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PROPOSED ENVIRONMENTAL PROCEDURES  
AND GUIDELINES FOR THE CENTRAL  
AMERICAN BANK FOR ECONOMIC INTEGRATION

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## INTRODUCTION

This report proposes an environmental planning system for CABEI. It focusses on what CABEI would need to incorporate into its operations in order to review the environmental implications of its funding programs and to ensure that appropriate environmental management measures are incorporated into project design and implementation where necessary. It does not address the possibility of CABEI initiating a program of funding for environmental protection and management in the region, although such a program was drafted by CABEI but has not been financed or implemented. If CABEI supports such a program and can obtain the requisite funds, it would not require any significant modification to its existing procedures and guidelines.

The system proposed combines 3 components: an environmental focal point, a set of environmental planning procedures, and technical guidance in support of these procedures. The system, as described, is essentially a goal for the organization -- it cannot be put into place overnight. The strategy for implementation must identify a starting point and a program of technical assistance and training. In addition, CABEI's current financial situation is such that most of its funding operations are suspended. Therefore the initiation of the environmental planning system would best be geared to the replenishment of the funding programs and the process of regaining operational momentum.

The proposal emphasizes the strategic and sequential priority of program preparation and project identification as the initial locus of environmental

responsibility, with mechanisms for directing the project analysis process to the important environmental issues in the projects where it is necessary. In addition, having the initial environmental responsibility located at this point, should encourage an orientation on the part of CABEI to responding to regional environmental needs and the interactions between the sectors which it is promoting.

Ultimately, of course, CABEI's output is a stream of loans, and like other development banks it is held accountable for the financial and technical performance of the projects it funds. Thus, in practice, CABEI is likely to place more emphasis on project appraisal or approval as the system evolves. In terms of technical resources within CABEI, the approach proposed here is likely to be more efficient, as it allows more general environmental expertise to be deployed at the point where almost all projects would be reviewed. Only those projects where potential problems are identified would require more detailed analysis and more specific technical expertise.

The principle followed is that guidelines, of which there are many different varieties but little utilization in practice, should be tailored to the specific procedures, tasks and responsible departments. There is no need to reinvent those that already exist but it is necessary to provide mechanisms to ensure that they are used effectively.

As a model for how an environmental planning system can be established in a regional development bank, the Asian Development Bank provides a good example. After a consultant's study of where to locate an environmental unit

and what its major functions and resources should be, a single environmental advisor was hired to develop and initiate an environmental planning system. Once in position, the advisor began to install procedures and technical guidance that ensured that environmental factors were taken into account during the key stages of the project cycle.

Once this process was underway, he was able to introduce consultants and training in support of this process and eventually to take on additional staff. The lesson would seem to be, go step-by-step but that it is essential to have a starting point and above all put a competent and energetic environmental advisor in place.

Finally, as a regional development bank in an area where the financial and economic problem of members governments are so severe, the introduction of an environmental planning system must be responsive to the financial implications of including environmental analysis and management in the preparation of investments and the economic incentives facing both private and public sector borrowers in relation to environmental issues.

1. Environmental Policies and Procedures for Development Banks

In 1980 the World Bank, the major regional development banks and other multilateral development assistance agencies signed the Declaration of Environmental Policies and Procedures Relating to Economic Development. Under the auspices of the United Nations Environment Program, they also established a Committee of International Development Institutions on the Environment which

meets annually to consider the progress of the signatories in implementing the articles of the Declaration.

The Declaration identifies three main goals that development funding agencies should pursue in articulating their environmental policies and procedures:

- 1) to ensure that the program and projects they fund do not cause undesirable and avoidable environmental effects, by means of procedures for systematic analysis and monitoring;
- 2) to provide assistance to member countries to enhance their capacity for environmental planning and protection;
- 3) to support projects designed to rehabilitate, manage or enhance the human environment and resource systems.

The first of these three goals is the one which most requires the agency concerned to introduce procedures, guidelines and technical resources into its operations and which can sometimes conflict with political, economic and organizational interests.

Therefore, this report will concentrate on how CABEI can achieve this goal on the assumption that the other two will fall into place if the first can be achieved.

There are both similarities and differences in the way that different banks, technical assistance agencies (such as UNDP and OAS) and bilateral agencies have gone about achieving these goals. Clearly the experience of development banks is most relevant to the case of CABEI. The World Bank, the Inter American Development Bank, the Asian Development Bank, the European Investment Bank and to a much lesser degree, the Caribbean Development Bank and African Development Bank have taken some steps to institute procedures for systematic environmental analysis and monitoring of the projects they fund. In the case of the World Bank and the Asian Development Bank, there is an environmental analysis and some capacity for intervening in the project cycle so that the appropriate measures are taken by the sector and geographical departments which prepare projects.

In others, such as the Inter American Development Bank and the European Investment Bank, the technical appraisal of projects is more centralized and there is no separate responsibility for environmental analysis. Instead, environmental factors should be integrated on a routine basis into the overall technical appraisal, by means of guidelines and the expertise of the staff members.

Other multilateral and bilateral agencies, facing the same overall goal, differ in arrangements and practice, either because their political and financial structure is different or because their programs are organized around different kinds of projects or because, in the case of some bilateral agencies, they are subject to special national policies. Obviously, some agencies have allocated more effort to developing and implementing

environmental policies than others, or have had more time to progress from one stage to another.

