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## PART I

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(3) Transmits all working draft EIS's to appropriate Division Chief.

(4) In the event of questions or difficult deadlines, contacts the Chief, OEQ, for resolution or rescheduling.

(5) Determines need for public hearings.  
6.11 *Drafters and reviewers.*

(1) Develops an understanding of 102(2)(c) procedures for review and preparation of impact statement material, as set forth in these guidelines.

(2) Upon receipt of assignment, conducts review or drafting effort following Bureau Guidelines. Develops and drafts fish and wildlife material or comments, and sur-names resulting draft.

(3) When assigned as primary coordinator of multidiscipline drafting or review effort, conducts necessary coordination to complete the assignment.

(4) Obtains guidance as required from Regional Environmental Coordinator.

#### AGENCY FOR INTERNATIONAL DEVELOPMENT

[Transmittal Letter 11:64; Circular 1221.2]

#### CONSIDERATION OF ENVIRONMENTAL ASPECTS OF U.S.-ASSISTED CAPITAL PROJECTS

**I. Purpose.** This manual circular is issued to alert missions to the need to insure that project feasibility studies, in analyzing the development benefits of a proposed project, include the identification and assessment of the economic and social environmental costs of the project.

**II. Policy.** It is the policy of A.I.D. to require, during the planning stages of capital projects, consideration and assessment of the direct or potential effects of environmental aspects of each project.

A. The National Environmental Policy Act of 1969 provides that the United States will "promote efforts which will prevent damage to the environment and biosphere, and stimulate the health and welfare of man." The Act calls upon all agencies of the Federal Government to review programs and procedures with "particular reference to their effect on the environment and on the conservation, development and utilization of natural resources."

B. In this context A.I.D. has an important but most difficult role when analyzing and considering the financing of capital projects. There are vast differences in the stages of development between the developed and the developing countries, in the degree of untapped resources, and in the relative economic benefits from projects in contrast to their environmental effects and costs. There are also significant differences in cultural values and the manner in which the developing countries will weigh the economic development advantages of a project against its economic and environmental costs and the resulting effects on the quality of life in the developing country. However, A.I.D. is to help to determine in the design of projects that there is an identification of the environmental costs—project costs and effects which have become evident in the United States and other more developed societies, which we are now finding most difficult and costly to overcome and which through foresight and adequate planning can be avoided.

C. In varying degree, feasibility studies of A.I.D. projects have taken environmental factors into consideration. For example, watershed protection is considered in hydro projects, erosion protection in highway design, location, and internal project design factors in industrial plants or complexes. It is now the policy of A.I.D. not only to focus more carefully on environmental considerations but to attempt to identify more fully the effects of technological change on the environment and their immediate and longer range costs. It is recognized that some of

these factors are difficult to consider in the context of specific projects, since they involve broader questions of land and water use planning and natural resource allocation. Nonetheless, future capital project feasibility studies will include in their scopes of work the requirement for such environmental analyses and the results thereof to be expressed quantitatively where facts, concepts, and/or data permit.

**III. Procedure.** A. Interim—Until more formal concepts and instructions can be developed and issued through appropriate manual orders, it is requested that Missions institute the following in collaboration with the host country:

1. For feasibility studies which do not yet have completely developed and approved scopes of work, the Mission is to consider with the borrower/grantee (B/G) the desirability of including in the scope of work an assessment of environmental factors not already covered. The extent and character of specific elements of such an assessment will be left to the determination of the B/G and the Mission Director whose position will reflect the concepts outlined in this manual circular as well as general policy advisory material which was outlined in AIDTO Circular A-688, dated March 25, 1970.

2. For feasibility studies currently going forward under approved scopes of work and approved contracts, the Mission is to explore the possibility of including appropriate assessments under the contract before the work is completed. If the B/G agrees as to the desirability, discussions can be initiated between the B/G and the contractor to determine the additional amount of work required and the methods to be employed in providing the necessary expertise. Should the B/G not agree to inclusion of such assessment in a particular study, the Mission will make a judgment of the environmental effects of the project and if it concludes that they are of appreciable significance and beyond the capability of the Mission staff to evaluate, it will request A.I.D./W to obtain expert assistance through PASA arrangements with an appropriate U.S. Government agency or through the use of the basic ordering agreements for specialized engineering contract services ("M.O. 1425.1—Specialized engineering contract services"). The Mission is to provide, in case either type of assistance is desired, an appropriate PIO/T.

