Where's the Money?

A final feedback and learning session on the USAID toolkit for environmental safeguards budgeting

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By the end of this session…

- ✓ Provided overview of contents of the toolkit
- ✓ Break out exercise to test drive
- ✓ Participated with feedback to inform final draft
- ✓ Have a general understanding of environmental budgeting

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What is environmental budgeting?

Environmental budgeting for international development projects (e.g., food security) is the process of ensuring ***allocation of appropriate funds*** *in the project budget towards* ***implementation of environmental safeguards*** *as systematically analyzed in the project-level environmental impact assessments.*

There are a variety of ways to categorize something as an 'environmental cost', but what matters is the ***transparency and accountability*** *of the process.*

Isn't there just a percentage of the total budget I can apply for all this work??

- ✓No flat rate for all development projects
- ✓Differences in activities, locations, staffing, etc.
- ✓Data collection and analysis over time, will provide budget percentages for different project types

- ✓There is no special initiative fund!
- ✓Allocated though the project's budget

Toolkit Drafting Approach

- ✓ Funding from the Office of Food for Peace (FFP)
- ✓ Coordination and technical expertise from Global Environmental Management Support (GEMS) contract & AAAS Science and Diplomacy Fellow
- ✓ Stakeholder consultation and feedback from:
  - USAID FFP staff, Agency Bureau Environmental Officers
  - 13 FFP PVOs Title II HQ program managers and directors, technical support staff, budget/finance staff, new business development specialists

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What are the objectives of this toolkit?

- ✓ To raise awareness of gaps
- ✓ To share language between environmental and budgeting experts
- ✓ To provide example of a transparent and accountable system of documentation

- ✓ *Higher Level: Enhanced due diligence to support environmental policy implementation and governance*

Main Components of the Toolkit

- Section 1: Introduction
- Section 2: Developing Budgets for Environmental Compliance Requirements.
- Section 3: Reviewing Budgets for Environmental Compliance

- Annex I: USAID Environmental Compliance Basics
- Annex II: Budgeting Basics
- Annex III: Questions to Consider in Identifying Environmental Costs
- Annex IV: Checklist for Reviewing Project Budgets for Environmental Compliance
- Annex V: Example of Developing a Budget for Environmental Compliance Requirements: Road Rehabilitation
- Annex VI: Object Class Categories and Environmental Costs

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Sharing approaches, communicating terminology…

Environmental

Budget

What is an IEE?

The Initial Environmental Examination (IEE) is:

A systematic analysis to identify:

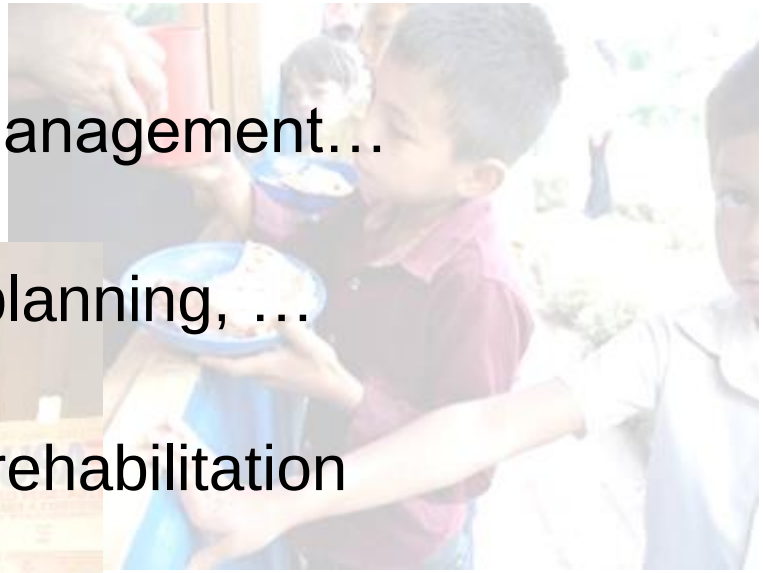
- Potential unintended impacts of projects on the environmental health and natural resources
- Measures to mitigate or reduce severity of these impacts

- ✓ Similar to all major international donors
- ✓ Codified under Foreign Assistance Act, Part 117; 22 CFR 216, and USAID Policy

Environmental Assessment (EA)

- ✓ Increasingly certain FFP infrastructure activities have been triggering an EA
- ✓ Irrigation and Roads
  - ✓ *Proximity to protected areas*
  - ✓ *Multiple use, shared watershed level planning*
- ✓ Requires specialized teams and stakeholder consultation