Despite the differences that exist either in how environmental policies and procedures are organized or in their state of evolution it is possible to sketch the basic elements of an environmental policy system for a development bank or funding agency. This assumes, of course, that the bank or agency leadership has articulated an environmental policy and demonstrated both to its members and the staff that it is committed to ensuring that its funding program will avoid potential environmental damage and will contribute to environmental management and improvement.

In relation to the stream of projects that a development bank funds, the environmental routine can be stated as follows:

- 1) Is the project likely to have effects or interactions that cause direct environmental damages or impair the productivity of natural resource systems?
- 2) If it is likely, what is the nature and extent of these effects or interactions with other development activities, and what is their significance in relation to the expected benefits of the project?
- 3) If these effects are judged to be significant, what can be done to mitigate, manage and monitor the potential problems during project implementation?

These questions, with somewhat varying emphasis, should be applied to the different stages of the project cycle -- programming, project identification, feasibility studies, project appraisal, implementation and supervision. Since these functions are located in different parts of an organization, the system for asking these questions and acting on them, should be connected to the appropriate departments that are responsible for the sequence of functions.

The two key elements for translating an environmental policy into mechanisms for routine analysis and appropriate measures within the project's cycle are:

- 1) the focus of environmental responsibility - an office or staff unit, and:
- 2) procedures that identify what action is necessary at what point in the project cycle.

In the first place, these responsibilities are either a specialized environmental office, responsible for overseeing the environmental analysis of projects and for making sure that other parts of the organization take environmental factors into account, or they are vested in the part of the organization responsible for overall technical analysis, in which case an environmental office might be appointed to supplement the technical staff. In the second, some procedures need to be defined in order to allocate responsibility for certain tasks in the project cycle, for instance, the inclusion of environmental criteria in identifying projects, incorporating

environmental analysis requirements in feasibility studies and reporting on environmental effects in project appraisal reports.

Within the frame created by an environmental staff and environmental procedures, analysis methods, technical guidelines and criteria for project design and implementation can be deployed according to the requirements of the organization. There has been considerable effort on the part of international organizations and development agencies to prepare all kinds of guidelines, and to promote them as the means of solving the environmental problems associated with economic development. However, although there are many useful guidelines dealing with all aspects of environmental protection and management, the fact is that guidelines are merely tools that have to be applied systematically in order to have any influence and cannot substitute for sound policies and adequate staffing with the necessary authority to correct potential environmental problems.\*

There are various kinds of guidelines that will be referred to below. Some are concerned with the overall methodology for environmental planning and assessment; others deal with the typical environmental problems in certain development sectors; others specify the data needed at different points in the project cycle; others provide information or measures designed to protect the environment in relation to certain types of projects.

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\*Please see, Environmental Guidelines Survey, Joint Environmental Service of IIED & IUCN, 1983, attached to this report.

The choice of guidelines to be used by a development agency should follow from the procedures for environmental planning that are put in place and the responsibilities of different parts of the organization for conducting environmental analysis. For instance, if there is an environmental office with the responsibility for the review of all project proposals and the inclusion of environmental protection measures into the final design of the project, the guidelines might focus on the data that should be provided by the department responsible for identifying projects and on the responsibilities for supervision and monitoring of the protection measures. But if environmental analysis is the responsibility of technical staff specialized in certain sectors, such as agriculture, the appropriate guidelines should focus on the particular problems and methods of analysis that are relevant for each sector.

In other words, guidelines should be designed for specific tasks and users. The important point is that guidelines and technical criteria are likely to be most effective when developed and used within a particular framework consisting of the appropriate staffing and procedures needed to implement an agency's environmental policies. In addition, it is unlikely that guidelines in themselves are a sufficient starting point for an environmental planning system.

The arrangements, and the necessary methods and technical tools, for ensuring that an agency is able to analyze possible environmental problems and take the necessary steps to protect the environment are likely to evolve over time and become tailored to the needs of the specific agency.

The experience of other development banks and development assistance agencies would suggest that the task of initiating an environmental system hinges on establishing an environmental focal point within the organization and introducing the necessary procedures step by step into the routine of the organization. Once there is an office or person responsible, guidelines can be introduced to serve the needs of the particular procedures that are most appropriate as the environmental system takes hold.

## 2. Salient Characteristics of CABEI

CABEI currently faces a serious financial situation that has forced it to seek resources from outside the region and to reorganize its current and future portfolio. On the one hand, this means that CABEI is unusually eager to comply with the policies of organizations prepared to provide funds.

On the other, CABEI is under considerable strain and cannot easily allocate its scarce managerial and operating resources to reforms or activities that do not immediately improve its financial position. CABEI's predicament has resulted in a reorganization that has yet to be properly tested. It has also involved considerable reduction in staff and this has apparently required some sharing in responsibilities between departments that would correctly be separate. In other words, although CABEI staff members are clear about the organization and structure on paper, there is some sense of it not really having taken shape yet.

Another important point is that, depending on the success of current efforts to attract fresh resources, the traditional emphasis on funding infrastructure projects may give way to more private sector funding, in part through intermediate credit institutions -- areas of funding of which the bank has less experience. How that turns out will be an important factor for how the technical staff cope with new priorities and policy objectives.

CABEI's organizational structure and division of responsibility for the stages of the project cycle is, on the face of it, less complex than large development banks. The stages of the cycle correspond to separate departments, without the complication of sectoral or geographical divisions cross-cutting the organization.

