



USAID | EGYPT

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INITIAL ENVIRONMENTAL EXAMINATION

PROGRAM/ACTIVITY DATA:

Program/Activity Number: (_____ - _____)

Country/Region: Egypt

DO: A more competitive and inclusive Egyptian Economy through growth in selected sectors

Program/Activity Title: Private Sector Leverage

Project/Activity Implementation: Through _____ September 2019 _____

Funding Year Begins: FY2012 Funding Year Ends: FY2015

LOP Amount: \$12 million

Prepared By: _____ Current Date: December 8, 2014

Expiration Date: September, 30 2019

Amendment (Y/N): N ; _____

ENVIRONMENTAL ACTION RECOMMENDED: (Place X where applicable)

Negative Determination: _____ Negative Determination with conditions: X

Positive Determination: _____ Deferral: _____

Categorical Exclusion: X

SUMMARY OF FINDINGS AND RECOMMENDED THRESHOLD DECISION

The Private Sector Leverage activity will allocate \$12 million dollars to form one or more Global Development Alliances (GDAs) with the private sector. The potential GDA(s) will be part of the five year Agribusiness for Rural Development for Increasing Incomes (ARDII) project. This project aims to bring smallholder farmers into high value horticulture value chains in order to increase their on-farm incomes. Private sector engagement is integral to the ARDII program. These alliances are at various levels of development, but range from already formalized relationships with resource partners to identified strategic gaps that must be filled by the private sector. There are two broad categories activities can be classified under; 1) human capacity development and 2) the development of value chain logistic support.

All activities will take place in Upper Egypt, where both human capacity and value chain logistics are limiting constraints to agriculture sector development. Human capacity development efforts will focus on behavior change resulting in smallholder farmers better understanding farming as a business. Support of value chain logistics may include work on input systems, establishing a cold chain, marketing, and post-harvest processing. All support that involves the construction of physical structures will share the common characteristic of being small in scale¹.

Categorical Exclusion is recommended for all human capacity building interventions.

As per 22 CFR 216.2(c)(2)(i), technical assistance and training programs qualify for a categorical exclusion, unless such activities directly affect the environment (in the case of activities described in 22 CFR 216.2(c)(2)(i)).

Smallholder farmers will be trained in business planning, marketing, pesticide use, Global Good Agriculture Practices (GAP) and post-harvest handling with the goal of increased on-farm incomes per 22 CFR 216.2(c)(2)(i).

Integrated communication technology will be developed so farmers can appropriately plan sales of their products when market values are favorable per 22 CFR 216.2(c)(2)(v).

Negative Determination with Conditions is recommended for value chain logistical support that involves small scale construction activities, agricultural improvements through inputs and technology adoption, procurement of equipment for post-harvest training, and on-farm irrigation activities.

As per 22 CFR 216.3 (a)(2)(iii), the conditions are

- 1) Small-scale construction activities with a footprint greater than ~10,000 sq ft. must be conducted in accordance sector best practices. There are no conditions for construction activities with a footprint less than 10,000 sq. ft.
- 2) Small-scale agriculture must prioritize responsible pesticide use and management consistent with internationally recognized best practice.
- 3) On-farm irrigation activities must incorporate sector best practices include water and soil conservation techniques, selection of appropriate technologies for targeted crops, development of water use/management committees to oversee proper use and maintenance of the systems, etc.

¹ Small-scale: USAID/Egypt plans to rely on a working definition of small-scale construction as construction or repair of facilities where the total surface area of the disturbed environment is under 10,000 square feet and less than \$200,000 total cost. Projects of this size and cost are unlikely to cause significant adverse environmental impacts. See http://www.usaidgems.org/Documents/SectorGuidelines/SectorEnvironmentalGuidelines_Construction_2014.pdf.

- 4) With the promotion of on-farm irrigation activities, the project must also assure that water for irrigation is not also used for community drinking water supply.
- 5) The use of fertilizers be thoughtfully employed according to best practice, promoting integrated soil fertility management, within the context of the prevailing biophysical and socioeconomic conditions, as well as the desired outcomes. The project must assure that potential users are trained in proper fertilizer handling, storage, use and application techniques and fertilizers are employed according to the best practices, promoting integrated soil fertility management. Refer to the USAID AFR Fertilizer Fact Sheet. http://www.encapafrika.org/egssaa/AFR_Fertilizer__Factsheet_Jun04.pdf.

