



# OFFICE OF INSPECTOR GENERAL

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## AUDIT OF USAID/EGYPT'S EFFORTS TO MITIGATE ENVIRONMENTAL IMPACT IN ITS PROJECT PORTFOLIO

AUDIT REPORT NO. 6-263-10-005-P  
AUGUST 19, 2010

CAIRO, EGYPT



*Office of Inspector General*

August 19, 2010

**MEMORANDUM**

**TO:** USAID/Egypt Acting Mission Director, Thomas Delaney

**FROM:** Regional Inspector General/Cairo, Jacqueline Bell /s/

**SUBJECT:** Audit of USAID/Egypt's Efforts to Mitigate Environmental Impact in Its Project Portfolio (Report No. 6-263-10-005-P)

This memorandum transmits our final report on the subject audit. In finalizing the report, we carefully considered your comments on the draft audit report and included your comments in their entirety in Appendix II.

The reports contained five recommendations for your action. On the basis of your written comments, we consider that both management decisions and final actions have been taken on all recommendations.

Thank you for the cooperation and courtesy extended to the audit team during this audit.

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# SUMMARY OF RESULTS

Title 22 of the Code of Federal Regulations, Part 216 (22 CFR 216), describes the environmental procedures that USAID must follow on all its programs, projects, and activities. These procedures are designed to ensure environmentally sound design and management of development activities, and to prevent adverse environmental impacts to beneficiaries or other groups resulting from inadequate attention to environmental issues in design and operation. USAID guidance—Automated Directives System (ADS), Chapter 204, “Environmental Procedures”—ensures that the requirements of 22 CFR 216 are included in project design and implementation. ADS 204 requires each team and activity manager or agreement/contracting officer’s technical representative (AOTR/COTR) to plan how they will comply with environmental requirements for each activity and monitor ongoing activities for compliance with approved environmental reviews and documentation.

The environmental review begins with an Initial Environmental Examination of the reasonably foreseeable effects of a proposed action on the environment. The examination’s function is to provide a brief statement of the factual basis for a determination as to whether an Environmental Assessment<sup>1</sup> or an Environmental Impact Statement<sup>2</sup> will be required. A project may have more than one environmental determination. For example, a project with construction activities resulting in an environmental determination requiring mitigation and monitoring may also have activities related to surveying, planning, technical assistance, and training that receive an environmental determination called a categorical exclusion because they require no mitigation (see Appendix IV). The extent of mitigation and monitoring required depends on the determination. The following table shows the types of determinations.

**Environmental Determinations and Conditions<sup>3</sup>**

Determination	Description	Attached Environmental Management Conditions
Categorical Exclusion	One of the classes of activities that pose a low risk of significant adverse environmental impact, and no unusual circumstances exist to contradict this assumption.	None
Negative Determination	The activity is found to pose very low risk of significant environmental impact.	None
Negative Determination with Conditions	The activity poses very low risk of significant environmental impact <i>if</i> specified environmental mitigation and monitoring measures are implemented.	Requires specified mitigation and monitoring measures
Positive Determination	The activity poses substantial risks of significant adverse environmental impacts. The activity cannot proceed until an Environmental Assessment is developed and approved.	Requires implementation of mitigation and monitoring specified by the Environmental Assessment

<sup>1</sup> An Environmental Assessment is a detailed study of the reasonably foreseeable significant effects, both beneficial and adverse, of a proposed action on the environment of a foreign country or countries .

<sup>2</sup> An Environmental Impact Statement is a detailed study of the reasonably foreseeable environmental impacts, both positive and negative, of a proposed USAID action and its reasonable alternatives. It is a specific document having a definite format and content.

<sup>3</sup> USAID Environmental Procedures in Brief, <http://www.encapafrika.org/eptm.htm#download>.

USAID has invested approximately \$2.2 billion in large-scale infrastructure projects in Egypt during the past 25 years. Two infrastructure programs in the water and wastewater sector developed master plans that identified and prioritized critical infrastructure work needed in Egypt. As those programs were completed, USAID obtained funding for construction of some of the small-scale activities identified in the master plans. These small-scale water and wastewater treatment projects comprise the bulk of USAID/Egypt's current infrastructure projects.

USAID/Egypt uses a mission order for its environmental procedures that documents the internal processes for carrying out required environmental analyses. The project or activity manager is responsible for seeing that the required environmental reviews are carried out during project implementation. The mission environmental officer provides guidance for the project team on environmental review requirements and document preparation. The mission environmental officer is responsible for reviewing each document to ensure accuracy and completeness and for forwarding environmental review documents to the bureau environmental officer for approval through the regional environmental advisor. AOTRs/COTRs and activity managers are responsible for monitoring compliance with Initial Environmental Examination and Environmental Assessment conditions.

The Regional Inspector General/Cairo conducted this audit as part of a worldwide audit in the Office of Inspector General's fiscal year (FY) 2010 audit plan. The objective of the audit was to determine whether USAID/Egypt was achieving its goals and objectives of mitigating environmental impact, which include incorporating 22 CFR 216 and Agency requirements in project design and implementation. The audit reviewed 20 projects implemented in FYs 2008 and 2009 valued at \$150 million that included activities with potential for adverse environmental impact (see Appendix III). The amount obligated for the 20 projects for FYs 2008 and 2009 was \$81 million and \$25 million was disbursed.

For the 20 projects reviewed, USAID/Egypt is achieving its goals and objectives to mitigate environmental impact, and the audit found no indication of significant adverse impact to the environment as a result of USAID-implemented activities. For projects with environmental determinations requiring mitigation and monitoring, the mission developed mitigating measures to minimize the potential adverse effects resulting from these activities, incorporated the measures into the project's technical specifications, and—with the exception of the avian influenza activities—is monitoring compliance with environmental requirements through its project management.

Although USAID/Egypt has taken steps to develop mitigating measures to minimize adverse effects of its activities on the environment, the audit found some areas of the mission's environmental management practices that could be strengthened. USAID/Egypt could improve its environmental procedures by (1) improving its monitoring of the specified mitigating measures for avian influenza activities (page 9), (2) developing a procedure to ensure that environmental factors and mitigating measures that are requirements identified in Initial Environmental Examinations are included in solicitation documents and implementation instruments such as for contracts and agreements (page 10); and (3) formally designating a mission environmental officer (page 12).

