

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

ASSISTANT
ADMINISTRATOR

APR 14 1 27 PM '88

AID
EXECUTIVE SECRETARIAT

APR 13 1988

ACTION MEMORANDUM FOR THE ADMINISTRATOR

FROM: AA/PPC, Richard E. Bissell *Richard E. Bissell*

SUBJECT: List for Congress of Upcoming Multilateral
Development Bank Projects with Possible
Environmental Concerns

Issue: Legislation incorporated in the 1988 Continuing Resolution requires you to provide semi-annually a list of multilateral development bank projects which A.I.D. is monitoring for possible adverse impacts on the environment, natural resources, or indigenous peoples.

Discussion: In a change from previous practice, this year's CR requires that the list be provided on April 1 and semi-annually thereafter. Previously and in conformance with earlier legislation, we had forwarded the list in December and June. The current April 1988 list is ready for transmittal to Congress. It has been reviewed within the Agency, with the Departments of State and Treasury and with interested environmental groups. The semi-annual list has been provided since December 1986.

Recommendation: That you sign the attached transmittal letters to Senators Kasten, Hatfield, Inouye, Stennis, Pell and Helms and Congressmen Edwards, Whitten, Obey, Conte, St Germain, Fascell and Broomfield.

804461

Clearances:

PPC/PDPR K M Blakeslee ~~KMB~~ *Wides*
PPC/PDPR/RP J van der Veen *Wides*
PPC/MFI: BUpton *draft 019*
LEG: KCKammerer *KCC 4/8/88*
TREAS/OASIA/IDB: NCoar *draft lit only 019*
019 *SKatesale 4/7/88*

PPC/PDPR/RP AQuandt; 3/31/88; 5641R

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D C 20523

THE ADMINISTRATOR

April 18, 1988

The Honorable Daniel K. Inouye
Chairman
Subcommittee on Foreign Operations
Committee on Appropriations
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

Pursuant to the requirements of Section 537(h) PL 100-202, enclosed is the semi-annual list of multilateral development bank (MDB) projects which we are investigating to see whether they are likely to have an adverse impact on the environment, natural resources or indigenous peoples.

We appreciate your interest in this important issue.

Sincerely,



Alan Woods

Enclosure:

List of Upcoming MDB loans
With Possible Environmental Issues

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D C 20523

THE ADMINISTRATOR

April 18, 1988

The Honorable Dante B. Fascell
Chairman
Committee on Foreign Affairs
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

Pursuant to the requirements of Section 537(h) PL 100-202, enclosed is the semi-annual list of multilateral development bank (MDB) projects which we are investigating to see whether they are likely to have an adverse impact on the environment, natural resources or indigenous peoples.

We appreciate your interest in this important issue.

Sincerely,



Alan Woods

Enclosure:

List of Upcoming MDB loans
With Possible Environmental Issues

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

THE ADMINISTRATOR

April 18, 1988

The Honorable David R. Obey
Chairman
Subcommittee on Foreign Operations
Committee on Appropriations
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

Pursuant to the requirements of Section 537(h) PL 100-202, enclosed is the semi-annual list of multilateral development bank (MDB) projects which we are investigating to see whether they are likely to have an adverse impact on the environment, natural resources or indigenous peoples.

We appreciate your interest in this important issue.

Sincerely,



Alan Woods

Enclosure:

List of Upcoming MDB loans
With Possible Environmental Issues

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

THE ADMINISTRATOR

April 18, 1988

The Honorable Claiborne Pell
Chairman
Committee on Foreign Relations
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

Pursuant to the requirements of Section 537(h) PL 100-202, enclosed is the semi-annual list of multilateral development bank (MDB) projects which we are investigating to see whether they are likely to have an adverse impact on the environment, natural resources or indigenous peoples.

We appreciate your interest in this important issue.

Sincerely,



Alan Woods

Enclosure:

List of Upcoming MDB loans
With Possible Environmental Issues

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

THE ADMINISTRATOR

April 18, 1988

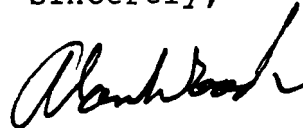
The Honorable Fernand St Germain
Chairman
Committee on Banking, Finance and
Urban Affairs
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

Pursuant to the requirements of Section 537(h) PL 100-202, enclosed is the semi-annual list of multilateral development bank (MDB) projects which we are investigating to see whether they are likely to have an adverse impact on the environment, natural resources or indigenous peoples.

We appreciate your interest in this important issue.

Sincerely,



Alan Woods

Enclosure:

List of Upcoming MDB loans
With Possible Environmental Issues

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D C 20523

THE ADMINISTRATOR

April 18, 1988

The Honorable John C. Stennis
Chairman
Committee on Appropriations
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

Pursuant to the requirements of Section 537(h) PL 100-202, enclosed is the semi-annual list of multilateral development bank (MDB) projects which we are investigating to see whether they are likely to have an adverse impact on the environment, natural resources or indigenous peoples.

We appreciate your interest in this important issue.

Sincerely,



Alan Woods

Enclosure:

List of Upcoming MDB loans
With Possible Environmental Issues

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D. C. 20523

THE ADMINISTRATOR

April 18, 1988

The Honorable Jamie L. Whitten
Chairman
Committee on Appropriations
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

Pursuant to the requirements of Section 537(h) PL 100-202, enclosed is the semi-annual list of multilateral development bank (MDB) projects which we are investigating to see whether they are likely to have an adverse impact on the environment, natural resources or indigenous peoples.