The Division de Planificacion (DIPLAN) is responsible for analyzing the economic development needs of the region and defining the overall program of the Bank, and specifically the Medium Term Plan for its operations. There is also a planning coordination committee which determines the funding priorities and approves the individual sectoral programs to be developed and executed.

The Gerencia de Promocion y Estudios (GPE), following this stage is responsible for carrying out sectoral studies, and studies of sub-sector and specific activities, in order to develop the individual funding programs. These programs set out the bank's strategy for providing finance to each sector. They include an analysis of the relevant policy issues, the constraints and opportunities and the criteria for selecting projects. These criteria include the type of project activity, size, nature of the beneficiary

and appropriate method of financing. Finally the program includes a selection of appropriate project proposals for the program in question.

This same department then identifies a pool of project proposals for the programs -- the "promotion" process. In part, this is accomplished by reviewing project proposals submitted to the Bank by potential borrowers and in part, by stimulating a supply of project proposals that match the funding priorities set out for the programs. On the basis of preliminary information equivalent to a prefeasibility study, either submitted to CABEI or obtained directly by CABEI, this department finally determines "eligibility" of projects, thus regulating the supply of projects to be fully analyzed for financing. It is through this department that CABEI and the potential borrower have their first contact about a specific project.

The Departamento de Analisis de Proyectos (ANAP) is responsible for the next step. It provides the borrower with guidelines for feasibility studies that specify the information required to carry out the formal appraisal of the technical, financial, economic and social aspects of the project on which the approval of the loan depends. Once the borrower has furnished this information to the satisfaction of the department, the department prepares a loan appraisal report or "dictamen" following its own internal guidelines. The conclusion of that report is a recommendation to the credit committee and board of directors on whether to approve the loan, based on its projected internal rate of return and other indicators, and a set of conditions or requirements to be included in the loan agreement that govern the implementation of the project.

Once the loan is approved, the Gerencia de Operaciones (GOP), Area de Supervision de Proyectos is responsible for implementation and monitoring the process. This involves the translation of the "dictamen" into specific contractual agreements and organizing the supervision of construction, monitoring the financial arrangements and compliance with the technical responsibilities conditional on the loan.

This description of the project cycle is somewhat simplified but captures the main divisions of responsibilities that govern CABEI's operation. It is also more clear-cut in theory than in practice. Furthermore, it is in a sense a system waiting to become operational, since it is the product of a reorganization that is part of the effort to attract more resources. At present, there are hardly any projects going through the system.

CABEI has had little or no experience in environmental planning and management. In 1983, a staff member of what was then the Gerencia de Programacion y Promocion prepared a proposal for a program of lending for environmental protection in Central America, but this never got off the ground, partly because of the financial crunch and partly owing to lack of enthusiasm at a senior level.

In addition, the Program for Social Development which was prepared in 1982 placed significant emphasis on environmental issues, and even included a sub-program for environmental protection projects. The program document includes general guidelines for the preparation and selection of projects for use at the eligibility, feasibility and approval stages. These guidelines require that the project should be environmentally sound.

There is a section giving guidance on how to determine if a project is environmentally sound, indicating the typical environmental factors that should be taken into account for different sub-programs.\* Although these guidelines seem quite comprehensive and well-prepared, they have not been put into practice, partly on account of the financial problems, but also because there is no one in the bank who has responsibility for ensuring that they are used.

Within the project cycle, environmental factors are mentioned very sparingly in the various documentation. For instance, the "Sistema de Financiamiento y Gestion por Programas" cites environmental protection as a program that would require special efforts to promote. Also, the "Instructivo del Programa de Preinversion" specifies that environmental effects, potential impact and environmental protection measures should be included in the terms of reference for pre-feasibility, feasibility and final design documents. Finally, the "Guia para la Presentacion de Solicitudes de Prestamos" issued by the Departamento de Analisis de Proyectos to borrowers do, for some sectors, contain the requirement that the borrower submit information on the environmental effects. However, these guidelines are new and have yet to be put into operation. CABEI has in the past financed a few environmental management projects, such as a project for soil conservation and reforestation in Nicaragua in 1980.

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\*Attached to this report.

As mentioned above, the circumstances facing CABEI at present are somewhat unusual. On the one hand, this may provide an incentive to meet the policy conditions asked by potential donors such as USAID and an opportunity of incorporating new procedures as fresh funding programs get underway.

On the other hand, the political and financial constraints within the region may not permit a long-term view of the benefits of improved environmental planning. CABEI staff members do not seem to oppose the idea of enhancing their environmental planning capability, but their enthusiasm is muted.

Clearly, the offer of technical assistance and training will provide an additional incentive, as will some emphasis on the need to match the policies of other sources of finance such as the World Bank and IDB if they hope to obtain funds.

### 3. An Environmental Planning System for CABEI

Below I shall propose the essential elements of an environmental planning system for CABEI -- composed of the locus of environmental responsibility, the appropriate procedures governing the project cycle, and the guidelines needed for different tasks or decision points in the project cycle. In addition, I propose a program for putting this system into operation that includes staffing, technical assistance and training, depending on the external resources available, the support that CABEI demonstrates for implementation and the ease with which the different steps can be accommodated into the routine of the bank.