The audit recommends that USAID/Egypt:

- Include environmental responsibilities for avian influenza activities in the work objectives of staff in the Office of Health and Population (page 9).
- Obtain, review, and verify Environmental Mitigation and Monitoring Plans from its implementers to ensure that actions required by the Initial Environmental Examination are conducted (page 9).
- Develop procedures that clearly indicate the environmental determinations of Initial Environmental Examinations in subobligation checklists (page 10).
- Develop and implement procedures to verify that Initial Environmental Examination conditions are included in solicitation documents (page 10).
- Formally designate a mission environmental officer (page 12).

The audit scope and methodology are described in Appendix I.

# AUDIT FINDINGS

USAID/Egypt is achieving its goals and objectives to mitigate environmental impact, and the audit found no indication of significant adverse impact to the environment as a result of USAID-implemented activities for the projects reviewed. The audit reviewed 20 projects valued at \$150 million implemented under five bilateral assistance agreements that included activities with potential for adverse environmental impact. The audit found that the mission had performed the required environmental reviews and developed mitigating measures where required to minimize the risk of potentially adverse effects. USAID/Egypt's environmental compliance procedures are summarized in Appendixes V and VI.

USAID regulations require compliance with environmental procedures; however, the internal processes for mitigation and monitoring are left to the missions and strategic objective teams, and each team is expected to develop its own processes or system. At USAID/Egypt, 16 of the 20 projects reviewed had environmental determinations requiring mitigation and monitoring. The projects reviewed included 12 small-scale infrastructure projects such as water and wastewater treatment plants, 1 agricultural project to develop a tomato-processing industry, 1 community development project, 1 water resource management project, and 1 avian influenza project.

**Small-Scale Infrastructure Projects** – USAID/Egypt contracted the services of Camp Dresser & McKee (CDM International, Inc.) to provide engineering design and construction management services for the mission's small-scale infrastructure projects. The engineering firm prepared the Environmental Assessments, conducted scoping sessions, and incorporated USAID's environmental compliance requirements into the bid documents and the projects' technical specifications. Although USAID/Egypt is responsible for monitoring environmental compliance for the 12 small-scale infrastructure projects reviewed, CDM also provided project management and monitored compliance with environmental requirements for 6 of the projects. Staff in USAID/Egypt's Office of Productive Sector Development managed the remaining six projects, which use simpler technologies—for example, water treatment plants that use slow sand filtration.

The 12 small-scale infrastructure projects are implemented through a Fixed-Amount Reimbursement Agreements with local Egyptian water and wastewater companies. Under the agreements, USAID agrees to reimburse the companies a fixed amount for the costs associated with performing the project tasks, in addition to providing training and technical assistance. The water and wastewater companies are responsible for contracting out projects to qualified construction and engineering firms and for supervising construction. USAID/Egypt's role is to ensure the work complies with its requirements and is completed prior to reimbursement. If the work does not meet USAID's requirements, or if the work is not completed, the company in question does not receive reimbursement.

USAID/Egypt's project managers monitor the environmental requirements for the projects in the portfolio by visiting project sites at least once a month during the construction phase, inspecting completed stages of work, and attending the monthly construction meetings with implementing partners—its engineering firm, CDM,

,representatives from Egyptian water and wastewater companies, and the local Egyptian contractors and engineers. The mission environmental officer and regional environmental advisor sometimes accompany the project managers on site visits.

Environmental issues that require mitigation include spill prevention, control, and cleanup; dust and noise abatement; undermining of, or effects of excavation existing structures; and decommissioning, namely the removal of equipment and facility structures from a construction site and the subsequent re-contouring of the land to prevent soil erosion. Examples of some of the actions implemented are discussed below:

- For two wastewater collection systems in Fayoum Governorate, the Initial Environmental Examination determined that the activities—installing collection basins, laying sewer pipe, and building water treatment plants—could have an adverse impact on the surrounding environment. The Code of Federal Regulations (22 CFR 216.2(d)(1)(xi)) includes potable water and sewage projects (other than small-scale projects) in a class of actions that have been determined generally to have a significant effect on the environment and that require an Environmental Assessment or Environmental Impact Statement, as appropriate. Because of this determination, USAID/Egypt conducted a scoping session<sup>4</sup> and invited members of the local community to discuss the project and share their concerns. USAID/Egypt prepared an Environmental Assessment to consider the environmental impacts of the proposed activities in the villages where the plants were to be built. The Environmental Assessment listed items to be monitored in the environmental management of the project. For example, one of USAID/Egypt’s mitigating measures requires the contractor to take measurements during the construction to ensure that buildings along the sewer installation route are not settling and monitor any change in measurements.
- The Environmental Assessment for the Luxor Groundwater Lowering of Antiquities on the West Bank project included mitigation measures for the undermining of existing structures. At Medinet Habu Temple, the foundations of all structures near excavated areas were assessed to determine structural stability and potential impacts associated with undermining. The project contractor placed monitoring points throughout the temple to measure any movement resulting from the construction project. (See the photo on the following page.) The monitoring points are checked daily by the project contractor’s engineer, and the data are reported to the Supreme Council of Antiquities once a month.

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<sup>4</sup> Scoping is an environmental assessment activity that identifies attributes of the environment about which there are concerns and provides a plan that enables the Environmental Assessment team to focus on those attributes.





**A monitoring point is visible on the column at right in Medinet Habu Temple, Luxor, Egypt. (Photo by OIG, March 2010)**

**Agriculture Project** – Under a public-private partnership, the Heinz Group and USAID/Egypt designed a Global Development Alliance<sup>5</sup> project to develop a tomato-processing industry in Egypt. Based on USAID/Egypt’s environmental review of project activities, the mission made a negative determination with conditions that required implementation of mitigation and monitoring measures. Mission officials required the development of a Pesticide Evaluation Report and Safe Use Action Plan. USAID/Egypt hired a consultant who collaborated with the regional environmental advisor to develop the plan, which recommended mitigations for the safe use of pesticides. The project is designed to promote soil sustainability and good agricultural practices resulting in decreased use of fertilizers and pesticides. Additionally, the project is designed to conform to Heinz Good Agricultural Practices (HeinzGap) standards, which specify grower responsibilities for fertilizer and pesticide use, validation testing of finished goods, and product traceability. The project also includes pesticide safety training as a risk-mitigating activity, and testing for residuals is conducted by an independent lab.