We appreciate your interest in this important issue.

Sincerely,



Alan Woods

Enclosure:

List of Upcoming MDB loans
With Possible Environmental Issues

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

THE ADMINISTRATOR

April 18, 1988

The Honorable William S. Broomfield
House of Representatives
Washington, D.C. 20515

Dear Congressman Broomfield:

Pursuant to the requirements of Section 537(h) PL 100-202, enclosed is the semi-annual list of multilateral development bank (MDB) projects which we are investigating to see whether they are likely to have an adverse impact on the environment, natural resources or indigenous peoples.

We appreciate your interest in this important issue.

Sincerely,



Alan Woods

Enclosure:

List of Upcoming MDB loans
With Possible Environmental Issues

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

THE ADMINISTRATOR

April 18, 1988

The Honorable Silvio O. Conte
Committee on Appropriations
House of Representatives
Washington, D.C. 20515

Dear Congressman Conte:

Pursuant to the requirements of Section 537(h) PL 100-202, enclosed is the semi-annual list of multilateral development bank (MDB) projects which we are investigating to see whether they are likely to have an adverse impact on the environment, natural resources or indigenous peoples.

We appreciate your interest in this important issue.

Sincerely,



Alan Woods

Enclosure:

List of Upcoming MDB loans
With Possible Environmental Issues

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D C 20523

THE ADMINISTRATOR

April 18, 1988

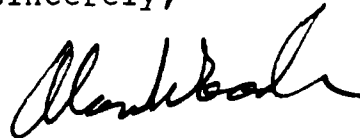
The Honorable Mickey Edwards
Subcommittee on Foreign Operations
Committee on Appropriations
House of Representatives
Washington, D.C. 20515

Dear Congressman Edwards:

Pursuant to the requirements of Section 537(h) PL 100-202, enclosed is the semi-annual list of multilateral development bank (MDB) projects which we are investigating to see whether they are likely to have an adverse impact on the environment, natural resources or indigenous peoples.

We appreciate your interest in this important issue.

Sincerely,



Alan Woods

Enclosure:

List of Upcoming MDB loans
With Possible Environmental Issues

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D C 20523

THE ADMINISTRATOR

April 18, 1988

The Honorable Mark O. Hatfield
Committee on Appropriations
United States Senate
Washington, D.C. 20510

Dear Senator Hatfield:

Pursuant to the requirements of Section 537(h) PL 100-202, enclosed is the semi-annual list of multilateral development bank (MDB) projects which we are investigating to see whether they are likely to have an adverse impact on the environment, natural resources or indigenous peoples.

We appreciate your interest in this important issue.

Sincerely,



Alan Woods

Enclosure:

List of Upcoming MDB loans
With Possible Environmental Issues

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

THE ADMINISTRATOR

April 18, 1988

The Honorable Jesse Helms
United States Senate
Washington, D.C. 20510

Dear Senator Helms:

Pursuant to the requirements of Section 537(h) PL 100-202, enclosed is the semi-annual list of multilateral development bank (MDB) projects which we are investigating to see whether they are likely to have an adverse impact on the environment, natural resources or indigenous peoples.

We appreciate your interest in this important issue.

Sincerely,



Alan Woods

Enclosure:

List of Upcoming MDB loans
With Possible Environmental Issues

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

THE ADMINISTRATOR

April 18, 1988

The Honorable Robert W. Kasten, Jr.
Subcommittee on Foreign Operations
Committee on Appropriations
United States Senate
Washington, D.C. 20510

Dear Senator Kasten:

Pursuant to the requirements of Section 537(h) PL 100-202, enclosed is the semi-annual list of multilateral development bank (MDB) projects which we are investigating to see whether they are likely to have an adverse impact on the environment, natural resources or indigenous peoples.

We appreciate your interest in this important issue.

Sincerely,



Alan Woods

Enclosure:

List of Upcoming MDB loans
With Possible Environmental Issues

April 1988 List of Upcoming MDB Projects with Possible Environmental Concerns: Background and Purpose

The Agency for International Development monitors selected multilateral development bank projects likely to have adverse impacts on the environment, natural resources or indigenous peoples. Projects are monitored in collaboration with the U.S. Departments of Treasury and State as part of a larger effort to ensure that U.S. funded development assistance be used to promote sustainable use of natural resources, to protect the environment and the status of indigenous peoples.

Projects on the list are identified early in the development cycle, in advance of project approval by the Bank executive board. Through early identification we seek to strengthen environmental project planning, correct project design and mitigate adverse impacts.

The principal mechanism for early project identification is A.I.D.'s Early Project Notification system. In this system, A.I.D. notifies field missions and selected embassies of upcoming projects one to two years prior to board consideration. Mission comment is solicited concerning a number of issues including the environment, macro or sector policy issues and project design questions. A.I.D. added detailed environmental questions to the system in 1985.

A.I.D. missions respond if there is reason to anticipate environmental problems associated with the project, and the responses are reviewed in Washington. Projects appearing on the list, then, reflect mission and U.S. Government interest and judgement. We do not consider the list all inclusive. It is a tool to assist us in identifying the need for improved environmental planning as part of project design.

In conformance with U.S. legislation, A.I.D. is particularly concerned with projects "involving large impoundments of rivers in tropical countries; penetration roads into relatively undeveloped areas; and agricultural and rural development programs."