B. A.I.D./W has embarked on a review and possible revisions of its prescribed planning requirements as issued in "M.O. 1221.2—Feasibility studies, economic and technical soundness analysis, capital projects." Until those new instructions are issued this manual circular will be in effect.

C. Capital assistance papers submitted in the future will include the appropriate consideration of environmental factors as developed in accordance with the above and future instructions.

Effective date: August 18, 1970.

[Transmittal letter 11:72; Circular 1214.1]

#### PROCEDURE FOR ENVIRONMENTAL REVIEW OF CAPITAL PROJECTS

Effective date: September 20, 1971.

**I. Introduction.** A. To implement A.I.D.'s policy to conform with the intent and objectives of the National Environmental Policy Act of 1969 (NEPA, Public Law 91-190) in respect to capital projects abroad (1) for which U.S. assistance through A.I.D. has been requested and (2) which it is determined may significantly affect the quality of the human environment, the following procedure will be followed to provide the Council on Environmental Quality (CEQ), and such other Federal agencies as A.I.D. may select, an opportunity to be informed about and comment on such projects as part of the

A.I.D. project review process. In addition, in accordance with the intent of NEPA and the provisions of the Freedom of Information Act (5 U.S.C. 552), the procedure will make available to the public, at the appropriate time, information on the environmental implications of such projects, and the methods by which the environmental aspects are to be treated in the project.

B. It is recognized that the relationship between A.I.D., as an agency of the U.S. Government, and a prospective foreign borrower/grantee is different in respect to the degree of A.I.D. participation in the decision-making process regarding a capital project than is the case with domestic agencies participating in decisionmaking on intra-US governmental projects. The proposed project is not, in the foreign assistance case, a U.S. project and the final decisions concerning that project are not properly the responsibility of the United States, but of the requesting foreign country or agency. The intent is to work with the assisted foreign country or agency to insure that project analysis and design reflect consideration of environmental factors and the alternative means, with associated costs/benefits, of minimizing undesirable environmental side effects while maximizing beneficial environmental results. There is no intent to impose U.S. standards, priorities, or solutions on a foreign government through this procedure. At the same time, A.I.D. on behalf of the United States is involved in reaching a decision of its own, viz. whether to provide assistance to the project. The proposed procedure recognizes the bilateral nature of the decisionmaking process and seeks to fulfill the NEPA objective of thorough environmental review while giving appropriate weight to the judgment of the foreign country involved.

C. For the above purposes, the following procedure will be followed by A.I.D. in considering requests for capital assistance to projects overseas.

**II. Procedure—A. Applicability.** 1. The steps outlined below will be followed for all projects for which capital assistance (loan or grant) from A.I.D. is requested, and which have reached the stage at which either (a) a prefeasibility or feasibility study or (b) an intensive review request (IRR), whichever is first, is being considered. It will apply to capital projects being considered for dollar assistance from A.I.D. appropriated funds (all appropriation categories) or from U.S.-owned local currencies in those cases where A.I.D. is responsible for the authorization of the uses of such currencies. It will not apply to projects financed with country-owned local currency, although A.I.D. should encourage assisted countries to identify and evaluate environmental considerations in planning and executing capital projects financed with country-owned local currencies generated by assistance programs. Capital projects for the purpose of the application of the proposed procedure, would be defined as set out in "M.O. 1201.1—Capital Assistance: Introduction and Definitions," and "M.O. 1099.1—A.I.D. Implementation System." Capital Assistance is defined in paragraph II. and Attachment A of "M.O. 1201.1" and in paragraph I.D.2. of "M.O. 1099.1."

2. Sector programs, or sector loans, a category not now separately defined by manual order, will have to be evaluated to determine whether they, in fact, constitute a series of "projects" in a sector, in which case such "projects" will be evaluated to determine whether the procedure applies or not. If the sector loan or grant, upon examination, consists of local cost or foreign exchange financing in respect to or in support of a sector-wide program of diverse policy, institutional or investment actions by the assisted government or agency, the proposed

procedure would presumably not apply, although such a presumption should be examined in each case.