**Community Development Project** – The Sustainable Natural Resource Management and Production–Sinai project is in the development stage. The mission completed the required environmental review, which determined that the activities could adversely affect the environment. One activity, the construction of infrastructure facilities, necessitated the completion of an Environmental Assessment according to USAID’s environmental procedures. The nature of the proposed activities and the level of detail available about them led USAID/Egypt to adopt a Programmatic Environmental

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<sup>5</sup> Global Development Alliances (GDAs) are USAID's commitment to change implementation of development assistance. GDAs mobilize the ideas, efforts and resources of governments, businesses and civil society to stimulate economic growth, develop businesses and workforces, address health and environmental issues, and expand access to education and technology.

Assessment approach for meeting 22 CFR 216 requirements and ensuring the environmental soundness of the project activities. The Programmatic Environmental Assessment has been drafted and is awaiting approval by the bureau environmental officer.

**Avian Influenza Project** – The Strengthening Avian Influenza Detection and Response (SAIDR) Project included activities designed to strengthen planning for avian influenza and pandemic preparedness at the national, governorate, and local government levels; strengthen local communities’ capacity for prevention, surveillance, and response; and implement risk awareness communications for avian influenza target populations, the private sector, the media, and government officials. The project received a negative determination with conditions for activities that involved monitoring and surveillance, disinfection, vaccination, culling and disposal of diseased birds or livestock, and provision and training in the use of personal protective equipment. The conditions to be implemented, such as the provision of personal protective equipment and disinfection procedures, were listed in the initial environmental examination.

Although USAID/Egypt has taken steps to develop mitigating measures to minimize adverse effects of its activities on the environment, USAID/Egypt should strengthen its management controls over its environmental procedures by—

- Increasing the monitoring of specified environmental mitigations for its avian influenza activities.
- Documenting processes to verify that required environmental language is included in solicitations and awards.
- Formally designating a mission environmental officer.

### **USAID/Egypt Should Improve Monitoring of Environmental Mitigations in Its Avian Influenza Activities**

ADS 204.2.c, “Environmental Procedures—Primary Responsibilities,” states that activity managers and agreement or contracting officer’s technical representatives (AOTRs/COTRs)<sup>6</sup> are responsible for monitoring all programs, projects, activities, and amendments for compliance with USAID’s environmental requirements. Further, ADS 204.3.4, “Strategic Objective and Program Support Objective Teams (Teams), Activity Managers and Agreement or Contracting Officer’s Technical Representatives (AOTR/COTR),” states that each team and the activity manager or AOTR/COTR must plan how they will meet the environmental requirements for each activity implemented. They must actively monitor ongoing activities for compliance with approved Initial

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<sup>6</sup> The current version of ADS 204 (revised February 19, 2009) uses the title cognizant technical officer (CTO). In accordance with USAID policy (USAID General Notice, January 23, 2009, *Revisions to Cognizant Technical Officer Policy*), the title used in this report for ADS 204 citations is agreement officer’s technical representative (AOTR) or contracting officer’s technical representative (COTR).

Environmental Examination, Categorical Exclusion, Environmental Assessment, Programmatic Environmental Assessment, or Environmental Impact Statement recommendations, conditionalities, or mitigative measures. They also must modify or end activities that are not in compliance.

ADS 303.2.f, “Grants and Cooperative Agreements to Non-Governmental Organizations—Primary Responsibilities,” states that the AOTR/COTR is responsible for monitoring and evaluating the recipient and its performance on grants and cooperative agreements. Monitoring and evaluation responsibilities include conducting site visits to ensure that all mitigative environmental measures in the award are implemented throughout the life of the award. In addition, as a best practice, USAID’s *Mission Environmental Officer Handbook*<sup>7</sup> states that the AOTR/COTR or activity manager is responsible for ensuring compliance with Initial Environmental Examination and Environmental Assessment conditions. Monitoring is listed as including field visits to assess Environmental Mitigation and Monitoring Plan implementation and the adequacy of the mitigation measures themselves.

The SAIDR project includes two implementation letters—a cooperative agreement and a Public International Organization grant awarded from Washington, D.C. The two implementation letters with the Government of Egypt cover the period from October 1, 2007, through September 30, 2010. and award funding of \$2.8 million and \$7.5 million respectively.

Project activities listed in the Initial Environmental Examination that received a negative determination with conditions included (1) disinfection of workers and equipment, (2) animal and human vaccination, and (3) culling and disposal of diseased livestock and manure. The conditions were listed in the Initial Environmental Examination. For example, for the activity culling of diseased livestock and disposal of diseased livestock, wild birds, and their manure, the conditions required (1) performing short-term training on handling and proper disposal options, (2) producing training materials, quick reference guides, posters, and flyers, and (3) procuring protective clothing for ministry staff and others that regularly handle and dispose of manure and diseased birds. The Initial Environmental Examination stipulated that implementing partners were to develop action plan matrixes that documented assignments of roles and responsibilities, established deadlines, and signature verifications by the Chief of Party or other responsible authority. The Initial Environmental Examination used the term “action plan” rather than Environmental Mitigation and Monitoring Plan (EMMP) suggested by best practices, but included elements similar to those found in an EMMP.

Although the conditions listed above were included in project activities, USAID/Egypt did not have the required action plans, and the activity manager and the AOTR have not performed site visits to ensure that the measures identified in the Initial Environmental Examination are taking place. USAID/Egypt’s Office of Health and Population relied on the implementer for monitoring and evaluation and did not monitor the mitigating measures stipulated in the SAIDR activities’ Initial Environmental Examination beyond reviewing the implementer’s quarterly progress reports. The quarterly reports reported on environmental issues only in the context of project activities such as training in the

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<sup>7</sup> Chapter 3, Section 4, “Responsibilities – IEE/EA Conditions Are Implemented & Implementation Is Monitored” ([www.encapafrika.org/meoentry.htm](http://www.encapafrika.org/meoentry.htm)).

use of personal protective equipment.

Management did not devote adequate attention to monitoring the environmental mitigating factors identified in the Initial Environmental Examination. The AOTR for the Public International Organization grant is in the Global Health Bureau in Washington, whereas the activity manager for the avian influenza activities and the AOTR for the implementation letters are at USAID/Egypt. Staff in USAID/Egypt's Office of Health and Population was not aware that the activity manager is also responsible for monitoring the environmental mitigations for activities under the grant. The activity manager and the AOTR for the implementation letters were not fully aware of the requirements stipulated in ADS 204 regarding monitoring compliance with specific conditions in the Initial Environmental Examination.