As I mentioned earlier, the important task is to get the process started and to maintain some momentum in the early stages. It is easy enough to describe an environmental policy system in terms of the allocation of responsibility within the organization or as an articulated set of guidelines or design criteria. However, the experience of other development banks and development assistance agencies would suggest that the critical factor is to initiate the process, by appointing an environmental specialist or testing a new procedure in relation to a particular program. Inevitably, the system can only be implemented step-by-step and is likely to adapt to the requirements and incentives facing the organization. It would be naive to ignore the fact that environmental analysis does, in an institutional setting, conflict with certain financial and operational objectives.

The following are a set of recommendations for the various elements of an environmental planning system which, it is hoped, constitute a practical combination that is realistic for CABEI to adopt.

1) A Focal Point for Environmental Responsibility and Accountability

It is essential that the responsibility and accountability for implementing an environmental planning system and managing the use of the proposed guidelines is eventually located somewhere specific in the organization. The question of where exactly this focal point will be when CABEI takes over the responsibility of managing the environmental planning system should not necessarily be decided immediately. There is no obvious location at a level that oversees

the project cycle, except perhaps the Division de Planificacion. There is likely to be some rivalry between GPE and ANAP as to the final responsibility, and even though it might be appropriate for one of these departments to take overall responsibility eventually, it would not be desirable to initiate the system in this way, as the prospects of a well coordinated approach would be reduced.

In the case of CABEI, the organizational structure corresponds closely to the sequence of steps in the project cycle, with one department handing a project on to the next. Thus, the choice of locus should respond to the importance of the decision points in influencing the design and implementation of projects, keeping in mind the need to coordinate the application of environmental planning from one step to another. The Area of Planificacion Economica analyzes the economic development needs of the region, and could develop an orientation towards the major environmental and natural resources issues and especially the interactions between sectors that affect the use or management of resource systems. The Gerencia de Promocion y Estudios plays a key role in preparing the individual sectoral programs, specifying the criteria by which projects shall be eligible for funding under those programs, selecting the pool of possible projects and deciding on whether they are eligible. Clearly, if there is to be an effective system for ensuring that funding programs are sensitive to potential environmental problems, it must incorporate the early stages of the project cycle. In addition to defining the criteria for eligibility for the sectoral

programs, this Gerencia is the first contact point with the borrowers, and is likely to play an increasingly important role in stimulating project proposals. Thus, it can easily direct the attention of prospective borrowers to environmental issues and can require them to submit some initial information with their project proposals.

The Departamento de Analisis de Proyectos is responsible for making sure that the borrower provides a suitable feasibility study and for the formal project appraisal leading up to the "dictamen" with its recommendations.

So, in the event of a likely environmental problem it will have to prepare terms of reference for the borrowers feasibility study and to analyze the results in relation to the financial, economic and administrative elements of the loan. It will be carrying out the bulk of any environmental analysis that the bank undertakes.

During the period of technical assistance and training that is proposed below, approximately 2 years, I recommend that the environmental advisor be initially attached to GPE and eventually move over to ANAP, having secured some mechanism whereby the two departments coordinate their responsibilities. Put simply, this means that GPE should take on the responsibility of incorporating environmental considerations into program preparation and project identification, making sure that the initial information provided by

prospective borrowers allows a preliminary determination of whether further environmental analysis will be needed. If it is needed, GPE should indicate this to ANAP. Once the environmental advisor's efforts shift to ANAP, and efforts are under way to provide training of a counterpart to take over the post, then CABEI should decide, in conjunction with the advisor, where final responsibility for environmental planning should be located after the period of technical assistance and training is over.

Judging from discussions with CABEI staff, I think that ANAP will expect to assume responsibility for the post. This would be satisfactory, provided the initiation of the system has succeeded in installing appropriate procedures within GPE and an effective mechanism for coordination between the two departments has been established.

2) Procedures for Environmental Planning

Defining the appropriate procedures for environmental planning essentially follows from the sequence of actions and decisions in the project cycle, and consequently the departmental divisions.

Ultimately, it would be desirable to have a system of procedures governing the following steps:

o The preparation of individual funding programs

The programs for the specific sectors should embody some

analysis of the environmental issues relevant to each sector, and the typical interactions with other development sectors concerning the use or management of natural resources. The criteria for determining eligibility should include the initial information on potential environmental problems that the borrower should provide, the environmental management objectives that are most crucial for the program; and their financial and economic implications.

o Project identification and "eligibility"

The Gerencia de Promocion y Estudios should specify the initial information the borrower should supply to CABEI about the environmental implications of a project proposal. The issues that are highlighted should follow from the particular environmental problems or criteria set out in the program document. Then, when determining "eligibility", the Gerencia should decide whether a project warrants further environmental analysis during the feasibility study, and if so, should notify the Departamento de Analisis de Proyectos.

o The preparation of a feasibility study

The Departamento de Analisis de Proyectos should ensure that the terms of reference for preparing a feasibility study by the borrower specify the appropriate environmental analysis, particularly in response to any issues identified in the previous stage.

o "Dictamen"

The "Dictamen" should always report on the environmental implications of a project, either to confirm that no problems were identified earlier in the process or to account for decisions taken about how to deal with anticipated problems. It should include the results of any environmental analysis carried out during the feasibility study, including the significance of predicted environmental effects in relation to other development activities and the surrounding resource systems. The dictamen should also include the recommendations for environmental management or monitoring, and the financial and economic costs and benefits of these measures incorporated into the analysis.

o The supervision of the project

The environmental components of the project, as specified in the loan agreement, should, of course, be supervised in order to ensure effective implementation. In some cases, a program for environmental monitoring or reporting on environmental management measures should be included in the arrangements for project implementation.