The April 1988 list includes eight projects involving large dams and thirteen involving agricultural and rural development programs. Eleven projects included on the list fall outside of the three broad categories in the legislation.

April 1988

LIST OF UPCOMING MDB PROJECTS WITH POSSIBLE ENVIRONMENTAL ISSUES

Projects Involving Large Impoundments of Rivers in Tropical Countries

1. IDB Ecuador Daule Peripa Hydroelectric Project
2. AfDB The Gambia River Basin Development
3. IBRD/IDA India Narmada (Madhya Pradesh) Dam and Power
IBRD/IDA India Narmada (Madhya Pradesh) Resettlement and Rehabilitation
4. IBRD Pakistan Kalabagh Dam
5. IBRD People's Republic of China Three Gorges Dam
6. AfDB Niger Kandadji Dam
7. IDA Somalia Bardhere Dam

Agricultural and Rural Development Programs

8. IBRD/IDA Bolivia Agricultural Lowlands Project
9. IBRD Jamaica Agricultural Sector Adjustment Project
10. IBRD/IDA India Upper Krishna Irrigation II Project
11. IBRD Indonesia Nucleus Estate Phase II Project
12. IBRD Indonesia Transmigration Second Stage Development
13. IBRD Indonesia Smallholder Estate Tree Crops Development
14. IDA Kenya Forestry IV Project
15. AfDB Kenya Nyando Irrigation Project
16. IDA Lesotho Land Management and Conservation Project
17. IBRD Rwanda Nyabarongo Development Project
18. IDA Sri Lanka Second Smallholder Rubber Rehabilitation
19. IBRD Yugoslavia Lonjsko Polje Drainage Project

Other Projects with Potential Environmental Effects

20. IBRD Brazil Electric Sector II Project
21. IBRD Brazil Electric Sector Transmission and Distribution
22. IDB Ecuador Paute C Watershed Management Project
23. IBRD Indonesia Industrial Restructuring
24. IBRD Indonesia Jabotabek Urban Development II
25. ADB Indonesia Power XX
26. IDA Lesotho Urban Development II Project
27. IBRD Mexico Hydroelectric Development Project
28. IDA Pakistan Punjab Urban Development
29. IBRD Philippines Bacon-Manito Geothermal Project
30. IDA Senegal Transport Sector Rehabilitation Project
31. IBRD Thailand Energy IV Project

Projects which are being dropped from the List after Board Vote

32. IDA Niger Energy Project

April 1988

LIST OF UPCOMING MDB PROJECTS WITH POSSIBLE ENVIRONMENTAL ISSUES

Projects Involving Large Impoundments of Rivers in Tropical Countries

1. IDB Ecuador Daule Peripa Hydroelectric Project

Projected IDB Funding: \$110 Million
Total Project Cost: \$160 Million

Description: This project will finance the hydroelectric activities associated with the Daule Peripa dam including one transmission line and a power substation. The executing agency is the Ministry for the Study of Development of the Guayas River Basin, CEDEGE.

Issues: A number of general concerns have been raised concerning the environmental impacts of the Daule Peripa dam itself which was financed by previous loans. Continuing concerns include the need for watershed management and aquatic weed control. Also the presence of the dam will alter the seasonal flow of the Guayas River. Evaporation from the reservoir will concentrate pesticides and minerals, changing the water balance in the rest of the estuary. This may have an adverse effect on salt water shrimp ponds located along the coast and into the estuary. Specific concerns were raised with respect to the hydroelectric project because it was believed that it included funding for selective forest clearing and animal relocation.

Status: Discussions have been held with IDB staff, emphasizing the need for more rapid completion of environmental studies being done in the context of the previous loans for the Daule Peripa Dam. IDB staff indicated that the three studies on water quality, water management and conservation, and use of agrochemicals would be completed in 1988. They stated that no funds in the present project would be used for animal relocation or forest clearing. We will continue to monitor the project.

2. AfDB The Gambia River Basin Development

Projected AfDB funding: unknown
Projected Project Cost: \$400 Million

Description: The proposed project involves two dams on the Gambia river, a hydropower station and irrigation blocks. The Balingho Dam would be the downstream dam designed to prevent salt-intrusion. The upstream dam to be located in Kekreti, Senegal would generate power and control water for irrigation blocks in the Gambia.

Issues: Issues have been raised concerning the impact of the project on river ecology, fisheries, estuaries and on the livelihoods of peoples engaged in swamp cultivation in the Gambia River Basin.

Status: An AfDB team discussed this project with the Government of The Gambia and with the Gambia River Authority in October. At that time the team also reviewed the A.I.D. financed environmental and socio-economic impact study carried out by the University of Michigan. The team concluded that it was unlikely that the Bank could support the project as currently conceived, noting environmental problems and doubtful economic viability. The Bank is willing to fund some additional studies on the environmental impact and the economics with view to the possible financing of a bridge or hydropower project. The Bank may fund some \$2 million for such studies in 1988. The French are also considering funding a study of the development of the Gambia river basin. We will continue to monitor the development of this project.

3. IBRD/IDA India Narmada (Madhya Pradesh) Dam and Power.
IBRD/IDA India Narmada (Madhya Pradesh) Resettlement and Rehabilitation

Projected IBRD Funding (Dam): \$350 million
Total Project Cost (Dam) \$953 million

Projected IDA Funding (Resettlement): \$70 million
Total Project Cost (Resettlement): \$250 million

Description: The Dam and Power project involves the construction of the Narmada Sagar dam and hydropower station to generate 1,000 MW of power and to evaluate future irrigation of about 300,000 ha. of land. The Narmada Resettlement and Rehabilitation projects will assist the resettlement of about 120,000 people affected by Narmada Sagar reservoir submergence. Both projects are to be implemented by the Narmada Planning Agency.