By relying solely on the implementer's reports to determine compliance with Initial Environmental Examination conditions without verifying that mitigating measures were implemented, USAID/Egypt cannot be sure that the implementing partners are complying with the environmental requirements. Because the avian influenza virus can be spread when clothing and equipment are not properly disinfected, or medical waste is not properly disposed of, the audit makes the following recommendations to assist USAID/Egypt in strengthening its monitoring of avian influenza activities:

***Recommendation 1.** We recommend that USAID/Egypt include environmental responsibilities for avian influenza activities in the work objectives of staff in the mission's Office of Health and Population to ensure staff awareness of responsibilities.*

***Recommendation 2.** We recommend that USAID/Egypt obtain and review Environmental Mitigation and Monitoring Plans from its implementing partners to verify that they conduct actions required by the Initial Environmental Examination.*

## **USAID/Egypt Should Have a Process to Verify That Environmental Requirements Are Included in Its Solicitations**

USAID guidance requires that activity managers ensure that Environmental Assessment requirements are met during the design process and are incorporated into solicitation and award documents so that sufficient resources are allocated. ADS 204.3.4.a.6 requires incorporating environmental factors and mitigating measures identified in Initial Examinations and Environmental Assessments in the design and implementation instruments for programs, projects, activities or amendments. ADS 204.5.2, "Optional Language for Use in Solicitations and Awards," provides recommended language for incorporating environmental conditions and mitigating measures in various types of procurement actions.

USAID/Egypt has not ensured that Initial Environmental Examination conditions are included in solicitation documents and implementation instruments. Specifically, USAID/Egypt has not clearly assigned responsibility to a specific mission office or staff

to ensure that environmental factors and mitigating measures identified in Initial Environmental Examinations are included in solicitation documents and implementation instruments. A procurement specialist responsible for nine of the awards and contracts reviewed explained that the Procurement Office looks to the Modified Acquisition & Assistance Request Document (MAARD) for guidance in preparing solicitation documents that would include conditions identified in the Initial Environmental Examination.

Preparers of environmental documentation in the various technical offices are responsible for including any required mitigating measures in statements of work to be included in solicitations and awards. This information is incorporated in the MAARD package, which the Procurement Office uses to prepare solicitations. After the mission signs a contractual agreement with an implementing partner under a bilateral agreement, USAID/Egypt refers to the agreement as a sub-obligation. Accordingly, USAID/Egypt uses a preobligation checklist at the subobligation level. The preparer is also required to complete a preobligation checklist,<sup>8</sup> which includes information about whether an Initial Environmental Examination was completed but not the environmental determination, which would indicate the environmental language appropriate for the award. The Program Office clears the MAARD package before it goes to the Procurement Office.

For the activities reviewed, USAID/Egypt did not always indicate in its awards whether a project had an environmental determination requiring mitigation and monitoring. The 20 projects reviewed included 23 implementing agreements. Two of the implementing agreements had environmental determinations that required mitigation and monitoring of conditions, and the solicitation documents did not disclose that. In one case, the requirements were to be applied to Global Development Alliances that had not been developed, and in the other, the environmental requirement for the development of a Pesticide Evaluation Report and Safe Use Action Plan was awarded separately from the original award. Although the preobligation checklist the preparer uses ensures that an Initial Environmental Examination has been performed, it does not include instructions to verify the environmental determination in the Initial Environmental Examination.

By not including environmental compliance requirements in the solicitation documents, USAID is not informing potential bidders of their responsibilities to mitigate potential environmental impact documented in either an Initial Environmental Examination or an Environmental Assessment. To address these issues, the audit makes the following recommendations:

***Recommendation 3.*** *We recommend that USAID/Egypt develop procedures that clearly indicate the level of environmental determinations of Initial Environmental Examinations in subobligation checklists.*

***Recommendation 4.*** *We recommend that USAID/Egypt develop and implement procedures to verify that Initial Environmental Examination conditions are included in solicitation documents.*

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<sup>8</sup> When the mission signs an agreement with an implementing partner other than the primary partner (in this case, CDR), USAID/Egypt refers to the agreement as a subobligation. Before signing such agreements, USAID/Egypt uses a preobligation checklist.

## **USAID/Egypt Should Formally Designate a Mission Environmental Officer**

ADS 204.3.5, "Mission Environmental Officer and Regional Environmental Advisor." states that each Mission Director is encouraged to appoint a mission environmental officer in writing. The primary responsibilities and accountabilities for a mission's environmental activities are with the AOTR/COTR and strategic objective teams. The mission environmental officer is a member of each mission strategic objective team, and advises staff about specific needs to address environmental compliance. At USAID/Egypt, Initial Environmental Examinations are prepared by the activity manager or AOTR/COTR with guidance from the acting mission environmental officer. The acting mission environmental officer clears the Initial Environmental Examination and then forwards it to the strategic objective team leader and deputy mission director for approval. The Initial Environmental Examination is then sent to USAID/Washington's Middle East Bureau Environmental Officer for approval through the regional environmental advisor.

As of May 2010, USAID/Egypt had not formally designated the staff person acting as the mission environmental officer. Until early 2009, the mission environmental officer duties were assigned to a staff member in USAID/Egypt's Office of Productive Sector Development. After that staff member left the mission in February 2009, USAID/Egypt did not fill the vacancy or redelegate the environmental duties. .

Mission officials attributed the delay in designating a mission environmental officer to USAID/Egypt's budget transition, possible participation in Global Climate Change programs, the lack of environmental program funding, and a need to define the new regional environmental advisor's role in the mission. Without the funding to hire additional staff for environmental programs in the Office of Productive Sector Development, the deputy mission environmental officer became the de facto acting mission environmental officer even though the deputy did not have a designation memo.

Since a mission environmental officer assists and advises numerous staff such as activity managers and AOTRs/COTRs in preparing environmental documentation for new activities and monitoring plans for ongoing activities, the mission environmental officer serves to coordinate the preparation of mission environmental documents. In addition, the AOTR/COTR relies on the advice and guidance of the mission environmental officer. As a result of the audit and a proposed recommendation, the mission designated a mission environmental officer in writing, effective June 1, 2010.

Although USAID/Egypt has not documented any negative effects from its lack of a designated mission environmental officer, ADS states that without an appointed mission environmental officer, the Mission Director assumes these additional duties and increased responsibilities. Without a written designation letter, USAID/Egypt's acting mission environmental officer does not have the proper authority to review and clear mission environmental documents on the Mission Director's behalf. Moreover, a written designation memo would confer on the deputy mission environmental officer the authority of the position and clearly list its responsibilities and duties. Consequently, the

audit makes the following recommendation:

***Recommendation 5.*** *We recommend that USAID/Egypt designate a mission environmental officer in writing.*

# EVALUATION OF MANAGEMENT COMMENTS

USAID/Egypt agreed with the five recommendations included in the draft report. The Office of Inspector General, having reviewed the mission's response to the draft report, has determined that management decisions have been reached and final actions taken on all five recommendations.