**B. Selection.** 1. The first step in the procedure will require a determination, initially made by the A.I.D. organizational unit (in the field or in A.I.D./Washington) responsible for the development of the capital assistance proposal, that a capital project does or does not qualify as a project with a significant environmental impact. This determination will be reviewed and approved by the responsible Regional Bureau or equivalent in A.I.D./Washington.

2. Since, in the broadest sense of the term, all developmental activities have, or should have, environmental impact in the sense that they improve the quality of life, increase production, create jobs, improve standards of living, etc., it is clear that more selective criteria are required. Common sense and the rule of reason are probably the best techniques to apply. When a project will clearly have potential deleterious environmental side effects; e.g., air, water, or thermal pollution; noxious emissions; effects on ecological systems; use of potentially toxic materials; etc., it would be obvious that the environmental impact should be analyzed, alternative methodologies studied, and appropriate safeguards proposed as integral parts of project design and implementation. Projects such as dams, irrigation, roads, industrial plants, malaria or other disease vector control projects, power generating facilities, etc., would, a priori, appear to fall into this category. At least, the questions of whether such projects have a potential for significant adverse environmental effects should be addressed, examined, and answered for such type of activity.

3. At the other end of the scale, projects which provide financing for intermediate credit institutions, development banks, mortgage banks, educational or health services and facilities of a general nature, capital markets, credit unions, savings and loan institutions, etc., when the environmental implications, if any, are the result of second- or third-level actions, removed in time or space from the original project action, and difficult, if not impossible, to predict, the presumption would be that a detailed analysis of the environmental impact of the ultimate subprojects could not be determined and, therefore, would not be required. This presumption should, of course, be addressed and tested in each case. In between, there will undoubtedly arise projects of a type which cannot be categorized in advance; hence judgment and a realistic appraisal will have to be applied.

**C. Action.** 1. When a capital project is determined by the Bureau with initial action responsibility to have significant, potential, adverse environmental implications, this judgment will be recorded at the earliest possible stage in the project development process, the borrower/grantee will be informed, and all subsequent actions will reflect this consideration.

2. Pursuant to "M.C. 1221.2—Consideration of Environmental Aspects of U.S.-Assisted Capital Projects" (TL 11:64), feasibility and nonfeasibility studies for capital projects are required to include in their scopes of work the requirement for environmental analyses. When the feasibility or prefeasibility study has not yet been accomplished or when A.I.D. participation in such studies is not required, the initial identification of environmental problems, the need for analysis, and the proposed methods of dealing with such aspects will be incorporated in the intensive review request. It will be the responsibility of A.I.D. reviewing and approving authorities for feasibility studies or IRR's to insure that environmental considerations have been identified and that means for analyzing and

dealing with them are adequately incorporated in the proposal.

3. Review of scopes of work or IRR's for environmental impact purposes will include, but not be limited to, a consideration of:

- a. The environmental impact of the proposed action.
- b. Any adverse environmental effects which cannot be avoided should the proposal be implemented.
- c. Alternatives to the proposed action.
- d. The relationship between local short-term uses of the environment and the maintenance and enhancement of long-term productivity.
- e. Any irreversible and irretrievable commitments of resources which would be involved in the proposed action should it be implemented.

4. When the reviewing or approving authority, the Regional Bureau or its equivalent, determines that a project proposal should be made the subject of a prefeasibility or feasibility study, or when it approves and issues an authorization for IR, whichever is first, it will include the necessary instructions for consideration of environmental issues in its approval action. At this time in the process, the approving authority will notify the Office of Development Finance, and provide the relevant information and/or copies of the documents.

5. At periodic intervals (to be determined in light of the workload) AID will send a summary report of such approved feasibility or prefeasibility studies and/or IRR's to the CEQ. This report will identify the project, its general purpose, location, etc., and will, to the extent possible at this stage, enumerate (a) the environmental factors which have been identified, (b) the proposed method for analyzing and evaluating such factors, including a listing of such outside, expert opinion and advice as may be proposed for consultation on such matters.