Issues: Potential environmental impacts include: 1) deforestation (clearfelling and submerging) of 40,000 hectares of forest (2) destruction of wildlife (3) risk of earthquake (4) siltation due to deforestation of catchment area (5) waterlogging of irrigated soils (6) increased risk of water borne diseases including malaria and cholera. There are major concerns over the adequacy of resettlement planning. The Narmada Tribunal recommended a policy of "land for land" and rehabilitation of villages as villages. Resettlement experience in the previously approved Gujarat project has demonstrated inadequate capability to plan and implement resettlement in conformance with these policies. Questions remain concerning (1) effectiveness of the loan in making dam construction/funding contingent on resettlement planning and implementation (2) adequacy of environmental reviews and mitigation planning (3) inclusion of environmental and resettlement costs in overall cost/benefit analysis.

Status: The project will be considered for Board approval later in 1988. A.I.D. conducted a site visit to India in January to investigate the status of environmental planning for this project. The investigation pointed to initiation of environmental studies comparatively late in the planning process. One result is that the examination of alternatives with fewer social/environmental impacts has been precluded.

The Government of India Department of Environment held up clearance on the Narmada Sagar Dam Project until 1987, because there were inadequate data and mitigative action plans regarding a number of impacts: resettlement of 130,000 people, catchment area treatment, reforestation; relocation of wildlife; inventory and preservation of flora species loss; seismicity; and water logging and salinity in the command area. The Department of Environment was also concerned because no overall environmental analysis of the development of the basin as a whole had been conducted.

In 1987, the issue was taken up by the Prime Minister's office and a decision made to grant provisional environmental clearance. The environmental studies and the physical works would proceed simultaneously. The Narmada Control Authority (NCA) in New Delhi was expanded to include Ministry of Environment and Forests and the Ministry of Welfare and made responsible for ensuring that environmental and resettlement studies and action plans be developed and implemented. The NCA can stop construction if there is not enough progress on these issues, and the Department of Environment has been given veto power within the Authority.

We continue to have concerns about this project and will pursue them again with Bank management as one of our top priorities to see what actions to address our concerns will be taken.

4. IBRD Pakistan Kalabagh Dam

Projected IBRD Funding: \$150 Million
Total Project Cost: Unavailable

Description: This project, if designed at its contemplated scale, would finance dam construction and the installation of a 2,400 megawatt hydroelectric capacity. It is a multipurpose project for power generation, irrigation and water control. The executing agency is Pakistan's Water and Power Development Authority.

Issues: Concerns have been raised regarding the anticipated large-scale resettlement, the flooding in the Northwest Frontier Province and the possible exacerbation of waterlogging and salinity in the project. Concerns have also been raised regarding economic and financial issues. A.I.D. estimates the cost of an environmental assessment at \$1 million.

Status: Although Bank documentation states that project preparation is being finalized, apparently the Government of Pakistan has not yet made a decision with respect to Kalabagh. Alternative hydropower projects are being investigated by the Government and prefeasibility studies are being conducted for a hydropower facility at Basha. Another alternative involves a diversionary canal from Tarbela and construction of a 1,000 MW power facility at Gaza Gariela. The project would involve fewer resettlement and environmental problems. The total project cost for the alternative is about \$1 billion.

5. IBRD People's Republic of China Three Gorges Dam

Projected IBRD Funding: Unavailable
Total Project Cost: Unavailable

Description: The project would finance a 150 to 170 meter dam in the Three Gorges region of the Yangtze River basin which would provide flood control, electrical power and inland navigation. The executing agency would be China's Ministry for Water Resources and Electric Power.

Issues: Concerns have been raised regarding the resettlement the project would require as well as the project's effects on a number of key areas including fisheries, rare and endangered species, and inland navigation. Concerns have also been raised regarding the hydrological and economic effects of altering sedimentation regimes.

Status: A Canadian financed feasibility study has been completed. We have been assured by Bank staff that environmental issues have been dealt with in the study. We are seeking copies of the report and further information.

6. AfDB Niger Kandadji Dam

Projected AfDB Funding: Unavailable
Total Project Cost: Unavailable

Description: The AfDB was planning to finance a hydroelectric scheme which could cost several hundred million dollars.

Issues: Concerns have been raised regarding the resettlement which could occur as a result of the project and the possible size of the project.

Status: The project has been put on hold indefinitely because of high costs and unresolved technical issues. This project will be dropped from the list.

7. IDA Somalia Bardhere Dam

Projected IDA Funding: \$65 million
Projected Project Cost: Unavailable

Description: The project will finance a multi-purpose dam on the Juba River that will provide hydropower for Mogadishu and Kismayo, as well as irrigated agricultural development and flood protection. Executing agency is the Ministry of Juba Valley. Cofinancing expected with Kuwait Fund, Arab Fund, EEC and Italy.

Issues: Concerns have been raised over water quality, siltation and the sustainability of agricultural development. Further concerns have been raised over the impacts on indigenous peoples including impacts on their health, on land tenure and water rights.