Regarding Recommendation 1, USAID/Egypt modified the work objectives of the Office of Health and Population's project management specialist to add the responsibility of monitoring specified environmental mitigation measures for the current avian influenza activities. Under the modified work objectives, the project management specialist will be responsible for ensuring that all mitigating measures identified in the Initial Environmental Examination in the current avian influenza awards are implemented throughout the life of the award by conducting and documenting field and site visits. The mission submitted the modified work objectives to the Executive Office, Personnel, for approval. On the basis of the mission's response, RIG/Cairo considers that a management decision has been reached and final action taken on Recommendation 1.

In response to Recommendation 2, the mission stated that because the focus of this recommendation is the Avian Influenza activities, corrective action was taken by the Office of Health and Population. The Office of Health and Population incorporated an environmental compliance requirement in all new award documents whereby the contractor must prepare an environmental mitigation and monitoring plan (EMMP) or a project mitigation and monitoring plan (M&M) describing how the contractor will implement all Initial Environmental Examination measures. The EMMP or M&M shall be integrated into the initial work plan and subsequent annual work plans. The environmental compliance provision requires the contractor to seek USAID written approval for new activities outside the scope of the approved Regulation 216 environmental documentation; otherwise, USAID reserves the right to halt activities until an amendment to the documentation is submitted and written approval received from USAID. On the basis of the mission's response, RIG/Cairo considers that a management decision has been reached and final action taken on Recommendation 2.

Regarding Recommendation 3, USAID/Egypt's Program Office developed a subobligation checklist to be incorporated in each subobligation in June 2010. The checklist includes a section that clearly indicates the environmental determinations of Initial Environmental Examinations for the activities described in the solicitation or award. The checklist requires the contracting or agreement officer's technical representative to consult with the mission environmental officer if the environmental determination is other than categorical exclusion or unconditional negative determination. In view of the mission's response, RIG/Cairo considers that a management decision has been reached and final action taken on Recommendation 3.

In response to Recommendation 4, the mission stated that the subobligation checklist mentioned above will be completed by the Program Office backstops and the mission environmental officer in close consultation with the contracting/agreement officer's



technical representatives prior to any subobligation. The Program Office will ensure that all preobligation and subobligation documentation is completed and included in any Modified Acquisition and Assistance Request Document (MAARD) or Global Acquisition and Assistance System (GLAAS) requisition. On the basis of the mission's response, RIG/Cairo considers that a management decision has been reached and final action taken on Recommendation 4.

Regarding Recommendation 5, the Mission has officially designated a Program Office Foreign Service National as mission environmental officer effective June 1, 2010. As a result, RIG/Cairo considers that a management decision has been reached and final action taken on Recommendation 5.

# SCOPE AND METHODOLOGY

## Scope

The Regional Inspector General/Cairo conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions in accordance with our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

The audit objective was to determine whether USAID/Egypt was achieving its goals and objectives to mitigate environmental impact. Audit fieldwork was conducted at USAID/Egypt from February 18 to May 23, 2010. The audit covered the period from October 1, 2007, to September 30, 2009; however, we considered it appropriate to incorporate information pertaining to project design and initial environmental documentation for some projects that were completed prior to the period under audit.

In planning and performing the audit, we assessed USAID/Egypt's controls over its environmental procedures. Specifically, we reviewed (1) environmental documents, including Initial Environmental Examinations, scoping statements, and Environmental Assessments; (2) program documents, including Activity Approval Documents; (3) procurement, contract, and agreement documents; (4) project documents such as work plans, technical specifications, and implementer reports; and (5) project monitoring by USAID/Egypt's agreement officer's technical representatives/contracting officer's technical representatives (AOTRs/COTRs) and activity managers. We interviewed key USAID/Egypt staff, contractors, and implementing partners. We conducted fieldwork at USAID/Egypt and implementing partners' offices in Cairo, Egypt, and also in the Governorates of Luxor, Daqahliya, Fayoum, and Minia, where the audit team met with implementing partners and visited project sites.

As of September 2009, USAID/Egypt's project portfolio included 19 active assistance agreements. Six agreements were closing, eight had environmental reviews that found the activities posed no potential risk to the environment, and five included activities that required mitigation and monitoring. We reviewed 20 projects under the five agreements to answer the audit objective. The amount awarded for the projects reviewed was approximately \$150 million, and obligations and disbursements were approximately \$81 million and \$25 million, respectively, as of September 30, 2009.

## Methodology

To answer the audit objective, we interviewed USAID/Egypt staff from the Program Office and the Offices of Procurement, Productive Sector Development, and Health and Population. We also interviewed contractor and implementing partner staff. We obtained an understanding of the overall objectives and scope of activities subject to the requirements of Title 22 of the Code of Federal Regulations, Part 216 (22 CFR 216), as well as of the roles and responsibilities and the implementation processes followed at

## USAID/Egypt.

We conducted a review of the projects in the mission's portfolio to assess whether Initial Environmental Examinations required by 22 CFR 216 were being performed. We judgmentally selected five assistance agreements for further review based on the nature of the activities and their potential for adverse environmental impact. Under the five assistance agreements, we reviewed 20 projects valued at \$150 million—four agreements managed by the Office of Productive Sector Development and one project managed by the Office of Health and Population. The results of a judgmental sample cannot be projected to the population as a whole.

We met with the AOTRs/COTRs and activity managers of the projects reviewed and other mission officials to understand how environmental requirements are included in the project design, and how USAID planned to monitor and report on its compliance with environmental regulations and Agency and mission guidance. We reviewed program, procurement, and environmental documentation at the mission and project level. We reviewed environmental documentation including Initial Environmental Examinations and Approvals, Scoping Statements, Pesticide Evaluation Report and Safe Use Action Plans, and Environmental Assessments. Project and procurement documents reviewed included Activity Approval Documents, implementing agreements, requests for proposals/applications, implementers' proposals, bills of quantity, general conditions and technical specifications for construction projects, implementers' work plans, progress reports, and other supporting documentation for environmental mitigations. We attended a USAID workshop for regional staff and implementing partners that covered life-of-project environmental compliance and best practices for environmentally sound design and management.