6. The purpose of this proposed report is to inform the CEQ, at the earliest practicable date, of initiation by AID of serious project development action on proposals with significant environmental implications. It will not be necessary to transmit the full documentation on the project proposal to CEQ at this time, although CEQ would be free to review such documentation in AID, if it wished, or to offer such comment or advice to AID as it might deem appropriate at that stage. No distribution of these reports would be made other than to CEQ unless a request was made to and approved by AID. Such requests would have to be reviewed in the light of the classification or administrative control status of the documentation at that stage.

7. As project development proceeds, the information, technical data, analysis, and proposed solution of environmental problems will be made available to the borrower/grantee and will accompany the project proposal through the review process with the borrower/grantee and within A.I.D. CEQ would be free to participate in the review process in A.I.D./W. Other Federal agencies having expertise in the subject matter will, at the invitation of the reviewing authority in A.I.D. (Regional Bureau or its equivalent), be invited to participate.

8. When, and if, the project proposal reaches the stage where a formal project approval document (loan paper or capital grant approval document) is under preparation for A.I.D. consideration of financial assistance to the project, the results of the analyses outlined in paragraph I.I.C.3. above, proposed solutions, cost implications, etc., will be included as an annex to that document entitled, "Environmental Analysis." The Environmental Analysis annex should be a balanced, summary presentation of the anticipated environmental benefits of the

project, as well as an analysis of the environmental problems involved. The annex should include, but need not be limited to, a discussion of the factors outlined in paragraph I.I.C.3. above, and should:

- a. Describe how and by whom the project analysis, including the environmental protection aspects, was carried out.
- b. Describe the environmental problems involved.
- c. Describe, when applicable, alternative project designs, techniques, and methodologies examined.
- d. Discuss the reasons for the choice of the recommended project design and the environmental protection measures recommended or, when appropriate, why such measures are not recommended.
- e. Discuss the effect of any special measures recommended for environmental protection purposes on project costs and on the economic evaluation of the project.
- f. Discuss, when appropriate, the environmental aspects of the project in relation to the overall cost/benefit analysis.

9. CEQ will be notified when project documentation, including the annex, reaches the stage where formal A.I.D. authorizing action is under way (Development Loan Staff Committee consideration for loans or equivalent for grant projects). CEQ would be free to be represented and participate as a non-voting member at DLSC or equivalent meetings when projects subject to this procedure are under final interagency consideration.

10. Following DLSC review, final recommendations to the Administrator or other authorizing officer for formal authorization of the project will reflect the analysis of the environmental aspects of the project, the preparatory work done thereon, any unresolved issues, etc., as is done with economic, technical, and financial aspects. The Environmental Analysis annex will be an integral part of the project documentation (loan or grant paper) on the basis of which the final authorization is recommended.

11. At the time when a capital project is authorized by A.I.D. and when the borrower/grantee is notified of the authorizing action, the environmental analysis annex of the authorizing document will be extracted from the documentation and 10 copies will be transmitted to the CEQ, under cover of a letter of transmittal from the authorizing official. These copies will be distributed by CEQ to:

- a. CEQ Council and staff.
- b. National Technical Information Service (for public availability).
- c. Library of Congress Environmental Section (for congressional availability).
- d. Environmental law reporting services.

In addition, CEQ will list the annex in its monthly publication, the "102 Monitor."

12. It is recognized that the project authorization is, in reality, an authorization to enter into negotiations concerning the provision of assistance to the project. No final action, irrevocably committing the U.S. Government, is taken until such negotiations are completed and a formal agreement is drafted and signed by duly authorized representatives of the United States and the recipient foreign entity. During these negotiations, the environmental analysis annex should be made available to the borrower/grantee and, when appropriate, agreement sought on any aspects of the project resulting from this analysis.

13. The final decision authorizing U.S. signature of the project loan or grant agreement will be taken by A.I.D. in light of the overall assessment of U.S. foreign policy considerations, as well as the economic, political, financial, technical, and environmental factors (costs and benefits, advantages and disadvantages, etc.) of the project as negotiated.