Status: Appraisal mission tentatively scheduled for end 1988. A.I.D. has financed extensive environmental studies associated with the Juba river development. A technical assistance component of this project was approved in December 1987. The U.S. recommended including assistance for irrigated agriculture in addition to engineering considerations. We will continue to monitor this project.

Projects Involving Penetration Roads into Relatively Undeveloped Areas

None.

Agricultural and Rural Development Programs

8. IBRD/IDA Bolivia Agricultural Lowlands Project

Projected Bank Funding: \$35 million
Total Project Cost: Unknown

Description: The project will provide support for a regional development program for the eastern low-lands, focussing on inputs to storage for crop and livestock production; support of agriculture extension, research and training; strengthening of marketing arrangements and of the feeder road system. The executing agency is the Ministry of Agriculture.

Issues: Concerns have been raised over the potential adverse environmental impacts associated with the alteration of land use in the lowlands. Introduction of roads may lead to in-migration and deforestation. Lowland soils are acidic, prone to compaction with agricultural machinery; they lack nutrients and are characterized by poor drainage. As such they are easily degraded, and require appropriate agricultural and agroforestry techniques. Questions were raised about the capability of current insitutions to carry out a project of this complexity.

Status: The preparation mission is scheduled for spring 1988. Issues have been raised with Bank staff. The Bank reply emphasized that lowland areas are already subject to development. According to Bank staff, the Bank project will explicitly address environmental issues and will seek cooperation with other donors to develop project specific proposals with a focus on environment. We have forwarded the Bank response to the mission for comments and have talked with mission staff concerned about the issue. We plan to further pursue these issues.

9. IBRD Jamaica Agricultural Sector Adjustment Project

Projected IBRD Funding: \$25 Million
Total Project Costs: Unavailable

Description: The project will support the development of export agriculture, crop diversification and food self-sufficiency. The executing agency is the Bank of Jamaica.

Issues: A possible concern has been raised regarding use of pesticides.

Status: The U.S. Executive Director's office has raised concerns with Bank staff. Current Bank documentation indicates that the project preparation is under way. We will continue to monitor this project.

10. IBRD/IDA India Upper Krishna Irrigation II Project

Projected IBRD/IDA Funding: \$250 Million
Total Project Cost: \$500 Million

Description: This project will: (1) develop over seven and one half years, a total of about 150,000 hectares out of an irrigation command area of 425,000 hectares, and (2) provide a modern irrigated agriculture based on the rotational water supply technique. The executing agency is the Department of Irrigation in the Government of Karnataka. The project funding will be provided by both the IBRD (\$100 Million) and IDA (\$150 Million).

Issues: Concerns have been raised regarding the project's effects on displaced people. Problems include failure to provide land for land lost and inability of displaced people to purchase agricultural land and failure to design and implement a satisfactory resettlement plan.

Status: Project is currently under appraisal. A.I.D. held a meeting with Bank staff on this project in November and continues to monitor the adequacy of resettlement planning.

11. IBRD Indonesia Nucleus Estate Phase II Project

Projected IBRD Funding: \$100 million
Total Project Cost: Unknown

Description: The project will finance inputs to maintain the quality of trees planted in previous NES projects through the mature phase and expand existing smallholder areas. Technical assistance may also be included. The executing agency is the Ministry of Agriculture.

Issues: If the project will expand existing smallholder areas in secondary jungles and estuaries, an environmental assessment should be carried out.

Status: Project preparation is under way. Concerns were discussed with Bank staff. Staff agreed that expansion of project into secondary jungles and estuaries would justify an environmental assessment, and agreed to monitor the project accordingly. We will continue to follow this issue if the Bank plans include such an expansion.

12. IBRD Indonesia Transmigration Second Stage Development

Projected IBRD Funding: \$120 million
Total Project Cost: Unavailable

Description: The project will increase income and agricultural production in 10 existing transmigration settlements; strengthen Ministry of Transmigration's (MOT) coordination and implementation capacities for second stage development; and improve overall economic, social and environmental soundness of the transmigration program. The executing agency will be the Ministry of Transmigration. The World Bank has already assisted this program via several loans, the most recent being \$160 million for the Fifth Transmigration Project, approved in June 1985.

Issues: Concerns have been raised about the environmental effects of the overall transmigration program of which this project is a part. Overall concerns include destruction of tropical forests, insufficient support for resettled peoples to ensure self sufficiency or sustainable agriculture, displacement of indigenous peoples, impacts on rare and endangered wildlife and on water quality. Concerns about this transmigration project include failure of the project to benefit indigenous peoples impacted by settlement, and the environmental effects of spontaneous transmigrants to new sites. There is concern that the project not proceed before completion of a site specific socio-economic and environmental impact study.

Status: The pre-appraisal mission for this project has been completed and appraisal is anticipated in fall of 1988. The Bank is awaiting conclusion of project preparation and Government action on outstanding issues. (These issues are not specifically environmental.) The US Government agencies have often indicated our serious concerns about transmigration projects. The Bank has emphasized IBRD role in improving planning and implementation of the project and that the current project is limited to improvement of existing sites. Bank staff stated that support was provided to the directorate of environment within the Ministry of Transmigration under Transmigration V and that environmental impact statements will be prepared on all nine sites proposed in the new project. Mission commentary indicated support for the project assuming extensive monitoring and Bank involvement to improve quality and sustainability to transmigration program. We will continue to monitor the project.

