FRIDAY, OCTOBER 20, 1972
WASHINGTON, D.C.
Volume 37 □ Number 204
Pages 22565–22707

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Transmits all working draft RIS's to agencies, Chairmen of subcommittees, others involved in the broader range of land and water use planning and natural resource allocation. Nonetheless, future capital project feasibility studies which will be conducted in the course of work, the requirement for such environmental analyses and the results thereof to be expressed clearly where facts, concepts, and/or data permit.

III. Procedure. A. Interim—Until more formal development of instructions can be developed and issued through appropriate manual orders, it is requested that Missions involved or working in collaboration with the host country:

1. For feasibility studies which do not yet have contracts, approved and awarded scopes of work, the Mission is to consider with the borrower/grantee (B/G) the desirability through their scope of work assessment of environmental factors not already covered. The extent and character of specific elements of such an assessment will be left to the specialists of the B/G and the Mission Director whose position will reflect the concept outlined in this manual circular as well as general policy advisory manner which was outlined in ADDO Circular A-689, dated March 26, 1970.

2. Project missions currently going forward approval scopes of work and approved contracts, the Mission is to explore the possibility of 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 project, the Mission will make a judgment of the environmental effects of the project if and it concludes that they are of a magnitude beyond the capability of the Mission staff to evaluate, it will request A.I.D./W to obtain expert assistance through FAPA arrangements with an appropriate U.S. Government agency or through the use of the basic ordering agreements for specialized engineering contract services ("M.O. 1455.1 Environmental Engineering Contract Services"). The Mission is to provide, in case either type of assistance is desired, an appropriate description of the requirements and the interests of the grantor (or contractor). B. A.I.D./W has embarked on a review and revised its prescriptions planning requirements under the guidelines of Circular 1221.3 "Environmental Policy—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 a request has been requested and (2) which it is determined may significantly affect the quality of the human environment. This procedure will be followed to provide the Council on Environmental Quality (CEQ), and such other bodies as may select an opportunity to be informed and comment on such projects as part of the A.I.D. project review process. In addition, in accordance with the formal NEPA and the provisions of the Freedom of Information Act (5 U.S.C. 563), the procedure will make available to the public the public environmental 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 the U.S. Government and a prospective foreign borrower/grantee in different in respect to the degree of A.I.D. participation in the decision-making process required on that project than is the case with domestic agencies participating in decisionmaking on intra-US projects. The proposed project is not, in the foreign assistance case, a U.S. project and the final decisions concerning the project are the responsibility of the United States, but of the requesting foreign country or agency. The intent is to work with the assisting foreign country or agency to ensure that project analysis and design reflect consideration of environmental factors and are consistent with the appropriate national standards, with associated costs/benefits of minimizing undesirable environmental side while maximizing 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, if 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 build environmental control and planning into the environmental review while giving appropriate weight to the judgment of the foreign country.

G. For the above purposes, the following procedure will be followed by A.I.D. in consideration of capital assistance for projects overseas.

II. Procedure—A. Applicability. 1. The above procedure will apply to 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 feasibility or feasibility study or (b) an intensive review request (IRR), whichever is first, is being considered. It will apply to both new projects and projects for which assistance from A.I.D. appropriated funds (all appropriation categories) or from US Treasury which have been approved by A.I.D. is A.I.D. is responsible for the authorization of the use of such currencies. It will not apply to projects for which 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. 1991.1—Capital Assistance: Introduction and Definitions," and "M.O. 1999.1—A.I.D. Implementation Systems for USAID Capital Assistance Projects." Paragraph II. and Attachment A of "M.O. 19911 and in paragraph II.D. of "M.O. 1990.1".

2. Sector projects, or sector loan, 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. Therefore, the sector project procedure consists of local cost or foreign exchange financing in respect to or in support of a particular series of local, institutional or investment actions by the assisted government or agency, the proposed

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The first step in the procedure will require a determination, initially made by the A.D. organizational unit (in the Washington, D.C. area) responsible for the development of the capital assistance proposal, that a capital project does or does not exist in a project that will have significant environmental impact. This determination will be reviewed and approved by the appropriate bureau or equivalent in A.D./Washington.