We met with implementing partners to discuss environmental mitigations, how they are incorporated in the projects, how they are monitored, and whether any unintended adverse environmental impacts have resulted from project implementation. We confirmed through interviews with implementing partners that there have been no adverse environmental impacts resulting from USAID-implemented activities. Through project site visits, we observed mitigations listed in the technical specifications; held discussions with project site contractors, engineers, and water and wastewater company officials; and reviewed supporting documentation provided by the water and wastewater companies. During the site visits, we noted no significant adverse impacts.

# MANAGEMENT COMMENTS



## MANAGEMENT COMMENTS

### MEMORANDUM

**Date** : August 09, 2010

**To** : Jacqueline Bell, Regional Inspector General/Cairo

**Through** : Thomas Delaney, A/ Mission Director /s/

**From** : Robert Lopez, A/OD/Program /s/

**Subject** : Mission Response to Draft Audit of USAID/Egypt's Environmental Compliance

USAID/Egypt has reviewed the draft Audit Report No. 6-263-10-XXX-P dated July 20, 2010 and following is the Mission response to the Audit report.

The Mission would like to thank the staff of the RIG/A Office for the time and effort that they put into the audit of USAID/Egypt's Environmental Compliance as part of the worldwide audit. The RIG team made an effort to understand the environmental requirements, processes, procedures, and their application in the 20 projects that were included in the audit.

The Mission appreciates the opportunity to provide written comments regarding the subject report. We are pleased with the audit team's conclusion that "USAID/Egypt is achieving its goals and objectives related to mitigating environmental impacts," and that the audit team did not find any significant adverse impacts as a direct result of USAID activities.

Below we provide USAID/Egypt's position on each recommendation.

#### **Recommendation No. 1**

We recommend that USAID/Egypt include environmental responsibilities for avian influenza activities in health office staff work objectives to ensure staff awareness of responsibilities.

### **Mission Response to Recommendation No.1**

USAID/Egypt agrees with this recommendation and has modified the work objectives of the Office of Health and Population's Project Management Specialist to add the responsibility of monitoring specified environmental mitigation conditions for the current avian influenza activities. The Project Management Specialist will be responsible for ensuring that all mitigative environmental measures and conditions identified in the Initial Environmental Examination in the current avian influenza awards are in place and implemented throughout the life of the award by conducting and documenting field and site visits.

The modified work objectives have been submitted to EXO/PER and are included as Attachment I.

In view of the above, the Mission believes that Recommendation No.1 has been addressed and requests RIG/Cairo to close the recommendation upon final report issuance.

### **Recommendation No. 2**

We recommend that USAID/Egypt obtain, review, and verify Environmental Mitigation and Monitoring Plans from its implementers to ensure actions required by the Initial Environmental Examination are conducted.

### **Mission Response to Recommendation No.2**

USAID/Egypt agrees with this recommendation. The findings and analysis preceding this recommendation focus on Avian Influenza activities, and the Mission response is focused on the Avian Influenza activities accordingly.

The Office of Health and Population has already designed and incorporated an Environmental Compliance requirement into all new potential award documents that states that the Contractor shall prepare an environmental mitigation and monitoring plan (EMMP) or a project mitigation and monitoring (M&M) plan, describing how the Contractor will, in specific terms, implement all IEE conditions that apply to proposed project activities within the scope of the award. The EMMP or M&M Plan shall be integrated into the initial work plan and subsequent Annual Work Plans, with any necessary adjustments to activity implementation in order to minimize adverse impacts to the environment. As an example the Office of Health and Population included a section on environmental compliance on pages 27-28 of the scope of work of a new task order under the Rural and Agricultural Incomes with a Sustainable Environment (RAISE PLUS) IQC that will mainly provide technical assistance to improve bio-security and good farming practices (GFP) of commercial farms within high-risk districts. The section states:

“The Contractor shall be responsible for implementing all IEE conditions pertaining to activities to be funded under this contract. As part of its initial Work Plan, and all Annual Work Plans thereafter, the Contractor, in collaboration with the USAID Cognizant Technical Officer and Mission Environmental Officer or Bureau Environmental Officer, as appropriate, shall review all ongoing and planned activities under this Contract to determine if they are within the scope of the approved Regulation 216 environmental documentation.

If the Contractor plans any new activities outside the scope of the approved Regulation 216 environmental documentation, it shall prepare an amendment to the documentation for USAID review and approval. No such new activities shall be undertaken prior to receiving written USAID approval of environmental documentation amendments.

Any ongoing activities found to be outside of the scope of the approved Regulation 216 environmental documentation shall be halted until an amendment to the documentation is submitted and written approval is received from USAID.

The Contractor shall prepare an environmental mitigation and monitoring plan (EMMP) or a project mitigation and monitoring (M&M) plan, describing how the Contractor will, in specific terms, implement all IEE conditions that apply to proposed project activities within the scope of the award. The EMMP or M&M Plan shall be integrated into the initial work plan and subsequent Annual Work Plans, with any necessary adjustments to activity implementation in order to minimize adverse impacts to the environment.”

The SOW for the task order is in attachment II.

In view of the above, the Mission believes that Recommendation No.2 has been addressed and requests RIG/Cairo to close the recommendation upon final report issuance.

### **Recommendation No. 3**

We recommend that USAID/Egypt develop procedures that clearly indicate the level of environmental determinations of Initial Environmental Examinations in Sub-Obligation Checklists.

### **Mission Response to Recommendation No. 3**

USAID/Egypt accepts and agrees with the recommendation. The Sub-obligation checklist that was developed by the Program Office in June 2010, and is incorporated as required documentation with each sub-obligation includes a section that clearly indicates the level of environmental determinations of Initial Environmental Examinations (IEE) and threshold decision for the activities described in the solicitation or award. The checklist also states that if the

threshold decision is other than Categorical Exclusion or Unconditional Negative Determination, the COTR/AOTR is required to consult with the Mission Environmental Officer (MEO). The Sub-obligation checklist is included as Attachment III.

In view of the above, the Mission believes that Recommendation No.3 has been addressed and requests RIG/Cairo to close the recommendation upon final report issuance.

#### **Recommendation No. 4**

We recommend that USAID/Egypt develop and implement procedures to verify that Initial Environmental Examination conditions are included in solicitation documentation.

#### **Mission response to recommendation No. 4**

USAID/Egypt accepts and agrees with the recommendation. The sub-obligation checklist mentioned above will be completed by the Program Office backstops and the MEO in close consultation with the Technical Office AOTR/COTR prior to any sub-obligation. During these consultations, the MEO will verify that the IEE determination and the threshold decision were adequately reviewed and considered by the AOTR/COTR. The MEO will also review and ensure that appropriate mitigation and monitoring measures are included in any solicitation documents where the determination is either Negative Determination with Conditions or a Positive Determination. As a general matter, the Program Office will closely coordinate with the AOTR/COTR and Procurement Office to ensure that all pre-obligation and sub-obligation documentation is complete, including MEO reviewed solicitation documents as needed, and included at the initiation any MAARD or GLAAS requisition.