13. IBRD Indonesia Smallholder Estate Tree Crops Development

Projected IBRD funding: \$45 million
Total Project Cost: Unknown

Description: The project supports the Government's efforts to improve smallholder coconut and rubber production. The executing agency is the Directorate General of Estate.

Issues: While this project targets existing settlements, there could be some new land development. Also the project may result in attracting new settlers to project sites creating secondary impacts. An environmental assessment should be carried out.

Status: A.I.D. concerns were discussed with Bank staff. Staff agreed on need for environmental assessment and to monitor project accordingly. Bank staff subsequently indicated that environmental analysis has been carried out. Appraisal is expected in June. The pre-appraisal mission is completed.

14. IDA Kenya Forestry IV Project

Projected IDA Funding: About \$30 Million
Total Project Cost: Approximately \$46.6 Million

Description: Support for integrated forestry development (fuelwood, timber, agroforestry). The executing agency is the Ministry of Environment and Natural Resources.

Issues: Concerns have been raised regarding potential implementation problems with the executing ministries including the Ministry of Environment and Natural Resources.

Status: Project under preparation but will depend on progress of forestry policy dialogue. Concerns were raised with Bank staff and the Bank's response indicated that a Forestry Sub Sector Review had been prepared which suggested a possible 5 year Forestry Program. A main thrust of the Forestry Sector Review calls for strengthening and improving "agro-forestry." The Bank response acknowledged bureaucratic problems with the project. Bank staff intended to meet with A.I.D. staff in Nairobi. We are still awaiting mission comments on the Bank's response and on discussions in Nairobi.

15. AFDB Kenya Nyando Irrigation Project

Projected AFDB Funding: \$15 Million
Total Project Cost: Unavailable

Description: The project will finance the construction of a wier across the Nyando river and a main canal, as well as the rehabilitation of 1,000 hectares of the Ahero irrigation scheme.

Issues: Concerns have been raised regarding the adequacy of planning to avert or mitigate such environmental and social concerns as the effects on health, on the rights of the indigenous peoples and on land and water.

Status: Concerns were been raised with Bank staff. The project has been put on indefinite hold and is not longer in the pipeline. The Kenyans are no longer seeking Bank financing for this project. There is a possibility that the U.K.'s ODA may finance the project. This project will be dropped from the list.

16. IDA Lesotho Land Management and Conservation Project

Projected IDA Funding: About \$12 Million
Total Project Cost: Unavailable

Description: This project will finance the provision of technical assistance and facilities for land use planning and conservation activities. The executing entities will be the Ministry of Agriculture and the Ministry of Interior.

Issues: Although we understand the project is intended to be environmentally beneficial, concerns have been raised regarding a number of issues with the proposed implementation arrangements and the capability of the implementing entities.

Status: Both the A.I.D. mission and the U.S. Executive Director's Office have discussed our concerns about this project. The Bank staff stated that many of our issues have been addressed and we will confirm this with a review of the appraisal report which is expected shortly.

17. IBRD Rwanda Nyabarongo Development Project

Projected IBRD Funding: Unknown
Total Project Cost: Unknown

Description: The project involves a plan to develop the Nyabarongo valley, one of three main river systems in Rwanda.

Issues: Concerns have been raised over potential adverse environmental impacts. The hydrology of the system is complex with long term fluctuations in water levels. The large marais or swamps act as reservoirs and regulators of water flow and have important ecological effects in areas distant from them. Poorly understood ecology could lead to misuse of marais land.

Status: The project is not yet listed in bank documents. The A.I.D. mission will be funding a natural resource management and planning project in Rwanda which may be of assistance in to the bank project. We are forwarding mission concerns to Bank staff. We will continue to monitor the development of this project.

18. IDA Sri Lanka Second Smallholder Rubber Rehabilitation

Projected IDA Funding: \$27 Million
Total Project Cost: Unavailable

Description: The project will support increased production of rubber for the smallholder sector by enhancing producer incentives, improving extension services and supply of inputs, reducing constraints to credit, rehabilitating private factories and improving marketing mechanisms for smallholder output. The executing agency is the Ministry of Plantation Industries.

Issues: The primary concern is the possible effect of project activity on tropical forest resources.

Status: Negotiations are scheduled for April 1988. The U.S. Executive Director's office raised these issues with Bank staff who responded that the project will primarily rehabilitate the existing rubber plantations and thus would not have a detrimental effect on tropical forest resources. We are continuing to monitor the project.

19. IBRD Yugoslavia Lonjsko Polje Drainage Project

Projected IBRD Funding: About \$78 Million
Total Project Cost: Unavailable

Description: The project would provide drainage for about 49,000 hectares in Croatia, including pumping stations, on-farm development, construction and farm equipment. The executing agency is Yugoslavia's Sava Basin Water Organization.

Issues: Concerns have been raised regarding the project's possible effects on the wetlands, on plant and animal species, and on fisheries. Concerns have also been raised regarding the preparation of an environmental assessment.

Status: The project has been dropped from the bank's lending program. This project will be dropped from the list.

Other

20. IBRD Brazil Electric Sector II Project

Projected IBRD Funding: \$500 Million
Total Project Funding: Unavailable

Description: The loan would continue support for the Government of Brazil's measures to rehabilitate the power sector. The executing agency is Brazil's ELECTROBRAS (Centrais Electricas Brasileiras).

Issues: Concerns have been raised regarding the effective design and implementation of the sector's environmental review process and regarding several specific projects including Balbina and Ji-Parana.