Role of Pest and Pesticides Management



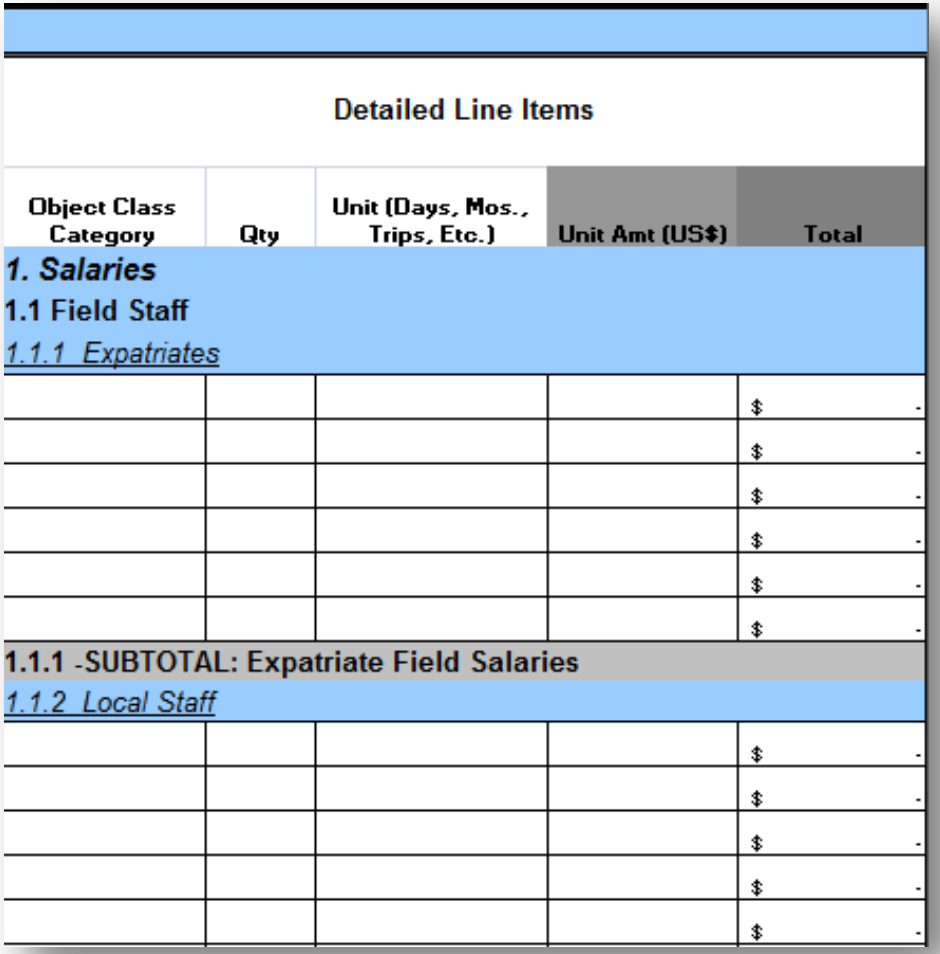
- ✓ Agriculture & natural resource management… pesticides
- ✓ Health, vaccination, and family planning, … pesticides
- ✓ Infrastructure, construction and rehabilitation (buildings, roads), … pesticides
- ✓ Water & sanitation, … pesticides
- ✓ Commodity procurement, Direct food distribution, … pesticides

Basics of FFP Budgeting

Pieces of the budget:

1. Detailed Budget tables for each year of the project
2. Comprehensive Budget table
3. Budget Narrative

Budgets updated every year, and, as required



Detailed Line Items

Object Class Category	Qty	Unit (Days, Mos., Trips, Etc.)	Unit Amt (US$)	Total
1. Salaries				
1.1 Field Staff				
1.1.1 Expatriates				
				$ -
				$ -
				$ -
				$ -
				$ -
				$ -
1.1.1 -SUBTOTAL: Expatriate Field Salaries				
1.1.2 Local Staff				
				$ -
				$ -
				$ -
				$ -
				$ -