3) Appropriate Technical Guidance in Support of Environmental Procedures

The selection and preparation of guidelines for environmental planning should be tailored to the procedures or tasks suggested above and the departments responsible for carrying them out.

The principle underlying the use of guidelines is that they should embody formats, routines, methods and technical information that is needed to carry out a specific task systematically. But it is unrealistic to expect guidelines, however carefully prepared, actually to solve environmental problems or to ensure that individual projects are environmentally sound. It is feasible for guidelines to contain standards or technical criteria in the case of some special cases, where the environmental problem and means of protection do not vary from case to case. But this is rare. More often, guidelines provide the framework for the responsible actors to carry out environmental analysis and make judgements about how to ensure that an investment does not cause unnecessary environmental damage or conflict with other sectors over the use of resources. To the extent that CABEI adopts the procedures suggested above it would be desirable to support their use with the following technical guidance.

o Programs

Two forms of guidance would be appropriate for use in preparing the sectoral programs. One would establish an analytical frame for identifying the interactions between development sectors and the resource systems that support them. Conceptually, this could take the form of a matrix that represents the typical pattern of interactions, accompanied by explanatory text, which would help those preparing a program to determine which are the

critical environmental factors. The other form of guidance would provide more detailed summaries of the typical environmental problems, that occur in each sector, such as agriculture, forestry, transport, industry and so on.

Many of these are already available, and could be adapted for CABEI's specific purposes (See Annex).

Ideally, the preparation of the individual programs could eventually embody the content of these guidelines making them redundant as separate entities. In other words, the program for each sector should encompass the interactions with other sectors in relation to the use of natural resources, and should and how these problems can be managed.

o Project identification and "elegibility"

The most appropriate form of guidance at this stage would be a set of checklists, referring to the project types identified in the programs, that specify briefly the information that the borrowers should submit to CABEI with the initial project proposal.\* When the project is initiated by CABEI, the function would be to guide the "promocion" mission. The objective would be to persuade the borrower to pay attention to the possible

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\*See Annex for an example of a list of projects requiring preliminary environmental screening and framework for providing information prepared for the FAO.

environmental effects and interactions at the earliest opportunity and to allow the Gerencia de Promocion y Estudios to make a preliminary review of the environmental implications of a project proposal. (The Asian Development Bank uses checklists in this fashion -- normally for project identification missions to report back to the environmental office.)

o Feasibility study

The Departamento de Analisis de Proyectos should be equipped with two sorts of guidance to ensure that the environmental factors are adequately integrated into the feasibility study. One would be best integrated into the existing "guia" in the shape of a format for organizing the environmental section of the feasibility study -- in other words, the environmental section of the terms of reference for the feasibility study. For example, the World Bank has prepared draft terms of reference for the environmental studies of types of projects, and the Inter-American Development Bank has prepared more detailed guidelines for how to report on the environmental effects of a project.

The other form of guidance needed, in order to instruct the borrower on its consultants on how to conduct an environmental analysis, is a manual that provides an appropriate methodology for predicting what the environmental effects and interactions will be, how significant they are in relation to the expected

benefits and what are the most suitable measures for management. There are several good examples of this such as USAID's "Environmental Design Considerations for Rural Development Projects", and UNEP's "Guidelines for Assessing Industrial Environmental Impact and Environmental Criteria for the Siting of Industry."

o Dictamen

An important aspect of incorporating the results of an environmental analysis into the dictamen is how to translate the expected environmental effects into economic values and how to determine the costs and benefits of environmental management measures. For this purpose, there should be some internal guidelines or the economic valuation of environmental changes in the context of conventional financial and economic appraisal. These guidelines could easily be derived from one of several good texts on the subject, for instance, Hufschmidt et al., Environment, Natural Systems and Development: An Economic Valuation Guide, Johns Hopkins University Press, 1983.

o Criteria

It would also be convenient for the preparation of the dictamen, if there were specific environmental criteria governing certain activities or materials. As a general principle, design criteria or standards should be used with caution, because there are few activities whose environmental effects, significance and

levels of control do not vary from case-to-case, without regard for the local circumstances or financial situation. However, it is conceivable, and desirable, that environmental standards or design criteria be developed for inclusion in the dictamen for the use of pesticides, certain industries and, in the form of standardized procedures for analysis and reporting, for lending to intermediate credit institutions. The World Bank Environmental Guidelines for industrial processes and materials, Pesticide Guidelines and various other standards issued by international organizations such as the WHO would be a good starting point. Also USAID has had a policy of developing design criteria for certain types of projects which would be a valuable source of experience. In addition, it would be useful to prepare guidance on the financial and practical implications of different environmental components or conditions to assist in incorporating environmental measures into loan agreements.

o Supervisions

If appropriate, the supervision staff should have at their disposal some guidelines on environmental management and monitoring that specify the variables and methods that are relevant to managing specific environmental problems. Mostly the task of supervision will follow whatever conditions and activities are included in the loan agreement.