In view of the above, the Mission believes that Recommendation No.4 has been addressed and requests RIG/Cairo to close the recommendation upon final report issuance.

#### **Recommendation No. 5**

We recommend that USAID/Egypt formally designate a Mission Environmental Officer in writing.

#### **Mission response to Recommendation No. 5**

USAID/Egypt accepts and agrees with this recommendation. USAID/Egypt has already designated a Program Office Foreign Service national as Mission Environmental Officer (MEO) effective June 1, 2010. The designated MEO had completed two Agency environmental compliance training courses as well as a

Pesticide Evaluation Action Plan (PERSUAP) course. Attached is the MEO designation letter as Attachment IV.

In view of the above, the Mission believes that Recommendation No.5 has been addressed and requests RIG/Cairo to close the recommendation upon final report issuance.



## Projects Reviewed

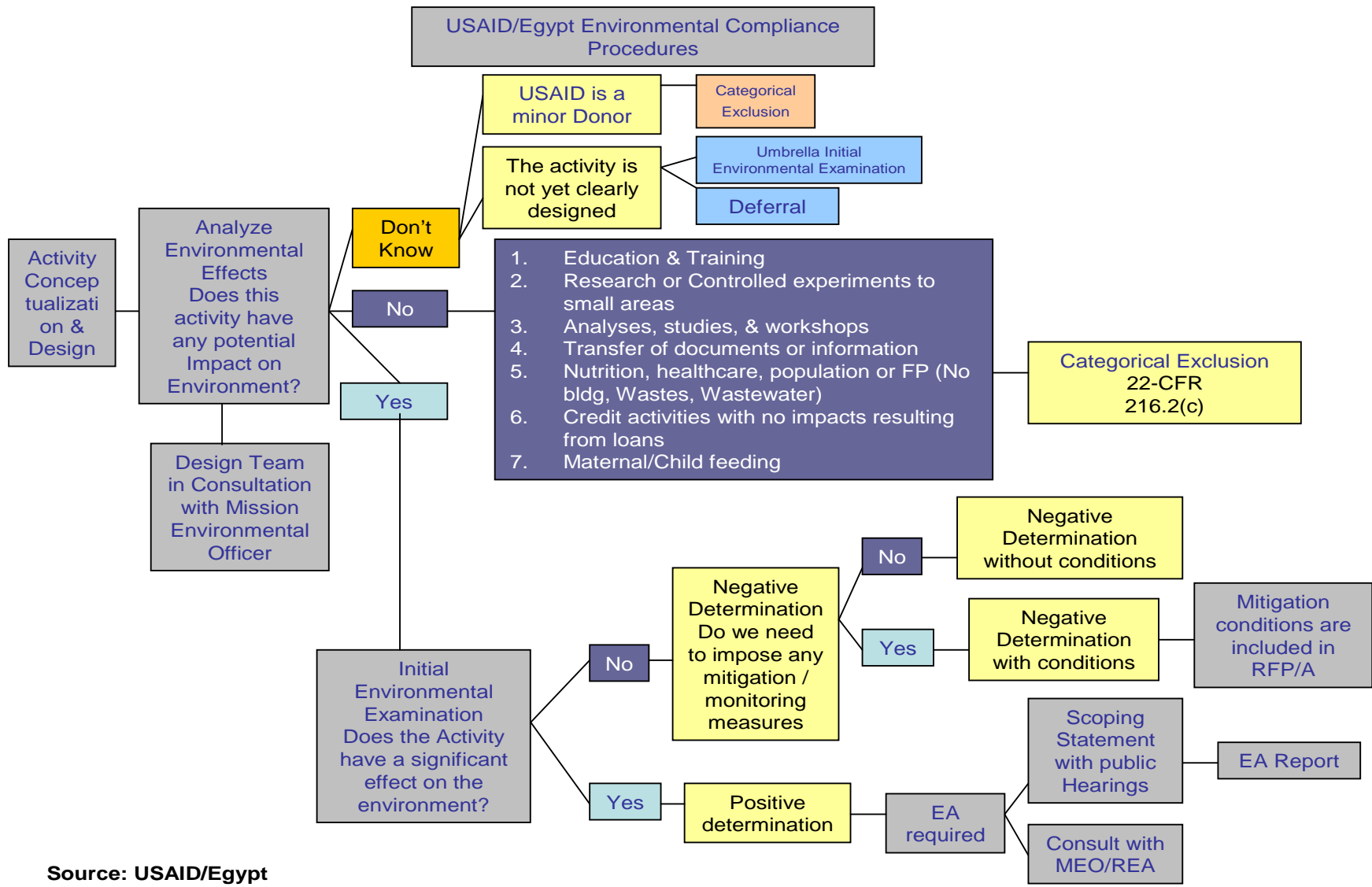
Project/Award	Contract/ Agreement Amount <sup>9</sup>	Most Significant Environmental Determination
<b>Agricultural Exports and Rural Incomes Assistance Agreement</b>		
Global Development Alliance–Heinz Group	\$ 6,999,999	Negative Determination with Conditions
Agricultural Technical Schools	\$ 4,863,636	Categorical Exclusion
<b>Livelihood and Income from the Environment Assistance Agreement</b>		
Integrated Water Resource Management II	\$ 9,951,642	Negative Determination with Conditions
Sustainable Natural Resource Management and Production–Sinai	\$ 8,978,460	Positive Determination
<b>Egypt Utilities Management Assistance Agreement</b>		
Water Policy and Regulatory Reform	\$ 15,084,009	Categorical Exclusion
Water and Wastewater Sector Support	\$ 19,313,728	Categorical Exclusion
Wastewater Collection System–Hawarat El-Maqta South Village–Fayoum	\$ 1,938,000	Positive Determination
Wastewater Collection System–Hawarat El-Maqta North Village–Fayoum	\$ 3,378,000	Positive Determination
Wastewater Collection System–Kasr El Jebaly Village–Fayoum	\$ 4,056,000	Positive Determination
Slow Sand Filter Water Treatment Plant in Bertebat Maghagha–Minia	\$ 2,800,000	Negative Determination with Conditions
Slow Sand Filter Water Treatment Plant in Beni Hassan El Ashraf–Minia	\$ 2,150,000	Negative Determination with Conditions
Wastewater Collection System–Abeyouha Village–Minia	\$ 2,450,000	Negative Determination with Conditions
<b>Secondary Cities Assistance Agreement</b>		
Luxor West Bank Antiquities Groundwater Control	\$ 9,000,000	Positive Determination
Small Scale Infrastructure Engineering and Construction Management	\$ 10,043,667	Categorical Exclusion
Mehalet Engak Wastewater Treatment Plant–Daqahliya	\$ 4,930,000	Positive Determination
Telbana Wastewater Treatment Plant–Daqahliya	\$ 5,180,000	Positive Determination
El Samman Village Wastewater System–Luxor	\$ 4,290,590	Positive Determination
Rehabilitation of Luxor Trickling Filter Wastewater Treatment Plant	\$ 3,708,270	Positive Determination
El Mounira Wastewater System and Wastewater Treatment Plant–New Valley	\$ 7,120,607	Positive Determination
<b>Healthier Planned Families Assistance Agreement – Strengthening Avian Influenza Detection and Response (SAIDR) Project<sup>10</sup></b>		
Epidemiology and Disease Surveillance Unit – Implementation Letter	\$ 7,500,000	Negative Determination with Conditions
General Organization of Veterinary Services – Implementation Letter	\$ 2,800,000	Negative Determination with Conditions
United Nations Food and Agricultural Organization – Strengthening Avian Influenza Detection and Response	\$ 9,000,000	Negative Determination with Conditions
Johns Hopkins Communications for Healthy Living Project	\$ 4,500,000	Categorical Exclusion
<b>Total</b>	<b>\$150,036,608</b>	