Basics of FFP Budgeting

Object Class Category

- Salaries
- Travel & Transport
- Program Supplies

Line Item

- Individual Expatriate Salaries
- Water Quality Testing Kits

Program Element

- Basic Education
- Nutrition
- Agriculture Sector Capacity

Funding Source

- Title II
- CDF(DA)
- 202(e) Funds
- ITSH Funds

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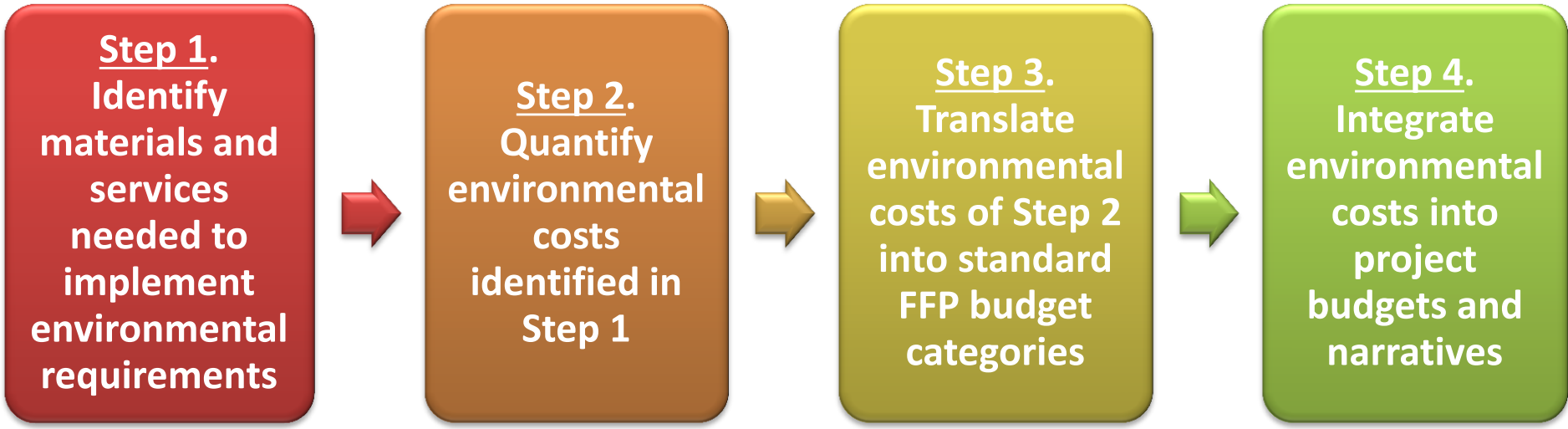
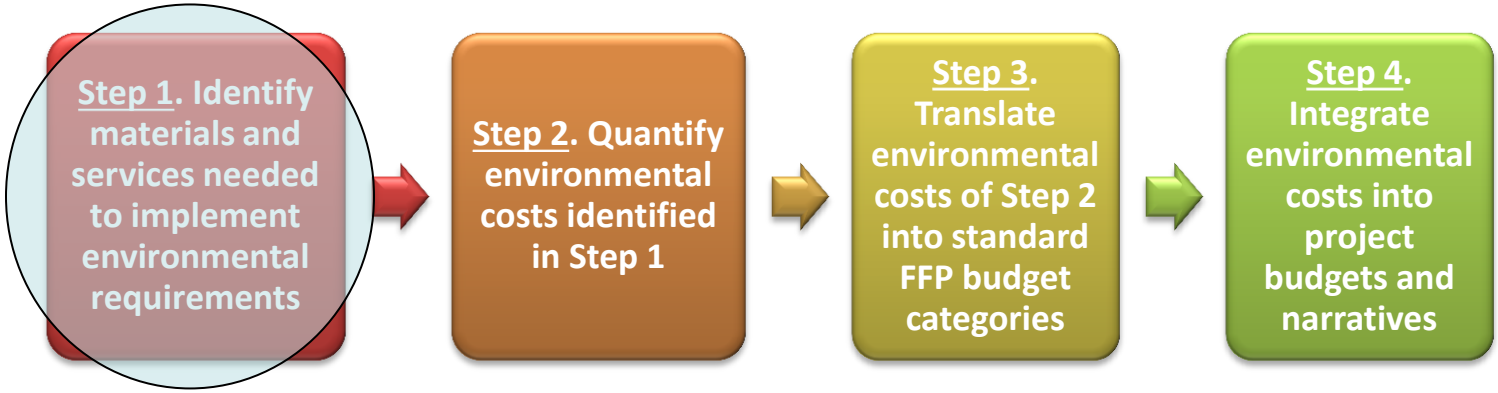
4 Steps for Developing Project Budgets for Environmental Compliance Requirements



Developing an Environmental Budget…

Step 1. Identify materials and services needed to implement environmental requirements



- ✓ The first, and most important step
- ✓ Start with project-specific IEE and any other country-specific assessments,
  - ✓ e.g., Climate Vulnerability Analysis or Biodiversity and Tropical Forestry
- ✓ Annex III: Questions to Consider in Identifying Environmental Costs

