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Multilateral Development Bank Reviews, Development Credit Authority and Government to Government Activities and Environmental Impact Assessment (EIA)

GEMS Environmental Compliance-ESDM Training Series
Senegal, February, 2014

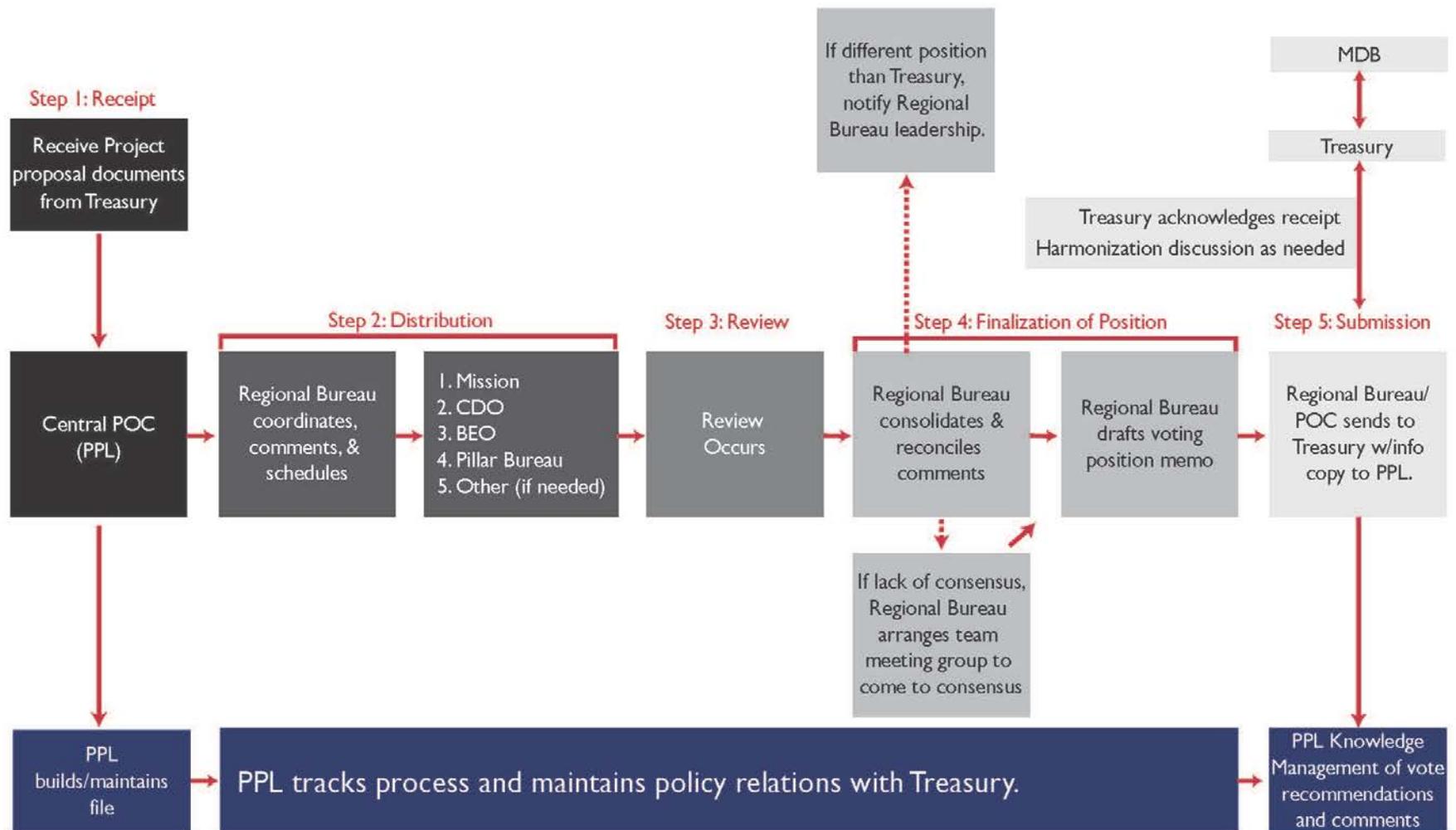
Session Objectives:

