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LAC-IEE-05-04

ENVIRONMENTAL THRESHOLD DECISION

Country: Haiti

Activity Title: Livelihood Recovery through Microfinance in Flood-Affected Communities in Haiti

Activity Number: _____

Duration: 12 months (through March 2006)

Amount: \$500,000

IEE Prepared by: Danielle Typinski, Acting MEO
USAID/Haiti

Date Prepared: February 12, 2005

Recommended Threshold Decision: Negative Determination

Bureau Threshold Decision: Negative Determination with Conditions is recommended

Comments:

This Threshold Decision covers the Livelihood Recovery through Microfinance in Flood-Affected Communities activity in Haiti through March 2006. A **Negative Determination with Conditions** is issued for the activity. Conditions include:

1. Under this program, USAID funds will not be used to support loans for microbusiness that depend upon the purchase or use of hazardous materials or pesticides, or that pursue

unsustainable intensification of agriculture or the clearing of forests, wetlands, or critical wildlife habitat.”

2. At the sector level, work with microentrepreneurs and their associations to ensure that environmental health and safety standards are proactively addressed and that more environmentally benign technologies and production processes are promoted. As more is learned about environmentally sound procedures, promote their collective use and implementation. A simple idea--promoting vegetable- or flower-based dyes, instead of chemical ones, among artisans--can have a very positive impact.
3. Screen projects for potential environmental impacts and apply mitigation measures from LAC Environmental Guidelines, Chapter 4, Table 4.2 Environmental Impact and Mitigation for Category II Microenterprises, for the indicated sectors as necessary (see attached)
4. Pesticides will not be procured or used in relation to this project or its loans unless a supplemental Initial Environmental Examination is approved for their use according to USAID Environmental Procedures [216.3. (b) Pesticide Procedures analysis conducted]

CTOs are responsible for making sure environmental conditions are met. It is the responsibility of the SO Team to ensure that activity related SOAGs, MAARDs and contracting documents contain specific instructions reflecting this Threshold Decision, including the provision of (and any necessary training in the use of) the indicated LAC Environmental Guidelines for activities that have a Negative Determination with Conditions.

_____ Date _____

Victor H. Bullen
Bureau Environmental Officer
Bureau for Latin America & the Caribbean

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Microenterprise).doc

INITIAL ENVIRONMENTAL EXAMINATION

Project Location: Haiti

Project Title: Livelihood Recovery through Microfinance in Flood-Affected Communities in Haiti

Funding: US \$500,000

Life of Activity: 12 months

IEE Prepared by: Danielle Typinski, Acting MEO
USAID/Haiti

Recommended Threshold Decision: Negative Determination

CONCURRENCE:

Pam Callen, Acting Mission Director
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CLEARANCE:

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Background

Haiti is one of the Caribbean's most disaster-prone countries. In the first nine months of 2004, Haiti suffered two disastrous floods. In May it is estimated that nearly 3,000 people lost their lives in flash floods along the Dominican border at Mapou and Fonds Verrettes. The disastrous floods of mid-September 2004 caused by Tropical Storm Jeanne resulted in over 2,000 deaths and affected an estimated 300,000 people through loss of homes, schools, health facilities, roads, crops, and livelihoods. Although loss of life and property damage was most visible in the city of Gonaives, the surrounding areas of Ennery, Port-de-Paix and Anse Rouge were also affected.

USAID/Haiti seeks to follow up on the U.S. Government's initial emergency support effort for affected areas with extended reconstruction and recovery efforts. The majority of efforts will be implemented under the Mission's \$34.08 million Tropical Storm Recovery Program (TSRP). The Mission will also provide an additional \$2.050 million of assistance for complementary flood response activities in rural areas of Gonaives that are not being targeted under the TSRP. Activities will address restoration of household assets, infrastructure repair, and short-term jobs creation. The three partners to implement this additional assistance are the Interamerican Institute for Cooperation on Agriculture (IICA) (\$650,000), Fonkoze (\$500,000), and Catholic Relief Services (CRS) (\$900,000). This Initial Environmental Examination addresses the activities to be implemented by Fonkoze.

Program Description

Small traders who are mostly women dominate small-scale business activities in both peri-urban and rural areas. Small trading is a dominant economic activity in the Haitian informal sector and provides access via the local market to basic foods and goods in demand by local communities. Traders have been greatly affected by the floods and many are desperate for credit that will allow them to cope with their situations, restart their businesses, and restore income streams.

Fonkoze will disburse loans to more than 2,500 flood-affected clients served by its branches in Gonaives and Port-de-Paix and surrounding areas such as Gros Morve, Pasrenne, Ennery, Nan Bay, Basin Bleu, and Chansolme. These loans will be interest-free, with an extended loan period and no required savings. Fonkoze's intervention consists of four components: new interest-free loans to existing clients in order to re-start businesses; close supervision and technical assistance to clients taking concessionary loans; identification of new clients who can succeed in microcredit; and the development of new products such as home improvement loans.

Some of the activities planned under the Livelihood Recovery through Microfinance program include identifying and organizing clients affected by floods, supervising and monitoring the use of loan monies, identifying and training new clients, and conducting market survey.

Environmental Impact and Mitigation Measures

Certain microenterprise sectors such as appliance and equipment repair, battery repair, manufacture of wood products, and automobile and motorcycle repair can negatively impact the environment through the use of hazardous substances, outdated technologies and improper storage and disposal of materials and waste. Under this program, USAID funds will not be used to support loans for micro businesses that depend upon the purchase and use of hazardous materials or that pursue unsustainable intensification of agriculture or the clearing of forests, wetlands, or critical wildlife habitat.

Monitoring and Reporting

The Economic Growth office will manage this activity. The CTO will be responsible for monitoring this Livelihood Recovery through Microfinance Program to ensure that the microbusinesses supported under this program do not rely upon hazardous products. If the scope of this program expands to incorporate such business activities, Fonkoze must notify USAID of these changes. A separate IEE must be developed prior to their implementation. Support for the clearing of forests, wetlands, and critical wildlife habitat is not permitted under this activity.

Recommendations for Threshold Decision

Given limits on the use of hazardous materials and the prohibition of detrimental land clearing practices under this activity, a *Negative Determination* is recommended for the Livelihood Recovery through Microfinance Program. If the scope of the activity expands to incorporate support for the use of hazardous materials, a separate IEE and determination will be developed.