1. Background and Activity/Program Description

1.1 Purpose and Scope of IEE

The purpose of the IEE, in accordance with 22 CFR 216, is to provide the first review of the reasonably foreseeable effects on the environment, as well as recommended Threshold Decisions, for the Private Sector Leverage activity, which contemplates the formation of GDAs to develop horticulture value chains in Upper Egypt. Inasmuch as the business objectives of private sector firms are aligned with the development objectives of USAID/Egypt, partnerships will be formed that work to accomplish these mutual objectives through building human capacity and supporting value chain logistics.

This IEE provides a brief statement of the factual basis for a Threshold Decision as to whether an Environmental Assessment or an Environmental Impact Statement are required for the activities managed under this program.

1.2 Background

The Private Sector Leverage activity is part of the Agribusiness for Rural Development and Increasing Incomes (ARDII) project. ARDII's primary objective is to increase agriculture related incomes of rural residents in Upper Egypt. The activities in ARDII will be focused on engaging smallholder farmers in the production of high value horticulture value chains for domestic and export markets. Upper Egypt has been traditionally underdeveloped compared to the Delta region. Farmers in Upper Egypt grow more traditional commodity crops (sugar, maize and wheat) and there are few market channels for higher value crops. ARDII will develop the capacity of the smallholder farmers to produce for these markets, and link them via associations to processors and exporters. This will create a business environment that will attract investors that have been waiting for an opportunity to enter into the Upper Egypt market.

The Private Sector Leverage activity will develop GDAs between USAID and the private sector. GDAs have been successfully used in Egypt to leverage private sector money and engage them in pursuing desired development outcomes. An example of this was the GDA between Heinz and USAID, which ended in 2013. Its aim was to engage smallholder farmers in Upper Egypt in the production of tomatoes that met the quality requirements of Heinz processors. Participating farmers doubled their yields and increased per capita incomes from tomato sales by \$921/feddan (1 feddan = 0.42 ha).

A Memorandum of Understanding (MOU) was signed with the Horticulture Export Improvement Association (HEIA) in September, 2014. This MOU outlines the relationship between USAID/Egypt and HEIA, in terms of aligning resources for the purpose of developing the horticulture value chain in Upper Egypt. HEIA has established a large perishable terminal in Luxor, which smallholder farmers from USAID activities will have access to. USAID/Egypt will direct overall alliance operations, fund an implementing partner to train and support smallholder farmers, and integrate alliance activities with complementary agriculture activities. The HEIA facility will have a training facility where smallholders, recent graduates and students will be trained in marketing, input use, post-harvest handling, and good agriculture practices including how to select and use new agricultural technologies.

1.3 Description of Activities

Beyond HEIA, specific resource partners for the proposed GDAs have not been determined; however illustrative activities may include, but are not limited to the following:

- Cost-sharing with the private sector to establish value chain logistic support (post-harvest equipment, sorting, grading and packing facilities, cooling points, cold storage).
- Technical assistance to farmers to meet quality standards in production of high value horticulture crops.
- Training on the use of agricultural inputs, such as fertilizer to improve yields
- Technical assistance to farmer associations that will agree to forward contracts with processors.
- Technical assistance to input suppliers to meet provide the timely supply of inputs to farmers.
- Technical assistance to provide logistical support to associations so that they can aggregate their products in a cold chain.
- Support to agriculture technical schools in value chain relevant programs.
- Support to develop Integrated Communication Technologies aimed at providing smallholder farmers with market information.
- Technical assistance to farmers in improved on-farm small-scale irrigation techniques.
- Procurement and distribution of pesticides to small-scale farmers

2. Country and Environmental Information

2.1 Locations Affected (General Climatic and Geographic Information)

Upper Egypt has a hot desert climate, where average summertime temperatures often exceed 40°C, and virtually no annual precipitation (Luxor <1mm/year). The Nile River provides irrigation water for the old lands, while groundwater is pumped for irrigation in the newly reclaimed lands. Soils along the river valley range from clay to clay loam, while new lands are primarily composed of sandy undifferentiated soils. The HEIA perishable terminal and training facility are located in an industrial zone near the Luxor Airport. The specific locations of other potential GDAs are not yet known, but all will be

in Upper Egypt. Interventions may take place on agricultural lands, when interventions are targeted at the production level. Alternatively, they could be in more urban/industrial settings, if the interventions are more related to post-harvest and/or transporting products to export markets.