- Define the environmental impact assessment activities required for MDB reviews, and DCA and G2G activities
- Create awareness of various perspectives and possible strategies for executing responsibilities

MDB Reviews: Background

- **USAID is the United States international development agency. We have the expertise, knowledge and in-country information that is valuable when reviewing IFI/MDB proposals**
- **Per executive notice USAID will review all International Financial Institution (Multilateral Development Bank) proposals that have the potential for significant environmental and social impact**
 - *Referred to as Category A or FI-1 projects*
- **This review is to be from the “development perspective” which includes environmental and social, as well as governance, economic growth, sustainability etc.**
- **Guidance is expected March 31**

MDB Reviews: Process



MDB Reviews: Timeline

Day 1	Days 2-5	Day 6	Day 7	Day 10
<p>Step 1: Receipt</p> <p>Step 2: Distribution</p>	<p>Step 3: Review</p>	<p>Step 4: Finalization of Position</p> <ul style="list-style-type: none"> • Comment Resolution • Final voting recommendation resolution • Clearance/ Review 	<p>Step 5: Submission</p> <ul style="list-style-type: none"> • Transmission to Treasury by PPL three days before the vote 	<p>Board Vote</p>
<p>Completed by COB Day 1</p>	<p>Completed by COB Day 5</p>	<p>Completed by COB Day 6</p>	<p>Initiated on Day 7</p>	

Development Credit Authority Projects

When do you use this Categorical Exclusion for a DCA?

216.2 (c)(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

Development Credit Authority Projects

When

216.2 (b)(1) The following criteria have been applied in determining the classes of actions included in §216.2(c)(2) for which an Initial Environmental Examination, Environmental Assessment and Environmental Impact Statement generally are not required:

- (i) The action does not have an effect on the natural or physical environment;
- (ii) (ii) A.I.D. does not have knowledge of or control over, and the objective of A.I.D. in furnishing assistance does not require, either prior to approval of financing or prior to implementation of specific activities, knowledge of or control over, the details of the specific activities that have an effect on the physical and natural environment for which financing is provided by A.I.D.;

DCA Concerns

- **The process takes too long- DCA wants to move faster**
- **The process isn't consistent-MEOs, REAs and BEOs aren't consistent amongst themselves or with other bureaus**
- **The process is too stringent-DCA considers the agreements too far removed from the impact**
- **We need to rely on the organization's sovereignty**

If 216.2(b)(1) does not apply:

At a minimum, review the environmental and social policies of the organization for the ability to achieve the requirements of Reg 216

A. If they do meet Reg 216, ensure that the DCA agreement requires that:

- 1) The organizations implements their procedures and monitors projects
- 2) USAID reserves the right to review projects listed in 216.2(d)
- 3) Reserves the right to review any project with potential significant environmental or social impacts in a timeframe that allows for meaningful discussions and adjustments

B. If they don't meet Reg 216, ensure that the DCA agreement also requires that:

- 1) The organization works with USAID to ensure that the environmental and social policies reflect best practices, including the requirements of Reg 216

Government to Government Agreements (G2G): Background

USAID Increasingly moving toward directly funding local governments,

Per ADS 220.1: “Policy must support long term sustained progress, ultimately making assistance unnecessary by partnering with countries to use their own internal systems, build their capacity, strengthen their core institutions and provide for their own people.”

G2G Examples:

Pharmaceutical warehouse construction

Health systems strengthening

Election support and monitoring

Ministry support for field level patrols

.....which triggers an assessment of the fiduciary risk when using host country systems.

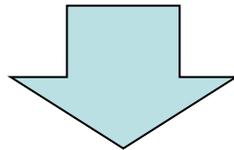
Public Financial Management Risk Assessment Framework (PFMRAF) and Approval of Use of Partner Country Systems (ADS 220)

What about the capacity of host government environmental systems?

