



LAC-IEE-04-45

ENVIRONMENTAL THRESHOLD DECISION

Activity Location:	Bolivia
Activity:	Wood Processing Center: Global Development Alliance (GDA) with Tahuamanu S.A.
Activity Number:	TBD
Funding:	\$950,000 FY04 DA: \$500,000 GDA: \$400,000 LAC/ENV: \$50,000
Life of Project:	24 Months (Through FY 2006)
IEE Drafted by:	Ricardo Roca, CTO, USAID/BOLIVIA
Recommended Threshold Decision:	Negative Determination with conditions
Bureau Threshold Decision:	Concur with Recommendation

Comments: A **Negative Determination With Conditions** is issued for the construction of new small scale structures, expansion or re-conditioning of existing structures on site, and the operation of the collection and processing center. Implementation of these activities will adhere to the following conditions:

- Construction activities must comply with USAID LAC Environmental Guidelines for Small Scale Construction.
- To mitigate against potential negative environmental impacts during operation of the facility, an environmental management plan will be developed in accordance with Bolivian. Cleaner Production Activity will assist in the developing of the plan which will be approved by USAID/Bolivia Mission Environment Officer.
- To mitigate against the possibility of increased illegal logging in the service area of the collection center, an important operating policy for the center will be that it

- will only purchase wood from legal and/or certified wood suppliers and concessions.
- Finally, the project implementers will work closely with the BOLFOR II program to ensure that all procurement and processing practices are environmentally sound.

The REA will review implementation of these measures at least once near the end of each fiscal year.

_____ Date _____
 George R. Thompson, P.E.
 Bureau Environmental Officer
 Bureau for Latin America & the Caribbean

Copy to : Director, USAID/Bolivia

Copy to : Barbara Belding, MEO, USAID/Bolivia

Copy to : Morris Israel, USAID/Bolivia

Copy to : Victor Bullen, REA, South America

Copy to : Aler Grubbs, LAC/SAM

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INITIAL ENVIRONMENTAL EXAMINATION

STRATEGIC OBJECTIVE LOCATION: **Bolivia**

ACTIVITY TITLE: Wood Processing Center: Global Development Alliance (GDA) with Tahuamanu S.A.

ACTIVITY NUMBER: **TBD**

LOP FUNDING: \$950,000
 FY04 DA: \$500,000
 GDA: \$400,000
 LAC/ENV: \$50,000

LIFE OF ACTIVITY: 24 Months (Through FY 2006)

IEE DRAFTED BY: Ricardo Roca, CTO, USAID/BOLIVIA

DATE: July 9, 2004

I. Recommended Threshold Decision: Negative Determination with Conditions

II. Activity Description

The Bolivian forestry sector offers tremendous potential to stimulate economic growth and social development in a country suffering through an extended period of economic malaise and socio-political unrest. Conservative estimates indicate that with some targeted and well-conceived interventions in the sector, forestry exports could more than quadruple from about \$150 million annually to over \$600 million annually, while employment in the sector could increase from about 50,000 currently to 80,000. Yet, the barriers to overcoming the sector's historic inefficiencies are tremendous, and include institutional, social, economic and technical limitations. The proposed activity addresses some of these barriers to realizing the potential of the forestry sector, beginning in the Department of Pando in northern Bolivia.

The project contemplates construction of a collection center (*centro de acopio*) and primary processing facility (e.g., drying kilns and sawmills) in Cobija, Pando to fill a gap in the wood productive chain in the region. It directly addresses several impediments to the further development of the sector, including lack of local markets and low local prices for raw timber, which serve as disincentives to invest; high transportation costs to distant processing centers; rampant illegal logging; and the general lack of awareness of the potential of the forestry sector, such as the wider use of lesser known species.

Primary beneficiaries will be forest concessionaires in the region, including several indigenous and community organizations, which will have improved access to markets for their timber. The proposed center will buy timber from concessionaires and provide technical assistance in forest operations. The project will fill an economic void created when rubber tappers left the region in the mid-1980's; it will diversify income sources for the local population, which relies primarily on Brazil nut extraction; and create opportunities for year-round employment (Brazil nut is seasonal).

But the activity also will have national and regional benefits. Sector leaders estimate that five such centers are needed nationally. The proposed public-private alliance will serve as a positive example to stimulate private sector investments in similar projects in other wood producing regions of the country. Moreover, this and similar activities will begin to position the Bolivian forestry sector to take advantage of existing (Andean Trade Preference and Drug Eradication Act - ATPDEA) and upcoming free trade agreements.

This project is a private sector initiative, but the planning and refinement of the concept were developed jointly by the alliance members, and implementation will be a coordinated effort. Members of the alliance are the Grupo Tahuamanu, Fundación PUMA, Amazonian Center for Sustainable Forest Enterprises (CADEFOR), USAID/Bolivia and USAID/LAC/ENV. Together the alliance is committing \$3.775 million for the project, \$2.775 million in cash of which \$950,000 is from USAID, and covered under this IEE

The activity complements several on-going USAID/Bolivia efforts supporting the wood productive chain: it supports IR1 of the Mission's Environment SO ("Forest business practices improved and benefits to local communities increased"), the Economic Growth SO ("Increased income for Bolivia's Poor), and the Economic Growth and Development Goal of the Mission Performance Plan ("Encourage public-private partnerships to increase the quantity of value-added exports and employment, taking advantage of Bolivia's unsurpassed reserves of certified forests").

Description of the Processing Center: The collection and primary processing center will be located on a 10 hectare plot in Cobija, Pando. The site is previously disturbed and, thus, establishment of the center will not require the felling of trees or major land clearing. The center will make use of some existing structures on the site, but will require the construction of several new buildings, including a storage warehouse, office buildings and structures to house the drying and processing equipment. In all, the structures will cover approximately 4000 m² (less than a half hectare). The site is located next to paved road. Thus, additional access road will not be necessary. Also, the site has electrical service, but this service is not sufficient to operate the proposed drying kilns and wood processing machinery. A co-generation facility will be constructed on-site financed by the Dutch Cooperation Agency.

Once operational, the major potential negative environmental impacts are related to the generation of wood waste, and noise and air pollution. The wood waste will be used to

generate energy for the drying kilns and the electric powering plant. The Tahuamanu Group will develop an Environmental Management Plan as part of its Operating Plan that will address issues of air and noise pollution, as well as issues associated with water supply and wastewater stemming from plant operations.

III. Justification for Environmental Determination

As per 22 CFR 216.3(a)(1)(iii), a negative determination is recommended for the construction of new small scale structures, expansion or re-conditioning of existing structures on site, and the operation of the collection and processing center.

Implementation of these activities will adhere to the following conditions:

- Construction activities must comply with USAID LAC Environmental Guidelines for Small Scale Construction.
- To mitigate against potential negative environmental impacts during operation of the facility, an environmental management plan will be developed in accordance with Bolivian. Cleaner Production Activity will assist in the developing of the plan which will be approved by USAID/Bolivia Mission Environment Officer.
- To mitigate against the possibility of increased illegal logging in the service area of the collection center, an important operating policy for the center will be that it will only purchase wood from legal and/or certified wood suppliers and concessions.

IV. Recommendation

Based on the above discussion, it is recommended that the LAC Bureau Environment Officer approve a negative determination with conditions for the construction and operation of the collection and processing center.

Approval:

Barbara Belding
Mission Environmental Officer

Date

Concurrence:

Michael Kaiser
Acting Director USAID/Bolivia

Date

