1. **Background and Project Description**

1.1. **Purpose and Scope of IEE**

The purpose of this five-year, $10 million Private Sector Activity (PSA) is to utilize a partnership and co-investment approach to support a more resilient Azerbaijan economy, beyond the oil sector, by improving the competitiveness of the private sector with a special focus on agriculture and reducing the administrative barriers that hinder the development of micro, small, and medium enterprises in Azerbaijan. The Contractor will update the existing PERSUAP.

1.2. **Project Overview and Description**

PSA will utilize a partnership and co-investment approach to support a more resilient Azerbaijan economy, beyond the oil sector, by improving the competitiveness of the private sector with a special focus on agriculture, and reducing the administrative barriers that hinder the development of micro, small, and
medium enterprises in Azerbaijan. The activity will work with the Government of Azerbaijan (GoAJ), as well as with non-governmental groups and the private sector to support key reform initiatives and continued public sector modernization that advances Azerbaijan’s developing non-oil economy. Support under this award will target demand-driven technical assistance to relevant GoAJ institutions including but not limited to the Ministries of Agriculture, Economy, and Energy and agencies such as the Small and Medium Business Agency, Food Safety Agency, and the Center for Analysis of Economic Reforms and Communication. This activity will also target micro, small and medium-sized farmers, processors, and other agribusinesses as well as private sector entities that face burdensome administrative barriers to their operations. These activities support the GoAJ development goals, U.S. Government’s (USG) foreign policy interests and USAID’s Strategic approach in the country: to enhance an enduring partnership with Azerbaijan by reinforcing accountable and resilient systems that advance mutual stability and prosperity. The intent is to pursue government cost-share and seek leveraging opportunities with private sector and other donors.

The objectives of this activity are:

1. More diversified non-oil economy through initiatives that assist small and medium sized agribusinesses and farmers to grow;
2. Improved business environment for micro, small and medium businesses; and
3. Support for Azerbaijan’s economic reformers

2. Baseline Environmental Information

2.1. Locations Affected and Environmental Context
2.2. Description of Applicable Environmental and Natural Resource Legal Requirements Policies, Laws, and Regulations
2.3. Country/Ministry/Municipality Environmental Capacity Analysis
2.4. Sustainability Analysis
2.5. Climate Change Vulnerability Analysis

Baseline Environmental Information will be completed when activities are defined that enable a recommended environmental determination to be made. USAID shall amend the IEE with a Supplemental IEE for the subject activity.

Analysis of Potential Environmental Impact

Analysis of Potential Environmental Impact will be completed when activities are defined that enable a recommended environmental determination to be made; USAID shall amend the IEE with a Supplemental IEE for the subject activity.

3. Recommended Environmental Actions

3.1. Recommended Mitigation Measures

A deferral is requested for the new Private Sector Activity. Recommended Mitigation Measures will be provided, when activities are defined that enable a recommended environmental determination to be made.
USAID shall amend the IEE with a Supplemental IEE for the subject activity. No activities may proceed until the Supplemental IEE is approved by the BEO.

3.2. **Recommended Environmental Determination:**
A deferral is requested for the new Private Sector Activity.

3.3. **Terms and Conditions:**
3.3.1. USAID/Azerbaijan shall ensure that an environmental review will be completed prior to sub-obligation of funds.
3.3.2. Once activities are delineated that enable a recommended environmental determination to be made, USAID shall amend the IEE with a Supplemental IEE for the subject activity.
3.3.3. Activities subject to a deferral may not be awarded prior to the Bureau Environmental Officer’s approval of appropriate environmental review documentation.

4. **Mandatory Inclusion of Requirements in Solicitations, Awards, Budgets and Workplans**
4.1. Appropriate environmental compliance language, including limitations defined in Section 6, shall be incorporated into solicitations and awards for this activity and projects budgets shall provide for adequate funding and human resources to comply with requirements of this IEE.
4.2. Solicitations shall include Statements of Work with task(s) for meeting environmental compliance requirements and appropriate evaluation criteria.
4.3. Environmental mitigation and monitoring requirements, when available, shall also be included in solicitations and awards.
4.4. The IP shall incorporate conditions set forth in this IEE into their annual work plans.
4.5. The IP shall ensure annual work plans do not prescribe activities that are defined as limitations, as defined in Section 5.
4.6. The USAID Mission will include an indicator for environmental compliance as part of the project’s performance monitoring plan. [If an IEE has a threshold determination of negative determination with conditions, then a possible indicator is if the IP did the ERC/EMMP.]

5. **Limitations of the IEE:** This IEE does not cover activities (and therefore should changes in scope implicate any of the issues/activities listed below, a BEO-approved amendment shall be required), that:
5.1. Normally have a significant effect on the environment under §216.2(d)(1) [See http://www.usaid.gov/our_work/environment/compliance/regulations.html]
5.2. Support project preparation, project feasibility studies, engineering design for activities listed in §216.2(d)(1);
5.3. Affect endangered species;
5.4. Result in wetland or biodiversity degradation or loss;
5.5. Support extractive industries (e.g. mining and quarrying);
5.6. Promote timber harvesting;
5.7. Provide support for regulatory permitting;
5.8. Result in privatization of industrial or infrastructure facilities;
5.9. Lead to new construction of buildings or other structures;
5.10. Assist the procurement (including payment in kind, donations, guarantees of credit) or use (including handling, transport, fuel for transport, storage, mixing, loading, application, cleanup of spray equipment, and disposal) of pesticides or activities involving procurement, transport, use, storage, or disposal of toxic materials and/or pesticides (cover all insecticides, fungicides, rodenticides, etc. covered under the Federal Insecticide, Fungicide, and Rodenticide Act); and

5.11. Procure or use genetically modified organisms.

6. Revisions

6.1. Under §216.3(a)(9), if new information becomes available that indicates that activities covered by the IEE might be considered major and their effect significant, or if additional activities are proposed that might be considered major and their adverse effect significant, this environmental threshold decision will be reviewed and, if necessary, revised by the Mission with concurrence by the BEO. It is the responsibility of the USAID COR/AOR to keep the MEO and BEO informed of any new information or changes in the activity that might require revision of this IEE.

7. Recommended determination deferral clearances and approval to cover new Private Sector Activity

Approval: ____________________________ 12/12/18
Jaidev Singh, Mission Director

Clearance: ________________________________ 12/12/2018
Gocha Lobzhanidze, Mission Environmental Officer

Clearance: ________________________________ 12/12/2018
Tamilla Mammadova, Deputy Mission Environmental Officer

Clearance: ________________________________ 12/12/2018
Samir Hamidov, Project Management Specialist

Concurrence: ________________________________ 12/12/2018
Mark Kamiya
E&E Bureau Environmental Officer

Distribution:
IEE File
MEO (to also provide a copy to AOR/COR)