#### 4. Technical Assistance and Training: Option 1

The keystone to providing technical assistance for establishing an environmental planning system is appointing an environmental advisor to CABEI in order to initiate the process and prepare CABEI for taking over responsibility for an environmental focal point. An environmental advisor would be supported by additional short-term technical assistance and training activities. Below I specify the full package that would be desirable indicating the appropriate scope of work, sequence of tasks, counterpart actions and requirements, supporting activities and costs:

##### 1) Environmental Adviser

An environmental planning and management expert should be appointed to CABEI to establish an environmental focal point and initiate the system of procedures and guidelines. ROCAP support of the post should be phased out eventually and CABEI should assume the costs at a point where the start-up effort has been completed. Full support for this post should be provided for one year and 1/2 support for another year to encourage CABEI to take up responsibility. Initially the post should be attached to the Gerencia de Promocion y Estudios (GPE) to coincide with the program preparation and project eligibility phases of CABEI's operations. Once that phase is initiated, the activities of the post should be shifted to the Departamento de Analisis de Proyectos (ANAP) to develop the environmental planning capability during the project appraisal phase. Before CABEI assumes responsibility for an environmental

planning system, CABEI should identify a locus of responsibility and accountability that is appropriate for routine operation and can accomplish the necessary coordination between the two main departments. It would be expected that staff members in both departments be accountable to the environmental focal point.

The scope of work for the past should be as follows:

- o to introduce the system of environmental procedures into CABEI's project cycle, starting with the program preparation, promotion and eligibility phases, and subsequently the feasibility, dictamen, loan approval and supervision phases;
- o to design and incorporate appropriate technical guidance in support of these procedures making use of existing guidelines from other development agencies as appropriate or preparing specific inputs for CABEI guidelines and documents;
- o to manage CABEI's participation in establishing the environmental planning system in terms of counterpart selection and guidance and of securing the necessary commitments and actions by CABEI;
- o to identify and coordinate the specific short-term technical assistance and training activities for GPE and ANAP in response to the programs and projects that are given funding priority;

- o to carry out specific studies and activities to contribute to CABEI's program preparation, project identification, and project analysis as required to initiate the environmental planning system, and to provide ad-hoc environmental planning guidance to CABEI borrowers;
- o to introduce the environmental planning system concepts and methodology to the Division de Planificacion;
- o to promote the further development of a funding program for environmental protection and management and to assist CABEI in identifying possible funding sources outside the region;
- o to carry out environmental assessment and management activities required in the course of projects to be funded under ROCAP project.

<u>Cost:</u>	1 + (1x1/2) man-years	\$180,000
	Budget for travel, guidelines preparation, technical literature, ad-hoc technical assistance for CABEI borrowers and promotion of CABEI environmental protection program	<u>50,000</u>
	Sub-Total	\$230,000

2) Support

In support of the work of the environmental advisor, the technical assistance package should also include short-term consultancies for the following activities:



- o a general seminar for senior CABEI management and department heads covering the following topics:

- Regional environmental issues and trends
- Implications of environmental issues for the regional economy
- Prominent development sector interactions that affect natural resource management
- Case-studies of projects that cause environmental damages and their economic costs
- Case-studies of projects that incorporate environmental protection and management with financial and economic implications
- General methodology for environmental planning and management

Cost: 2 man-months of preparation \$20,000  
and 3 man-weeks to run the seminar

- o Short-term training programs for GPE and ANAP staff, preferably making use of regional resources and institutions covering:

- sectoral environmental issues and interactions relevant to the region
- environmental analysis and management of projects

Cost: \$30,000

- o Study tour and temporary secondment for CABEI counterpart environmental advisor and possibly one technical staff member from GPE and ANAP to other international development agencies with experience in environmental planning and management (e.g. OAS, IBRD, ADB, USAID)

Cost:	<u>\$20,000</u>
Total Cost	\$360,000

4) Phasing of package of technical assistance and CABEI benchmark activities

In order to facilitate the implementation of this package of technical assistance and training and to secure the commitment and counterpart actions of CABEI, the package should be organized in four phases, as follows:

o Phase 1: 3 months

Start-up of technical assistance. This should be contingent on CABEI adopting a suitable statement of environmental policy, such as the intent to sign the Declaration of Environmental Policies and Procedures Relating to Economic Development.

ROCAP would provide environmental advisor and the first main task would be to design appropriate procedures and guidelines governing the program preparation, "promocion", and eligibility phase, i.e. the responsibilities of GPE. During this phase, the general seminar for CABEI management should be organized.

The benchmark activity marking the end of this phase would be the adoption of the procedures and guidelines by GPE.

o Phase 2: 6 months

The environmental advisor's second main task would be to initiate the environmental procedures and guidelines within the work of the GPE. Included in this phase would be the deployment of a short-term consultancy and training program to transfer expertise to GPE. The advisor would participate in program preparation, "promocion", missions and eligibility decisions.

During this phase, CABEI would need to provide counterpart staff members for participation, in conjunction with the appropriate funding program and "promocion" activities that are chosen as a means of initiating this part of the system.

It would also be necessary during this phase for ROCAP and CABEI to agree on the mechanism whereby CABEI will take over responsibility for the environmental focal point, and put forward a counterpart staff member to receive training and to play a role in the completion of the technical assistance and training. It would also be desirable for CABEI to agree on the mechanism for coordinating the responsibility and accountability for the eventual operation of an environmental planning system between GPE and ANAP.

Once this is agreed, the environmental advisor should transfer the focus of the technical assistance and training to ANAP.

o Phase 3: 6 months

The next task of the environmental advisor is to design the appropriate procedures and guidelines for ANAP covering the management of the feasibility study, the project analysis, dictamen and loan approval.