<sup>9</sup> The amounts of the contracts and agreements reviewed were not audited.

<sup>10</sup> The SAIDR project is defined as one project with multiple implementing mechanisms.

## Environmental Determinations for Projects Reviewed

Assistance Agreement	Project	Initial Environmental Examination (IEE)	Environmental Determination			Requirements		
			Categorical Exclusion	Negative Determination with Conditions	Positive Determination	Conditions in IEE to be Implemented	Scoping Statement	Environmental Assessment
Agricultural Exports and Rural Incomes	Global Development Alliance–Heinz Group	✓	✓	✓		✓		
	Agricultural Technical Schools		✓					
Livelihood and Income from the Environment	Integrated Water Resource Management II	✓	✓	✓		✓		
	Sustainable Natural Resource Management and Production–Sinai		✓		✓		✓	✓
Egypt Utilities Management	Water Policy and Regulatory Reform	✓	✓					
	Water and Wastewater Sector Support		✓					
	Wastewater Collection System–Hawarat El-Maqla South Village–Fayoum	✓			✓		✓	✓
	Wastewater Collection System–Hawarat El-Maqla North Village–Fayoum				✓		✓	✓
	Wastewater Collection System–Kasr El Jebaly Village–Fayoum				✓		✓	✓
	Slow Sand Filter Water Treatment Plant in Bertebat Maghagha–Minia	✓	✓	✓		✓		
	Slow Sand Filter Water Treatment Plant in Beni Hassan El Ashraf		✓	✓		✓		
	Wastewater Collection System–Abeyouha Village–Minia	✓	✓	✓		✓		
Secondary Cities	Luxor West Bank Antiquities Groundwater Control	✓	✓		✓		✓	✓
	Small Scale Infrastructure Engineering and Construction Management	✓	✓					
	Mehalet Engak Wastewater Treatment Plant–Daqahliya	✓	✓		✓		✓	✓
	Telbana Wastewater Treatment Plant–Daqahliya		✓		✓		✓	✓
	El Samman Village Wastewater System–Luxor		✓		✓		✓	✓
	Rehabilitation of Luxor Trickling Filter Wastewater Treatment Plant	✓	✓		✓		✓	✓
	El Mounira Wastewater System and Wastewater Treatment Plant–New Valley		✓		✓		✓	✓
Healthier Planned Families	SAIDR Project	✓	✓	✓		✓		



Source: USAID/Egypt

## Environmental Staffing and Procedures

**Environmental Staffing:** The Mission Director may appoint a mission environmental officer to assist and advise mission staff and implementing partners and contractors in preparing documents for new activities and for monitoring on ongoing activities. While the mission environmental officer assists and advises on environmental requirements, the strategic objective team leader and activity managers share the responsibility and accountability for meeting environmental requirements. However, the Mission Director has the ultimate responsibility to ensure that environmental compliance is achieved for mission projects. Typically, mission environmental officer duties are only part of the full range of tasks of a USAID staff position.

At some missions, regional environmental advisors at a mission support field offices in a geographic region. These advisors provide supplementary professional support, training, compliance auditing, compliance evaluations, and regional coordination on environmental compliance issues to Mission Directors, strategic objective teams, activity managers, and mission environmental officers. At USAID/Egypt, the regional environmental officer is physically located in the mission within the Office of Middle East Programs.

Bureau environmental officers are based in Washington, DC, and oversee and monitor environmental compliance issues for its operating units within a bureau. As a part of the job, the bureau environmental officer decides and approves environmental documents and ensures that bureau staff are aware of and trained in the appropriate required procedures and standards.

**Environmental Procedures:** USAID/Egypt's AOTRs or COTRs prepare an Initial Environmental Examination with guidance from the mission environmental officer. These technical staff perform environmental reviews as a part of the Activity Approval Document process. For some projects when an activity is not developed enough, staff may not be able to define the activity in sufficient detail at the pre-obligation planning stage. For those activities, staff perform environmental reviews prior to the commitment of funds. In the next phase, the AOTR, COTR or activity manager assures that required environmental reviews are conducted during project implementation. When required, implementing partners or contractors prepare environmental review documents to determine the scope and extent of environmental evaluation, mitigation, and monitoring necessary to fulfill environmental compliance requirements.

Although not an ADS requirement, missions or implementing partners may develop Environmental Mitigation and Monitoring Plans as a best practice to document the measures required by the Initial Environmental Examination or the Environmental Review documents. A mission may implement these plans to lessen (or mitigate) any potential environmental impacts of an activity. Additionally, the plan may include indicators or criteria for monitoring their implementation and effectiveness and specify staff responsible for mitigation and monitoring. The projects reviewed at USAID/Egypt did not have separate Environmental Mitigation and Monitoring Plans, but incorporated mitigation and monitoring requirements into project technical specifications and work plans.

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