Status: Concerns were raised by the U.S. Government and members of the German and British Executive Directors' offices during a meeting with bank staff in January. Bank staff informed us that the loan has been delayed until September/October 1988, primarily because of economic issues and economic conditions in Brazil. We remain concerned about the impact of large scale developments on Brazil's sensitive ecosystem and about the capacity of state governments to adequately review environmental impact statements. We are also concerned about the impact of the project on Indian populations. We understand that the environmental review process now includes several prominent Brazilian officials who have been named to a Blue Ribbon Review Board. However, the details of this review process are not yet clear and a primary concern is to ensure full participation by the public in the environmental review. In addition to the projects mentioned, we are following how the proposed hydroelectric scheme in Altamira-Xingu will be assessed in the environmental review process. We are continuing to pursue these concerns with Bank staff.

21. IBRD Brazil Electric Sector Transmission and Distribution

Projected IBRD Funding: \$300 Million
Total Project Cost: Unavailable

Description: The loan would continue assistance towards financial rehabilitation of selected utilities. The executing agency is Brazil's ELECTROBRAS.

Issues: Concerns have been raised regarding the effective design and implementation of the sector's environmental review process.

Status: Concerns have been discussed with Bank staff. Bank documentation indicates that project preparation is underway. We will continue to pursue our concerns with Bank staff.

22. IDB Ecuador Paute C Watershed Management Project

Projected IDB Funding: \$15 Million
Total Projected Cost: Unknown

Description: Project will fund watershed management to be implemented by INECEL.

Issues: Concerns have been raised regarding soil conservation measures to be used in the project and the capability of INECEL to undertake the soil conservation activities.

Status: Concerns were raised with Bank staff. The Bank replied that soil conservation would be carried out by CREA and the Ministry of Agriculture. IDB would provide technical assistance, equipment and cost-sharing schemes. We will continue to monitor these issues.

23. IBRD Indonesia Industrial Restructuring Project

Projected IBRD Funding: \$200 million

Total Project Cost: Unknown

Description: Industrial restructuring will include: (1) technical assistance for monitoring group in MOI; (2) policy changes and institution building; (3) specific restructuring or development programs in key areas; and (4) technical assistance to enterprises. The executing agency is the Ministry of Industry.

Issues: Concerns have been raised about need to assess, monitor and control industrial pollution.

Status: Project preparation is under way. We have discussed concerns with bank staff and they assured us they would address the issue of monitoring and control of industrial pollution.

24. IBRD Indonesia Jabotabek Urban Development II Project

Projected Bank Funding: \$100 Million

Total Project Cost: Unknown

Description: The project includes investments and rehabilitation of raw water and treated water supply facilities, distribution and sanitation, and technical assistance for institutional development, water resources management and pollution control. The implementing agency is the Directorate General for Human Settlements.

Issues: This project would divert water from other watersheds to improve the quality of the water supply to the Jakarta area. While this action would improve the quality of the water supply for drinking water, it would not assist the government to improve the water quality of existing polluted supplies. Therefore water supplies may still be contaminated because of an inadequate and poorly maintained distribution system. A secondary effect might be to delay Government efforts to reduce primary pollution. The project may also have major adverse effects on multiple watersheds. Also, increased water supplies automatically increase the volume of waste; no corresponding improvements in the sewerage systems seem to be contemplated. These issues should be addressed as part of an impact assessment.

Status: Concerns are being forwarded to Bank staff.

25. ADB Indonesia Power XX Project

Projected Bank Funding: \$120 Million
Total Project Cost: unknown

Description: The project will finance construction of the 200 MW Singkarak hydropower scheme in West Sumatra and construction of 10 mini hydropower schemes in North Sumatra, Sulawesi and Nusa Tenggara. The implementing agency is the National Electricity Corporation.

Issues: Concerns have been raised about mitigation of environmental impacts associated with hydropower projects.

Status: Bank documentation indicates that a fact finding mission was scheduled for late January 1988. We will be seeking further information about this project.

26. IDA Lesotho Urban Development II Project

Projected IDA Funding: About \$20.4 Million
Total Project Cost: Unavailable

Description: This project would enhance the delivery of urban services and improve financial efficiency and cost recovery through establishment of a Municipal Council in Maseru, develop a national housing policy and restructure existing institutions. The executing agency will be the Ministry of Interior.

Issues: Questions have been raised regarding the apparent lack of sewage and water systems as well as treatment plans and the possible effect on the local aquifer.

Status: Concerns have been raised again with Bank staff and we will review the appraisal report expected shortly to determine if the Bank's response is adequate.

27. IBRD Mexico Hydroelectric Development Project (Previously Electric Power Sector I)

Projected IBRD Funding: Up to \$400 Million
Total Project Cost: Unknown

Description: The project would finance the Aguamilpa (960 MW) and Zimapan (280 MW) Hydroelectric Projects, plus execution of energy-related studies and an environmental and resettlement program.

Issues: Questions were raised about how the environmental analysis and review were to be carried out for the proposed Electric Power sector I.

Status: Bank documentation indicates that an appraisal report is being prepared. We will seek further information about the environmental analysis of Aguamilpa and Zimapan.

28. IDA Pakistan Punjab Urban Development

Projected IDA Funding: \$90 Million
Total Project Cost: Unavailable

Description: The project will support urban infrastructure, area and walled city upgrading and technical assistance services for various cities in Punjab provinces. The implementing agency is the Project Management Unit, Agencies and Authorities of the Punjab Government, Lahore and three other Punjab Municipalities.