USAID Environmental Procedures (ADS 204) apply to all activities *regardless* of the mechanism being used.

All pre-obligation requirements must be met prior to the obligation of USAID funds ([including environmental impact assessment](#)).

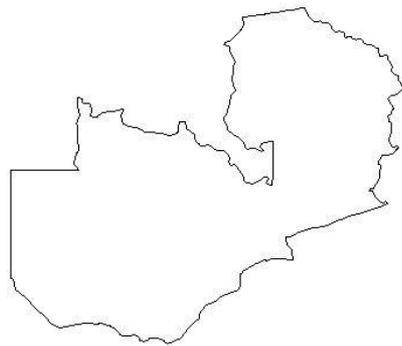
If we are using host country systems, then we must also assess the environmental regulatory systems for consistency and adequacy with 22 CFR 216.



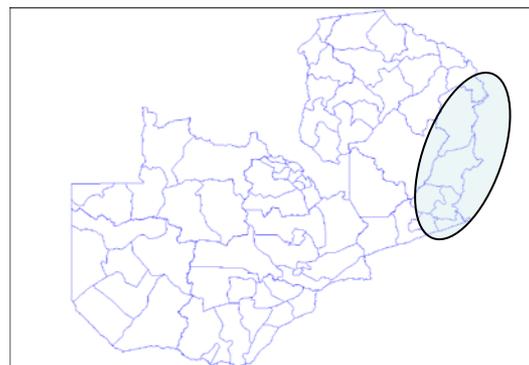
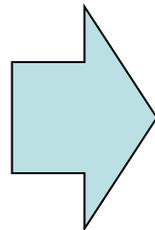
**Environmental Management
Capacity Assessment (EMCA)**

Components of an EMCA

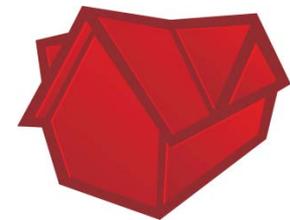
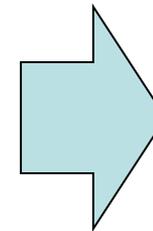
1. Review activities for potential environmental impact
2. Identify host country EIA laws
3. Review procedures and compare with 22 CFR 216
4. Conduct key informant interviews
5. Identify gaps in procedures or required analyses
6. Draft compliance milestones that address gaps
7. Build oversight and verification measures into award processes



National



Provincial/Regional



District/Local

Factors Affecting EMCA Outcome

Monitoring

Design



Implementation

Governance

Timing During Project Cycle



Ideal:

EMCA and IEE developed during PAD

- IEE states conditions/mitigation necessary for G2G based on EMCA
- Project design includes building capacity in necessary areas identified by EMCA

Typical (for current projects):

IEE already developed but no EMCA

- Conduct EMCA based on new project
- Amend the IEE conditions/mitigation measures and anticipate future activities
- Challenge to anticipate future activities

Example IEE Conditions:

- Partner must follow their own env regulations
- Ministry will be responsible for monitoring compliance (and/or contractor)
- Regular reporting will include env management reports
- USAID may audit or conduct field evaluations

Working within the G2G Structure: An Example

Project: Award to construct/rehabilitate district maternal health centers

Agreement Type: FARA

Timing: IEE present; PFMRAF completed; pre-agreement

Approach:

- Conduct EMCA
- Draft milestones for agreement
- Include EC in contract for oversight monitors
- Develop checklist for final USAID field inspection

❖ **Be realistic**
❖ **Anticipate change**
❖ **Work with what's available**

Lessons:

- Existing institutional practices are extremely useful and can be leveraged for EC with some adjustments (e.g., bonds)
- Final inspection/verification by oversight contractor, host gov't, AND USAID is necessary
- Greatest challenge lies in ensuring environmental procedures at field level even when laws and procedures are strong