreneurship and risk-taking
- b) Incentives schemes for risk-taking behavior in pursuit of profit
 - i) Access to risk-sharing/mitigation vehicles
 - ii) Business insurance
 - iii) Appraisal and valuation
 - iv) Business strategy and market tactics
 - v) Organization management, finance, marketing, and operations
- c) Governance
- d) Linkages to buyers and/or suppliers
- e) Value chain strengthening and optimizing
- f) Innovation in product and service markets
- g) Integration with local, regional and global markets
- h) Linkages to foreign brokers, buyers, and suppliers
- i) New business formation
 - i) Facilitating new entry
 - ii) Decreasing time, cost, complexity of operations and access to services
- j) Business support and promotion services
- k) Increased access to improved factor conditions:
 - i) Seed capital, later-stage equity, debt financing
 - ii) Reduction in labor rigidity
 - iii) Land markets formalized
- l) Professional education and certification
- m) Transition from informal to formal operations

- n) Domestic and foreign business promotion and support organizations
 - o) Improving institutional support
 - ii) Association development
 - iii) Other strategic working groups
- 2) Micro-enterprise initiatives that address:
- a) Fostering entrepreneurial initiative
 - b) New business formation
 - c) Institutional support development
 - d) Business development services
 - e) Private sector driven policy and regulatory reform
 - f) Training
 - g) Development of market linkages
 - h) Assessments, evaluations, and analyses
 - i) Credit and other financial support
- 3) Support to agribusiness and agriproducers
- a) Alleviation of constraints to agricultural sector growth
 - i) Increasing market access
 - ii) Advice on new product and agro-services development
 - iii) Targeting input marketing constraints
 - iv) Market information systems and firm/cluster networking
 - v) Facilitating transactions
 - b) Agribusiness enterprise development
 - i) Private sector driven regulatory reform for agribusiness enterprise
 - ii) Rural infrastructure assessments
 - iii) Land reform assessment
 - iv) Trade and investment development
 - v) Institutional support expansion
 - vi) Value chain analyses
 - vii) identification of financial support mechanisms
 - c) Agrifinancing
 - d) Cooperative development organizations and other member-owned businesses
 - e) Modernizing on-farm technologies
 - f) Crop diversification
- 4) Stabilization
- a) Crisis assistance to assist the Central Asian Republics in dealing with shocks that decrease economic activity and require rapid, corrective intervention.

EG MICRO DELIVERABLES

The following represents general categories of illustrative deliverables that The USAID CAR/EG IQC could provide under its MICRO component:

1. Strategies, assessments, and analyses for micro-economic productivity, institutional capacity and other functions that support private-sector-led growth.
2. Competitiveness and business productivity initiatives at the national, sub-national, regional, value chain, cluster, and enterprise levels.
3. Trade expansion and promotion efforts at the national, regional, and global levels, and facilitation of trade organization membership.
4. Public/private dialog and partnerships on business, trade, investment, entrepreneurship, and productivity.
5. Private investment encouragement initiatives at the regional, national, sub-national, sector, and firm levels.
6. Knowledge management and dissemination activities.
7. Initiatives that expand SMEs capacity to meet local content requirements.
8. Initiatives that seek to increase SMEs use of new technology and ability to innovate.
9. Initiatives that provide technical assistance to government programs to promote SME development.
10. Quick responses to rebuild the economy of a town, city or region devastated by ethnic violence or natural disaster.

3. JUSTIFICATION FOR CATEGORICAL EXCLUSION REQUEST

None of the planned activities under The CAR/EG IQC and its two components, The USAID Macroeconomic Foundations for Growth IQC (EG MACRO) and The USAID Microeconomic Foundations for Growth IQC (EG MICRO) are designed to or expected to result in actions that may directly affect the environment including the construction of any facilities or small holder agri-producers. A Categorical Exclusion is recommended per 22 CFR 216 as follows:

- Section 216.2(c)(2)(i) Education, technical assistance, or training programs except to the extent such programs include activities directly affecting the environment (such as construction of facilities, or small holder agri-producers, etc.);
- Section 216.2(c)(2)(iii) Analyses, studies, academic or research workshops and meetings;
- Section 216.2(c)(2)(iv) Projects in which USAID is a minor donor to a multidonor project and there is no potential significant effects upon the environment of the United States, areas outside any nation's jurisdiction or endangered or threatened species or their critical habitat;
- Section 216.2(c)(2)(v) Document and information transfer;

- Section 216.2(c)(2)(vi) Contributions to international, regional or national organizations by the United States which are not for the purpose of carrying out a specifically identifiable project or projects;
- Section 216.2(c)(2)(vii) Institution building grants to research and educational institutions in the United States such as those provided for under section 122(d) and Title XII of Chapter 2 of Part I of the FAA (22 USCA §§2151 p. (b) 2220a. (1979));
- Section 216.2(c)(2)(x) Support for intermediate credit institutions when the objective is to assist in the capitalization of the institution or part thereof and when such support does not involve reservation of the right to review and approve individual loans made by the institution;
- Section 216.2(c)(2)(xiii) Matching, general support and institutional support grants provided to private voluntary organizations (PVOs) to assist in financing programs where USAID's objective in providing such financing does not require knowledge
- Section 216.2(c)(2)(xiv) Studies, projects, or programs intended to develop the capability of recipient countries to engage in development planning, except to the extent designed to result in activities directly affecting the environment

All activities under EG MACRO and EG MICRO fit into one of the above noted classes of action which are excluded from the procedures set forth in 22 CFR 216.3 and consequently for which an initial Environmental Examination is not required.

If, during implementation, activities are considered other than those described in the subject categorical exclusions, an amended Request for a Categorical Exclusion or IEE shall be submitted as appropriate.

USAID APPROVAL OF ENVIRONMENTAL ACTION RECOMMENDED:

Clearance:

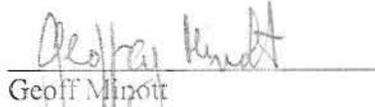
Mission Director


Erin McKee

15 FEB 2011

Date

Director, CAR/EG
Activity Manager


Geoff Minott

02/14/2011

Date

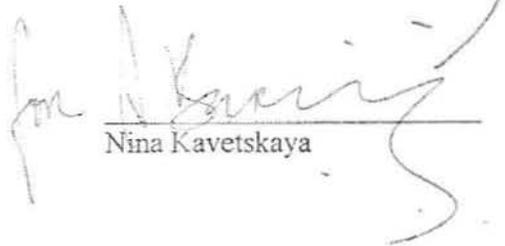
Regional Environmental
Advisor for Asia


Andrei Barannik

02/14/2011

Date

Mission Environmental
Officer

for 
Nina Kavetskaya

02-14-2011

Date

Concurrence:

Asia Bureau Environmental
Officer


Robert Macleod

2/15/11

Date