Issues: Concerns were raised regarding the effects of seepage on groundwater levels if sewage disposal by seepage is proposed.

Status: Concerns were raised with Bank staff. Bank responses were sent to the A.I.D. mission and mission indicated that their concerns have been addressed. This project will be dropped from the list.

29. IBRD Philippines Bacon-Manito Geothermal Project

Projected IBRD Funding: \$144 Million
Total Project Cost: unknown

Description: The project will finance drilling of geothermal wells in Bacon-Manito; installing steam-gathering terminals; construction of Bacon-Manito power station; rehabilitating southern end of MERALCO distributing system; drilling of exploratory geothermal wells around Luzo and Mindanao; strengthening the NPC transmission system in Luzon. The implementing agencies are the National Power Corporation (NPC), the Philippine National Oil Corporation (PNOC), and the Manila Electric Company (MERALCO).

Issues: Concerns have been raised over the adequacy of environmental considerations in the design and appraisal of geothermal projects.

Status: Bank documentation indicates that negotiations were to be held in March. We have forwarded our concerns to Bank staff.

30. IDA Senegal Transport Sector Rehabilitation Project

Projected IDA Funding: \$40 Million
Total Project Cost: unknown

Description: The project will finance road upgrading and strengthening; a road maintenance program; technical assistance and studies; track rehabilitation and policy measures to enhance efficiency of Senegalese railways; studies and technical assistance to improve management and efficiency of aviation and maritime sub-sectors.

Issues: Concerns have been raised concerning impacts of the proposed road rehabilitation works. Because of the magnitude of this component, the unusually large amounts of laterite needed may cause a problem. The laterite will be taken from limited available locations. This could mean that extensive surface pitting in a few places would result in stagnant ponds of surface run off water and corresponding danger of possible contamination of surrounding groundwater.

Status: Project preparation is under way. Our concerns have been forwarded to the Bank staff.

31. IBRD Thailand Energy IV Project

Projected IBRD Funding: \$50 Million
Total Project Cost: Unavailable

Description: This project could consist of the expansion of the LPG plant, products pipeline and a new gas pipeline to Southern Thailand. The implementing agency will be the Petroleum Authority of Thailand.

Issues: A concern has been raised regarding the need to develop and follow the results of the upcoming Eastern Seaboard environmental plan.

Status: The U.S. Executive Director's office has discussed our concerns regarding this project with the Bank staff. According to the Bank, it is unclear whether the project will be developed as described and even whether Bank financing will be sought by the Government. We continue to monitor the status of this activity.

PROJECTS WHICH ARE BEING DROPPED FROM LIST AFTER BOARD VOTE

32. IDA Niger Energy Project

Projected IDA Funding: \$42.5 Million
Total Project Cost: \$78 Million

Description: The project will finance the continuation of priority investments in the energy sector. The executing agencies are the Department of Energy, Department of Forests and Fauna and NIGELEC.

Issues: Concerns have been raised over the household energy component of the loan. Under this component, a tax increase on fuelwood to urban areas will increase the price of fuelwood by 70%. At the same time, taxes will be eliminated on other fossil fuels. The project attempts to alleviate the "fuelwood crisis" by pricing policies. USAID/Niger questions effects of implementation of new tax policy and fears it will result in blackmarket activities, increased illegal cutting and will undermine many years of sustained and USAID funded effort to develop managed natural forests in Niger.

Status: The project was approved on February 23, 1988. The U.S. Executive Director supported the project as a commendable effort to address a very difficult and complex situation. While supporting the use of the price mechanism to reduce the demand for firewood in the urban areas of Niger, the U.S. noted that the strategy was not without risks. Of particular concern was the possibility that increase in firewood prices through taxes may increase illegal cutting of forest products, as has happened in experiments in similar countries, and create a black market for these products in the cities. The measures introduced by this project to prevent this from happening involve new and untested institutions.

Given the uncertainty concerning the ability of the government on policy implementation and control of the firewood trade, the U.S. strongly suggested that extensive monitoring accompany this project to find out whether it is encouraging illegal cutting and further degradation of the natural forest.

In addition, the U.S. recommended that the management of the forest land by the local communities be heavily monitored by the Forestry Department, that this activity be closely coordinated with other donors working on the forestry sector. The U.S. suggested that a mid-term review of the project address the impact of the taxation policy on the development of managed forests by communities, and its effect on the incentives for the communities to manage these resources.

List of Upcoming MDB Projects with Possible Environmental Concerns

Clearances:

PPC/PDPR:KBlakeslee ^{rub}
PPC/PDPR:Jvan der Veen ^{w2}
AA/PPC:RBissell
LEG:KKammerer
LEG:PTheil (draft)
LEG:SKakesako (draft)
PPC/MFI:KBoyd (draft)
PPC/MFI:BUpton (draft)
C/AID:NCohen (draft)
PPC/PDPR:JSchweitzer (draft)
ANE/PD/ENR:GWhaley (draft)
LAC/DR:JHester (draft)
AFR/TR:AWahab (draft)
S&T/FNR:MKux (draft)
TREASURY/OASIA/IDB:NCoar (draft)
STATE/OES/ENR:RDanin (draft)
USED/AFDB:MYee (subst)
USED/IBRD:RMyers/BCrowe (subst)
USED/IDB:CSand (draft)

Drafted: PPC/PDPR/RP ²¹⁹ Aquandt 3/31/88:#5570R.