2. Since, in the broadest sense of the term, all governmental 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 have potential deleterious environmental side effects, e.g., air, water, or thermal pollution; nuisance emissions; or toxicological 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 any implementation. Projects such as dams, irrigation, recreation, industrial plants, malaria or other disease vector control, power generation facilities, etc., would, a priori, appear to fall into this category. At least, the questions of whether or not such projects have a potential for significant adverse environmental effects should be addressed, examined, and answered in the context of such type of activity.

3. At the other end of the scale, projects which provide for financing for intermediate credit institutions, development banks, mortgage banks, educational or other social and social services and facilities of a general nature, capital markets, credit unions, savings and loan institutions, and the like, may require no or minimal, 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 subproject could not be determined, and the presumption would not be required. This presumption should be addressed and tested in each case. In between these two poles would arise projects of a type which cannot be categorized as a finance, and, hence judgment and a realistic judgment be required.

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" (22, 1256), feasibility and feasibility and environmental analyses for capital projects will be required to include in their scopes of work the results of the current environmental analyses. When the feasibility or feasibility and environmental analyses have not yet been accomplished or when A.D.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 of the project will be presented as a review request. It will be the responsibility of A.D.D. reviewing and approving authorities for feasibility studies or IRRs to insure that environmental considerations have been identified and the means for analyzing and dealing with them are adequately incorporated in the proposal.

3. Review of scopes of work or IRRs for environmental impact purposes will include, but not be limited to, a discussion of the factors outlined in paragraph 2 and the following:

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 irremediable 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 feasibility or feasibility study, or when it approves and issues an authorization or permit, whichever is the first, it will include the necessary instructions for the presentation of environmental issues in its approval action. At this time in the process, the approving authority will notify the Development Finance and/or copies of the documents.

5. At periodic intervals (to be determined in light of the type of project) will send a report to the Regional Bureau or its equivalent containing a summary report of such approved feasibility or feasibility studies and/or IRRs to the CEQ. This report will identify the project, the 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, if such be the case, 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 A.D. 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 because CEQ would be free to review such documentation in A.D., if it wished, or to offer such comment or advice to AID as it might desire to receive at that stage. No distribution of these reports should be made other than to CEQ unless a request was made and authorized by AID. Such requests would have to be reviewed by the Office 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.D. CEQ would be free to participate in the review process of A.D./W. Other Federal agencies having expertise on projects will, at the invitation of the review agency, have full authority in A.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), as preparation for A.D.D. consideration of financial assistance to the project, the results of the analyses outlined in paragraph 5 above, prepared solutions, cost implications, and, if necessary, will be included as an annex to that document entitled, "Environmental Analysis." The Environmental Analysis should be 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 2.

9. CEQ will be notified when project documents are completed and the environmental assessment is under way (Development Loan Staff Committee or equivalent for capital projects). CEQ will be represented and participate as a non-voting member. A.D. will be represented in meetings when projects subject to environmental quality control are under final interagency considerations.

10. Following DLSC review, final recommendations to the Administrator, or other authorizing officer for formal authorization of the project, 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, marketing, and financial aspects. The Environmental Analysis annex will be an integral part of the project documentation (loan guarantee paper) on the basis of which the final authorization is recommended.

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

a. OEC Council and staff.


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." The final decision authorizing U.S. Government funding of the project will be A.D.D. in light of the overall financial impact of the U.S. foreign policy considerations. The final action must be consistent with the resolutions of any of the agencies involved in the project resulting from this analysis. The final decision authorizing U.S. Government funding of the project will be A.D.D. in light of the overall financial impact of the U.S. foreign policy considerations. The final decision must be consistent with the resolutions of any of the agencies involved in the project resulting from this analysis.