During this phase, several short-term consultancies and an ANAP staff training exercise should be deployed in order to transfer the appropriate expertise to ANAP.

The benchmark CABEI action for proceeding to the next phase would be the adoption by ANAP of the procedures and guidelines, and agreement to apply them to projects that are "flagged" by GPE.

o Phase 4: 9 months

The final phase would combine the tasks of applying the environmental procedures and guidelines within ANAP, ensuring the overall coordination of the environmental planning system including DIPLAN and the supervision staff in GOP, and preparing for CABEI to take over responsibility for the environmental focal point.

During this phase there would be some specific consultancy activities in support of the environmental analysis of individual projects in conjunction with ANAP staff. Also the

training activities for the counterpart environmental advisor and possibly key staff members from GPE and ANAP would be concluded.

The remainder of the time during this phase should be devoted to general supervision and application of the environmental planning system, promoting a funding program for environmental protection and management and assisting CABEI in attracting funds for this program from other donors.

The benchmark action for the conclusion of the package of technical assistance and training would be the successful agreement between ROCAP and CABEI as to the mechanism for taking over responsibility for the environmental focal point and the coordination of responsibility between GPE and ANAP.

The phasing described above depends in part on the speed with which CABEI obtains fresh funds, develops appropriate programs and project lists and starts to process loan applications. Obviously, the implementation of the technical assistance and training program should stay in step, as the environmental procedures and guidelines can best be initiated as the programs and projects are re-started.

5) CABEI counterpart requirements and estimated staff-time commitments

Without doubt, this package of training and technical assistance will require significant participation on the part of CABEI and is

intended to result in CABEI taking over responsibility for the environmental focal point. The key components of this will be as follows:

- o CABEI support of 1/2 of the cost of the environmental advisor during the second year

<u>Cost</u>	\$60,000
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- o Participation of CABEI environmental advisor counterpart and training, in preparation for taking over responsibility for environmental focal point: 6 man-months

- o Participation of key staff from GPE and ANAP in training and consultancy activities designed to transfer expertise:  
6 man-months

- o Participation of senior CABEI staff in general seminar on environmental planning and management: 1.5 man-months

6) Additional activities in support of an environmental planning system within CABEI

- o A senior CABEI official, perhaps Fernando Garcia, should be invited to attend CIDIE meeting, hosted by OAS in Washington, DC at beginning of June, 1985, with observer status or as part of the USAID delegation.

- o OAS should be approached to see whether it can provide any technical assistance in support of these activities or can provide appropriate training.
- o CABEI should be encouraged to promote environmental planning and management as a sector, in the hope of finding a role as the regional institution that can coordinate donor response to the regional environmental problems as identified in the USAID Regional Environmental Profile for Central America. The IDB, EEC and various bilateral donors should be approached.

5. Technical Assistance and Training: Option 2

It is possible that the program of technical assistance and training proposed here will exceed the level of resources that are available. If this is the case, it will be necessary to scale down the program or to obtain resources from other funding sources to supplement what ROCAP can provide.

Below I suggest a more modest option:

1) Environmental advisor

ROCAP's support should be reduced to 12 months over an 18-month period, with a proportionally smaller budget for travel, guidelines preparation and ad-hoc technical assistance.

<u>Cost</u>	1 man-year	\$120,000
	budget	35,000

It might be possible to attract some additional funds for maintaining the environmental advisor in position for 2 years, assuming that CABEI can still provide support for 6 months, from another agency. The PAS, CIDA or a European donor might consider this an appropriate way to allocate some of their funds ear-marked for environmental and natural resources technical assistance.

Of all the components of the program, the environmental advisor is the most indispensable, even though it is the most costly. Every effort should be made to find the funds needed.

2) Short-term consultancies

The environmental advisor could assume more of the responsibility for transferring specific expertise to the GPE and ANAP staff members and managing the process of building environmental factors into program preparation and project appraisal. In addition, CABEI could be expected to absorb some of these costs or to pass them on to their borrowers, as they would for other aspects of program and project work. The priorities for short-term consultancies should be specific environmental control expertise in areas such as pesticides, industrial pollution and soil conservation and the resource economist.

<u>Cost</u>	3 man-months, including	\$30,000
	travel and subsistence	

Additional resources might be available for this kind of technical assistance through the United Nations Environment Programme, or the appropriate UN Specialized Organization, e.g. FAO, UNIDO, WHO. The UNEP "Clearing House Facility" might be an appropriate channel.

3) Training

The program of training suggested in Option 1 could be trimmed as follows:

- o the environmental advisor could undertake the general seminar with the assistance of one man-month of consultancy

Cost \$8,000

- o The training activities for sectoral environmental issues and environmental analysis of projects could be combined.

Cost \$15,000

- o The study tour could be limited to one counterpart staff member from CABEI.