Challenges…

- Identifying environmental costs can be challenging due to natural overlap with costs from other individual sectors (e.g., water, agriculture, roads).
  - Is erosion control an “environmental” or “roads” cost?
- Environmental costs need not be stand alone in budget as a separate “line item”
- However, they must be transparent and accountable under USAID budget review
- No one correct method

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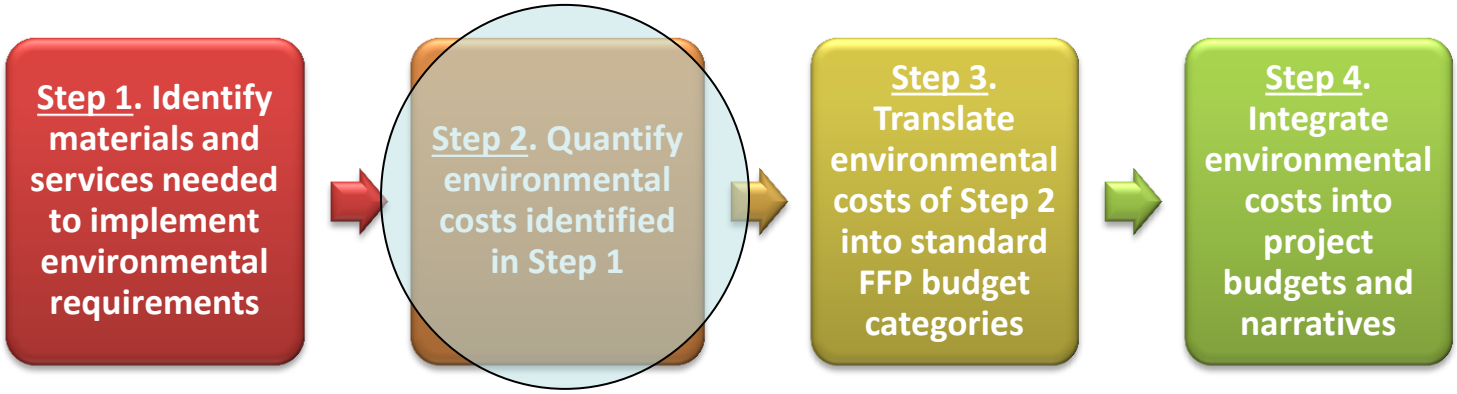
Step 2: Quantify environmental costs



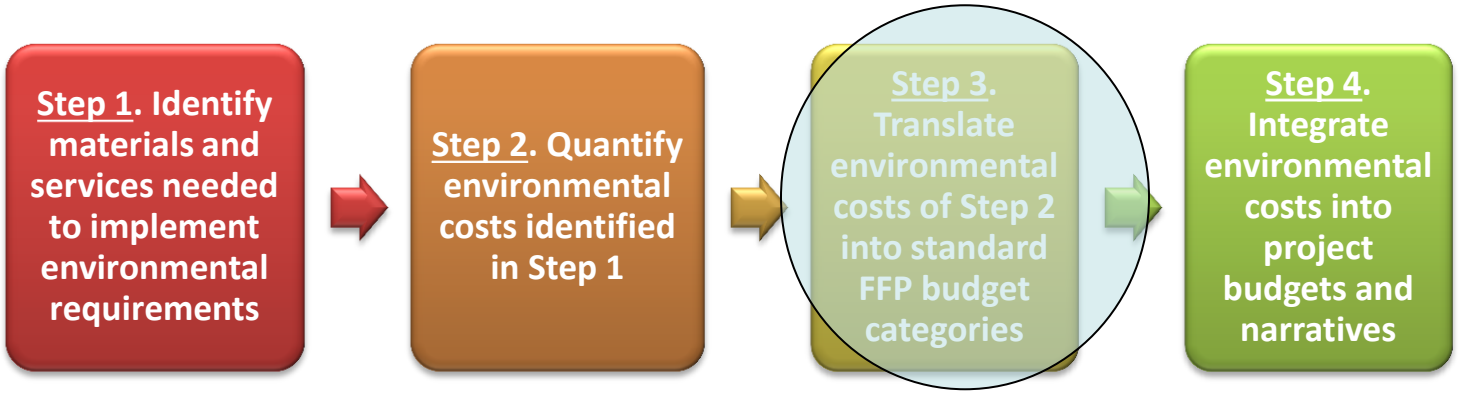
- Quantifying Environmental Costs is Iterative
- Costs will vary based upon country context
- Different projects have varying levels of complexity and potential environmental impact

Trade Offs…

A common concern over tradeoffs can be illustrated by the question of:

- Is it better to build *80 kilometers* of road in a more environmentally sustainable, but more costly manner **OR** *100 kilometers* of road at reduced cost but with more negative environmental impacts?