3. Evaluation of Environmental Impact Potential

Program activities that have the potential to negatively impact the environment include, but are not limited to, the following categories:

- Small-scale construction, renovation and infrastructure
- Small-scale agriculture (not including on-farm irrigation)
- On-farm irrigation

Pursuant to 22 CFR 216, USAID's implementing partner for the Private Sector Leverage activity must adopt the following implementation precautions and measures in order to avoid or mitigate the potential negative impacts of this program activity :

- Disruption to Traffic and Circulation: The implementing partner, in coordination with the local authorities, will set alternative traffic plans to minimize impacts on traffic and the surrounding environment during excavation and construction;
- Dust Control: The implementing partner will set a plan to minimize and control dust during construction;
- Water and soil conservation technologies: The implementing partner will use both engineering (contouring, micro-basins) and vegetative measures (strip-cropping, agroforestry) to mitigate negative impacts to water and soil resources caused by agriculture.

In addition, as a matter of policy and best practice, USAID's implementing partner for the Private Sector Leverage activity must also adopt implementation precautions and mitigation measures² such as the following as well as those precautions and measures set forth on Attachment 3:

- Dwelling Safety During Excavation: Adequate shoring of excavation and other construction safety measures will guarantee the safety of dwellings located close to excavation sites;

4. Recommended threshold decisions and mitigation actions (including monitoring and evaluation)

4.1 Recommended Threshold Decisions and Conditions

² For a list of best practices for agriculture and small-scale construction, please refer to <http://www.usaidgems.org/Sectors/agriculture.htm> and <http://www.usaidgems.org/Sectors/construction.htm>.

Negative Determination with Conditions

In accordance with 22 CFR 216.3(a)(2)(iii); “The cognizant Bureau or Office will record a Negative Determination if the proposed action will not have a significant effect on the environment.”

Value chain logistics support:

- Small-scale construction and rehabilitation of buildings.
- Small-scale agriculture (excluding on-farm irrigation)
- On-farm irrigation

Categorical Exclusion

In accordance with 22 CFR 216.2(c)(2)(i), programs consisting of the following activities are recommended for a Categorical Exclusion: “(i) Education, technical assistance, or training programs except to the extent such programs include activities directly affecting the environment (such as construction of facilities, etc.).”

Human capacity development:

- Business training
- Marketing
- Good agriculture practices³
- Post-harvest handling⁴
- Training on proper use of pesticides

Negative Determination with Conditions

- 1) Small-scale construction activities with a footprint greater than ~10,000 sq ft. must be conducted in accordance sector best practices. There are no conditions for construction activities with a footprint less than 10,000 sq. ft.
- 2) Small-scale agriculture must prioritize responsible pesticide use and management consistent with internationally recognized best practice.

³ Good agriculture practices are practices that address environmental, economic and social sustainability for on-farm processes, and result in safe and quality food and non-food agricultural products (FAO COAG 2003 GAP paper). Interventions will provide technical assistance to farmers, to help them learn and comply with these internationally standardized practices.

⁴ Post-harvest handling is the stage of crop production immediately following harvest, including cooling, cleaning, sorting and packing. Interventions will provide technical assistance to farmers: 1) to help them improve post-harvest efficiency so there will be a reduction in post-harvest losses, and 2) improve the safety, quality and shelf-life of products in order to access higher value markets.

- 3) On-farm irrigation activities must incorporate sector best practices include water and soil conservation techniques, selection of appropriate technologies for targeted crops, development of water use/management committees to oversee proper use and maintenance of the systems, etc.
- 4) With the promotion of on-farm irrigation activities, the project must also assure that water for irrigation is not also used for community drinking water supply.
- 5) The use of fertilizers be thoughtfully employed according to best practice, promoting integrated soil fertility management, within the context of the prevailing biophysical and socioeconomic conditions, as well as the desired outcomes. The project must assure that potential users are trained in proper fertilizer handling, storage, use and application techniques and fertilizers are employed according to the best practices, promoting integrated soil fertility management. Refer to the USAID AFR Fertilizer Fact Sheet. http://www.encapafrika.org/egssaa/AFR_Fertilizer__Factsheet_Jun04.pdf.

4.2 Mitigation, Monitoring and Evaluation

The implementer must develop an Environmental Mitigation and Monitoring Plan, responsive to the IEE conditions, as part of the work plan. This EMMP must be approved by the AOR/COR prior to the start of implementation.

5. Revisions

As with all USAID-funded projects, and pursuant to 22 CFR 216.3(a)(9), if new information becomes available which indicates that any of the proposed actions to be funded by this activity might be “major” and their effects “significant”, the threshold decision for the actions listed above will be reviewed and revised by the originator(s) of the program and projects and submitted through the MEO to the Bureau Environmental Officers, ME, for approval and, if warranted, an environmental assessment will be prepared by the Mission as appropriate. It is the responsibility of the AOR to keep the Mission Environmental Officer and the BEO informed of any new information or changes in the activity that might require revision of the IEE.