Cost \$10,000

The total cost of Option 2 would be: \$218,000

If the period of time for the technical assistance and training program is shortened to 18 months, the phasing of the program should be as follows:

Phase 1	3 months
Phase 2	4 months
Phase 3	4 months
Phase 4	7 months

**List of CABEI Staff Members Interviewed**

Fernando Garcia, advisor to the Executive President

**Gerencia Financiera**

Mario Alberty  
Jorge Kawas  
Oscar Borjas

**Division de Planificacion**

F. Jemenez  
Luis Fuentes

**Gerencia de Promocion y Estudios**

Miguel Leyva  
Roger Ortega  
Cynthia de Toro

**Departamento de Analisis de Proyectos**

Orlando Castro  
Sr. Rodesno

**Gerencia de Operaciones**

Eduardo Barahona  
Ricardo Morales de Leon

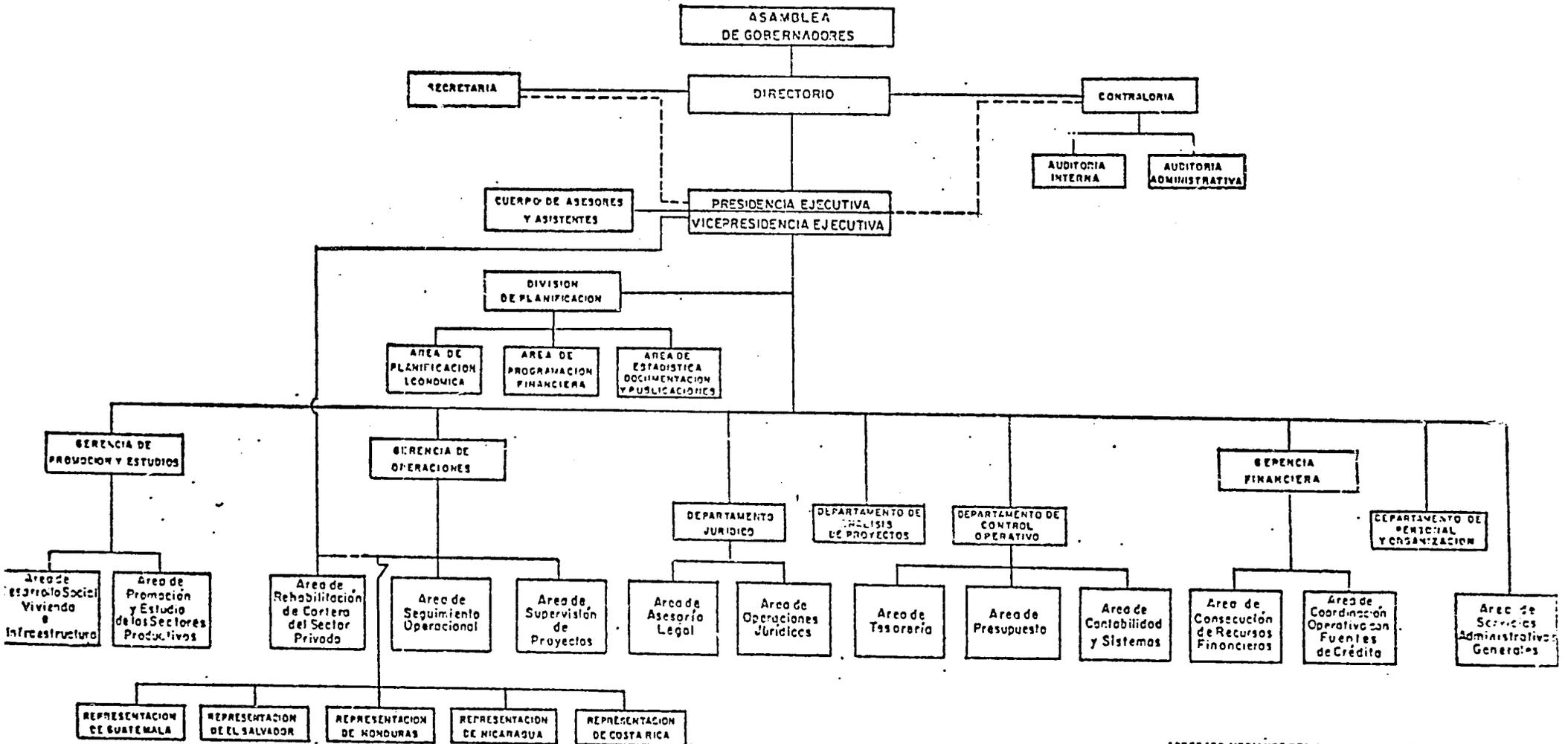
## Annexes

The following items are attached

- i) An example of a list of project categories that would require preliminary environmental analysis and format for guidelines for project categories (as proposed to FAO)
- ii) Recommendations on Sector Policy Guidelines
- iii) Organizational Structure of CABEI
- iv) Table of Contents for "Elementos Para Una Guia de Evaluacion y Seleccion de Proyectos de Desarrollo Social"
- v) Chapter on "La Evaluacion de la Compatibilidad Ambiental"
- vi) "Environmental Guidelines Survey": Joint Environmental Service of IIED and IUCN, 1983.
- vii) "Status and Application of Environmental Impact Assessment for Development", Conservation for Development Centre, IUCN, 1984.

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# SCIE GRAFICA GENERAL DE ORGANIZACION



APROBADO MEDIANTE RESOLUCION DE DIRECTORIO  
Nº DI-40/84 DE FECHA 17 DE JULIO DE 1984  
Y MODIFICADO POR ACU-82/84

DIVISION DE PLANIFICACION

GERENCIA DE PROMOCION Y ESTUDIOS

DEPARTAMENTO DE ANALISIS DE PROYECTOS

GERENCIA DE OPERACIONES

Regional Economic Development Needs → Sectoral Studies → Programs -policies -criteria → Promocion -project identification → Eligibility → Feasibility → Analysis → Dictamen -recomm's → Loan Agreement conditions → Supervision

