

USAID/FFP Consultation for the Environmental Compliance Budgeting Toolkit

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Reach out directly to Erika Clesceri with any questions on these notes or other DCHA environmental compliance initiatives and tools, as there are numerous being developed in partnership with other bureaus.

Presentation on the Toolkit

(Please see the accompanying PowerPoint presentation for more information on the toolkit.)

Objectives of this toolkit:

- To provide program planners and budget staff with guidance on environmental budgeting
- To provide an example of a transparent and accountable system of documentation
- To enhance due diligence in following the law
- To support more sustainable project outcomes
- To raise awareness of gaps and environmental costs and ensure that environment is added to program planning early enough so there are no surprises during implementation
- To promote understanding, especially on terminology/language, between environmental compliance staff and budget staff

The toolkit is not a primary source on either environmental compliance or USAID budgeting. Rather, the toolkit shares targeted terminology and processes commonly used in each discipline by environmental experts and budget directors. The toolkit is tailored to FFP implementing partners, but can be adapted for other USAID bureaus/offices. Stakeholder consultations were particularly important to the development process. The toolkit may be updated over time based on further input.

Environmental budgeting combines environmental compliance and program budgeting. It does not aim to turn a food program into a biodiversity program, but to help program planners think about the environmental piece, reduce environmental costs, and be aware of our footprint as we implement.

There is no formula or standard across programs for what percentage of a budget should be designated for environmental compliance activities because USAID programs, including FFP projects, are complex and country contexts vary widely. Also, there is no central special initiative or separate pot of money within USAID or FFP to allocate to programs for these activities. The environmental compliance regulation aims for true integration of environmental initiatives allocated through a project's budget.

This Initial Environmental Examination (IEE) is already part of USAID regulations. It provides a technical analysis of potential unintended consequences that stem from a more narrow focus on implementing

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programs and steps to take to reduce those unintended consequences. However, there is an increasing need for more in-depth environmental assessments, in particular related to pesticides, which are more and more seen as a critical component for pest management to meet FFP agriculture productivity objectives, even amongst the poorest of the poor targeted for USAID food assistance. In addition, FFP is taking on larger types of infrastructure programming, like irrigation and roads, which require more in-depth analyses, which in-turn require more specialized teams, all of which costs money.

The toolkit provides one approach to developing budgets that meet environmental compliance requirements. There are four steps for budget development explained in the toolkit.

- **Step 1: Identify materials and services needed to implement environmental requirements**
This is the most important step. Turn to the project-specific IEE and any other country-specific assessments for ideas. The toolkit also contains questions to help identify these costs/needs. This step is challenging because it can be difficult to differentiate between environmental costs and costs associated with other types of programming. However, those two types of costs do not need to be mutually exclusive. It is most important that the designation make sense for those in the field that are implementing and that the process is transparent.
- **Step 2: Quantify environmental costs identified in Step 1**
This step identifies how to put price tags on the needed materials and services. It is an iterative process because needs will evolve over the course of the project, such as changes in currency exchange rates, product costs, and project activities. There will be trade-offs on what to implement when comparing costs versus environmental impact and based on programmatic context, but the baseline will always be “first do no harm on an environmental level.” Again, transparency in the decision-making process is important.
- **Step 3: Translate environmental costs of Step 2 into standard FFP budget categories**
Essentially, classify the types of expenses according to USAID budget terminology.
- **Step 4: Integrate environmental costs into final project budgets and narratives**
This is the second most important step. This step is especially important for transparency in the budgeting process. So, with the high degree of dynamism typically associated with budget development making it is easy to lose momentum and skip this step, it is important to push through the process and complete this step.

There are three steps for reviewing a budget for environmental compliance.

- **Step 1: Cross check the budget narrative with environmental compliance documents**
Remember that projects are required to complete an IEE. The toolkit includes a series of questions to help program planners with this step.
- **Step 2: Compare the Detailed Budget with the Budget Narrative**
The budget might need a standalone line item for environmental compliance, but this also might be too complicated, so a program could integrate environmental compliance into another aspect of the program. Either way, make sure to tag environmental compliance in the detailed budget and budget narrative. Being very clear on environmental compliance activities in the budget narrative will help keep the process transparent.
- **Step 3: Compare budget with prior year budget, if available**

General Feedback on the Toolkit

Overall Positive Comments

- The toolkit is comprehensive, particularly with the lists provided in the annexes.
- The toolkit simplifies complex issues.
- Questions provided are thorough and will help colleagues understand the complexity of budgeting for environmental compliance.
- Participants that identified as either environmental specialists or budget specialists said that the toolkit helped them feel more comfortable with understanding and even carrying out the opposite role.
- Budgets often are tight and there is constant pushback to keep costs down. The toolkit can be an important reference to help explain to budget specialists and program planners why they need to take environmental compliance into account.
- This consultation on using the toolkit was helpful; other consultations/sessions on how to budget proposal elements also would be helpful.

