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PD-AAL-388

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ENVIRONMENTAL THRESHOLD DECISION

Location : Rural Areas of the Republic of El Salvador, 519-0263

Project Title : Agrarian Reform Credit

Funding : FY 80: \$500,000 grant and \$9,500,000 loan

Life of Project: 18 months

Mission Recommendation:

Based on the Initial Environmental Examination, the Mission has concluded that the project will not have a significant effect on the human environment and therefore recommends a Negative Determination.

The Development Assistance Executive Committee of the Bureau for Latin America and the Caribbean has reviewed the Initial Environmental Examination for this project and concurs in the Mission's recommendation for a Negative Determination.

AA/LAC Decision:

Pursuant to the authority vested in the Assistant Administrator for Latin America and the Caribbean under Title 22, Part 216.4a, Environmental Procedures, and based upon the above recommendation, I hereby determine that the proposed project is not an action which will have a significant effect on the human environment, and therefore, is not an action for which an Environmental Impact Statement or an Environmental Assessment will be required.

Edward W. Coy
Assistant Administrator for
Latin America and the Caribbean

June 24, 1980
Date

Clearances:

LAC/DR: Environmental Advisor ROTTO [Signature]
DAEC Chairman: MBrown [Signature]

INITIAL ENVIRONMENTAL EXAMINATION

I. Basic Project Data

Project Location: The rural areas of the Republic of El Salvador

Project Title: Agrarian Reform Credit

Funding: FY 80: Grant \$ 500,000
Loan \$9,500,000

Life of Project: 18 months

IEE Prepared by: C. R. Gavidia, Gen. Eng. and Environmental Coordinator/Carol Peasley

Threshold Decision Negative Environmental Decision

II. Description of the Project

The purpose of the project is to increase the availability of and the capacity of the Agriculture Development Bank (BFA) to provide credit to the Agrarian Reform Sector.

This project has been designed to respond to an immediate short-term requirement for additional credit for the approximately 250 haciendas (230,000 hectares) which were expropriated in Phase I of El Salvador's recently decreed Agrarian Reform Program. Some 80% of their credit needs will be met through Central Bank lines of credit to the commercial banking system. The remainder will be provided by the Agriculture Development Bank (BFA). This project will provide the additional resources the BFA needs to meet this new demand.

The proposed project will have both grant-funded elements and loan-funded elements. Loan funding will be used to finance credit that is closely related to the production process and for which disbursement can take place in a twelve to eighteen-month period. Grant funding will be used to finance technical assistance and which will require expenditures beyond December of 1981.

III. Impact Identification and Evaluation

The vast majority of project resources will be used for production and working-capital credit on the recently expropriated haciendas. This credit will be used to support existing agricultural production patterns -- much of which is in traditional exports such as coffee, sugar cane, and cotton. Little change in land use is expected as a result of credit provided under this project.

In the longer run, agrarian reform may well lead to substantial changes in land use patterns. Many of these long-term changes will be beneficial -- e.g., by providing legal land titles to some 150,000 small farmers who are currently renting lands, the GOES will be providing an important incentive for improved practices and investment in soil conservation. To guard against possible negative impacts, the Mission will draw upon expertise and resources from its Small Farmer Natural Resources Management Project which is taking initial steps in strengthening GOES capacities to implement small farmer soil and water management programs. Also, in designing a follow-on project (FY 81 or FY 82) to the Small Farmer Natural Resource Management Project, the Mission and GOES will look at the special requirements which may have arisen as a result of the Agrarian Reform Program.

The Ministry of Agriculture and Livestock (MAG) will be playing an important support role in the project. It has had considerable experience throughout the region in evaluating the environmental considerations of various agricultural production patterns and practices. It will review and evaluate the environmental implications of the Agrarian Reform Program. Also, on-site inspections will take place, and BFA extension agents/credit supervisors will be instructed to ensure that environmental disturbances are kept to a minimum. Guidelines will be prepared to permit project management to evaluate any land-use changes and/or the possible environmental impact of investments. Particular attention will be given to cotton producing haciendas which have in the past been indiscriminant in their use of agricultural chemicals. Special short-term technical assistance will be provided to the BFA to help it improve its policies with regard to agro-chemical use. One month of TA will be financed from this project; an additional month will be provided by the Regional Pest Management Specialist.

Impact Areas and Sub-Areas

Impact Identification
and Evaluation

- A. Land Use
 - 1. Changing the character of the land through:
 - a. Increasing the population L
 - b. Extracting natural resources L
 - c. Land clearing L
 - d. Changing soil capacity M
 - 2. Altering natural defenses L
 - 3. Foreclosing important uses N
 - 4. Jeopardizing man or his works N

- B. Water Quality
 - 1. Physical state of water..... N
 - 2. Chemical and biological states..... N
 - 3. Ecological balance..... N

- C. Atmospheric
 - 1. Air additives..... N
 - 2. Air pollution..... N
 - 3. Noise pollution..... N

- D. Natural Resources
 - 1. Diversion, altered use of water..... L
 - 2. Irreversible, inefficient commitments..... N

- E. Cultural
 - 1. Altering physical symbols..... N
 - 2. Dilution of cultural traditions..... N

- F. Socioeconomic
 - 1. Changes in economic/employment patterns... M
 - 2. Changes in population..... L
 - 3. Changes in cultural patterns..... N

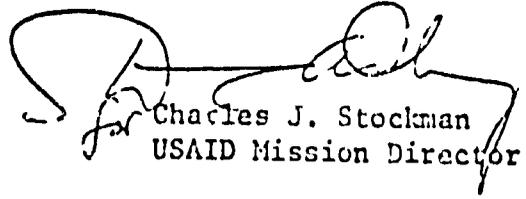
- G. Health
 - 1. Changing a natural environment..... N
 - 2. Eliminating an ecosystem element..... N

- H. General
 - 1. International impacts..... N
 - 2. Controversial impacts..... N
 - 3. Larger program impacts..... N

IV. Recommendation for Threshold Decision

USAID/El Salvador finds that this project is not a major action which will have a significant environmental impact. A negative determina-

tion is, therefore, recommended.


Charles J. Stockman
USAID Mission Director