Step 3: Translate environmental costs into standard FFP budget categories



- Type of project expense or "Object Class Category"
  - Salary, travel, transport
- Type of project activity or "Program Element"
  - From F's Standardized Program Structure (SPS)
  - E.g., Water Supply and Sanitation, Agricultural Sector Capacity

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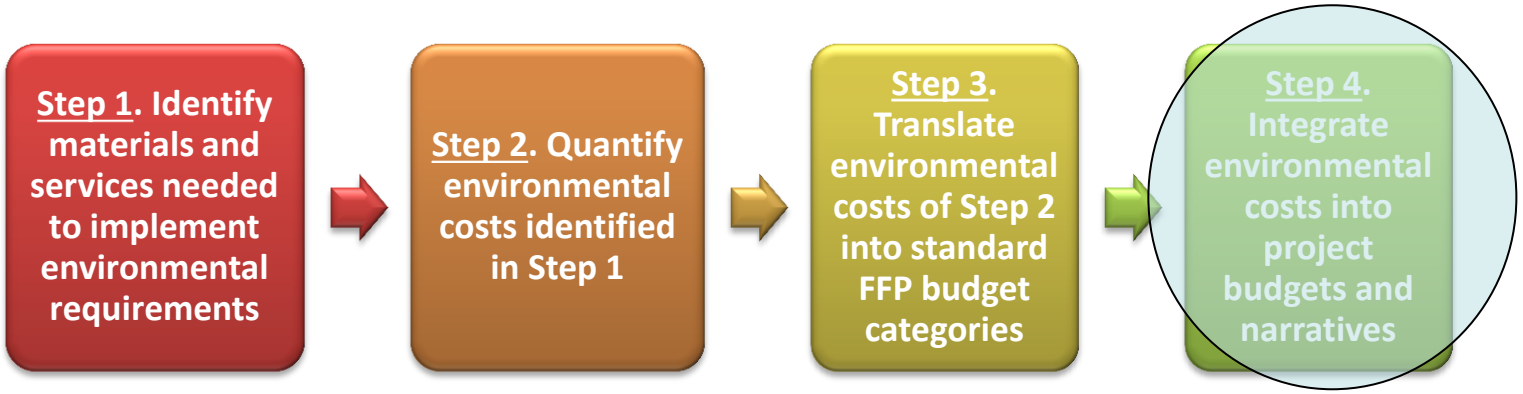
Step 4. Integrate environmental costs into project budgets and narratives



- As stand-alone line items, or integrated line items
  - *Costs as integrated line items must be explained in the Budget Narrative for transparency and accountability*
- Budget documents are dynamic during proposal development
- This last step is critical

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3 Key Steps for Reviewing a Budget

- Review for costs identified in environmental assessments and documentation
  - IEE after FANTA M&E Workshop
  - Environmental Status Report at annual funding request
- Annex IV: *Checklist for Reviewing Project Budgets for Environmental Compliance*

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3 Key Steps for Reviewing a Budget

- Reviewed by USAID Officers, Budget staff, COPs
- Environmental compliance is an applicable cost that must be identified in the budget documents
- Ensure integrated line items are well justified in narrative

So, recap, what is this toolkit? What is it not?

- ✓ This toolkit is not a primary source of information on either environmental compliance or USAID budgeting
- ✓ However, the toolkit will familiarize each discipline with the language and terminology of the other
- ✓ To promote a common understanding for better communication and coordinated planning by USAID and implementing partner staff
- ✓ *Overall, more sustainable project outcomes by implementation of environmental safeguards to support partner country governance*

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Thank you!

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Feedback on environmental budgeting?

→ Contact us!

Exercise Part I: 10 minutes:

Write down the answers to the questions:

Drawing from your own expertise and experience, think of a project that you have supported and write down your first thoughts to answer the following questions:

1. What are common environmental costs (i.e., materials and services) that would need to be budgeted for?
2. When do you need to budget for environmental compliance requirements?
3. Who needs to be engaged in the process of budgeting for environmental compliance requirements?

Exercise Part II: 30 minutes

Independently and with your table, go to the following sections of the toolkit with your answers from the Part I of the exercise.

Annex III: *Questions to Consider in Identifying Environmental Costs*
Annex IV: *Checklist for Reviewing Project Budgets for Environmental Compliance*
Section 1.2: *When to Budget for Environmental Compliance Requirements*
Section 1.3: *Who Should Use this Toolkit*

Discuss as a table:

- Is there anything you thought of based on the toolkit resources that you had not thought of on your own?
- Is there anything in the tools that surprised you? That you disagreed with?
- Is there anything that should be added or modified?