General Suggestions

- Perhaps annexes 3 and 4 could be converted into standalone checklists to be used as worksheets during budgeting.
- Consider whether this is really a toolkit or whether to call it a guide. A toolkit should have more checklists/worksheets.
- Add more checklists/worksheets (e.g., checklists for drafting a budget, checklists for reviewing a budget) because there is a lot of text in the current iteration. Standalone checklists/worksheets would work well, too.
- Add requirements for a water quality assurance plan.
- Look at the monetary and environmental costs of commodity procurement and waste disposal, not just of storage and distribution.
- Include planning and budgeting for environmental costs to the programmatic area that will occur long after the program ends.
- Remember that context matters, e.g., environmental governance rules and regulations can place limits where a segment of road infrastructure can be located in a particular region, highlighting the importance of balancing environmental protection with site-specific challenges like steep slopes, community assets, protected areas, cultural sites, etc.
- Because theories of change might be required in all future program proposals, consider how to add environmental considerations to theory of change planning and costing.

Staff Recruitment and Support

- Organizations need to determine how to enable staff to use the LOE they have allocated to environmental impact work and how to carry out the work.
- More successful implementation models include hiring a dedicated staff member specifically to address environmental impact, convening a virtual working group to support the staff member or

overall project and to solicit ideas from, and other creative approaches like an incentive program to make communities “greener.”

- Create an annex in the toolkit with a standard SOW or TOR as a resource for hiring a dedicated environmental compliance staff person and clarify that projects are not required to hire this person.
- Add example scopes of work (box 7 was a good example; need more of these).

Trade-Offs in Planning and Budgeting

- Include questions on how to help planners choose among trade-offs.
- Remind that trade-offs are sometimes hard to predict and that projects will be faced with various decisions as they progress.
- The toolkit recommends having a dedicated environmental compliance person, which might be too expensive. Instead look at local partner country environmental experts or at hiring someone with slightly less competency whose capacity can be built in-house. The critical piece is for this dedicated staff to have sufficient LOE and access to decision-makers to ensure full implementation.
- Prompt programs to weigh the importance of certain inputs against environmental impact.
- The toolkit could focus not just on the financial implications to the project, but also on the long-term financial impact on the program communities, which will help decide trade-offs.
- Include an index of examples of past trade-offs that programs encountered and how they addressed them (the decision-making process).

Surprising Element: Inclusion of the Fumigation Management Plan (FMP)

- Some did not know that an FMP was a formal initiative, but USAID has been working on measuring fumigation’s environmental and human health impact around the world through the USAID Programmatic Environmental Assessment (PEA) for Phosphine Fumigation of Stored Agricultural Commodity.²
- For warehouses/commodity management specifically, include FMPs in solicitations and the actual awards.
- The FMP was a useful tool to add to the toolkit because many development food assistance programs include commodities.
- FMPs can strengthen the capacity of projects that do not have existing staff expertise in fumigation, help add oversight to projects to make sure they are using the proper fumigants and correctly, and help put an action plan together.
- PVOs should make sure that field-level staff are aware of this initiative and how to implement FMPs. A local stakeholder or staff member should take ownership over the initiative. (The toolkit helps facilitate this.)

² Information on and content of the PEA can be found at <http://www.usaidgems.org/fumigationPEA.htm>.

Feedback on Specific Sections of the Toolkit

Section 1.2

- There are two other opportunities to create or revise budgets: during subcontract development (e.g., fumigation contracts, contracting local universities to collect data) and as needs arise (e.g., the annual review process).
- Include questions to alert planning teams that an unanticipated need to review the budget commonly occurs.

Section 1.3

- Commodity managers need to be included in the list of people consulted for budget planning because they are the ones that understand the logistics of the commodities.

Annex 3

- Under supplies, add a water quality testing question or water quality test kits.
- Perhaps add questions on costs for field visits that could be substantial if sites are far.
- Highlight training needs.
- Address how to get water samples back to a lab, which might be easier than using portable test kits (could add to services or materials).
- Ensure there is enough in the budget for small-scale infrastructure activities or changes, e.g., the environmental review might find that the site is not appropriate, so the planning team might need to use funds to vet site alternatives.
- It is often difficult to segregate costs specifically for environmental management and other project activities. Environmental awareness activities can be added to other sector activities (having just one point person on environment issues is not required).
- A dedicated environmental compliance person should collaborate with the USAID climate change officer.
- Provide the necessary frequency of environmental assessments.
- Explain whether to list environmental compliance costs in the budget as activity costs or separate line items.
- Highlight and address the most challenging gaps that occur from the proposal budget phase to the implementation phase.

Annex 4

- A wording suggestion: The annex says that budget narratives describe the environmental plan, but budget narratives reflect the plan rather than describe it.
- Expand on training needs.
- Budgets need to specify precisely what activities a cost is associated with.