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Collection/Record Group: Clinton Presidential Records

Subgroup/Office of Origin: Council on Environmental Quality

Series/Staff Member: Kathleen (Katie) McGinty

Subseries:

OA/ID Number: 2903

FolderID:

Folder Title:
GEF [Global Environment Facility]/Mexican Conservation

Stack:	Row:	Section:	Shelf:	Position:
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counsel copy of file

OA 2903 NARA 1889

NOTE TO BO CUTTER FROM CATHY ZOI
RE: CONSERVATION FUNDING AND THE NAFTA
9/10/93

Attached is the one page "concept piece" developed by AID (reviewed by Treasury, DOI, State, OMB, NSC and my office) on the initiative to support conservation funding in Mexico by helping to capitalize a fund that the World Wildlife Fund is establishing in Mexico.

As currently drafted, the effort is based on using $20 million of the $30 million that AID will receive if we decide not to certify the Global Environment Facility (GEF). However, it is unlikely that the GEF decision will be made today. Due to the importance of this issue to overall global environmental policy, Treasury has indicated a preference of raising the GEF decision to Principals.

AID has indicated that they cannot easily commit to providing support for this effort in the absence of the additional $30 million from Treasury. While my sense of the meeting in your office last week was a consensus agreement to go forward with a conservation initiative one way or another, further high-level discussions would likely be required to determine the appropriate sources, level and timing of support for this effort, especially if reprogramming within AID were the vehicle.

In addition, in the event that the GEF is certified, we may also want to consider bringing the Enterprise for the Americas debt buy-back options back onto the table. You raised important concerns regarding the optics of this initiative. However, the Mexicans have expressed interest in this idea and we may be able to better articulate this option in order to improve the optics.

Given the necessity of pulling all the pieces of the NAFTA package together, the pressing question is should we announce our support of this effort now or wait until the GEF certification decision is final? My recommendation is that we should: 1) confirm AID's commitment to fund this initiative in one way or another; but 2) wait to announce the details of the funding until the GEF decision is made.

On a related matter, Katie and I met with Jay Hair (President of National Wildlife Federation) yesterday, and Jay offered some potentially powerful NAFTA support on the Hill. It probably would make sense for you and I to catch up on this so that the teams are coordinated as we press ahead. I will call you later this afternoon.

US Support for the Mexican Conservation Fund

Sustainable development and quality of life in the border region and throughout Mexico depend on the wise management of the country's forests, watersheds and biodiversity. To address these issues, the US will join with the Government of Mexico to create the Mexican Conservation Fund (Fondo Mexicano para la Conservacion de la Naturaleza). The US will commit up to $20 million to initiate capitalization of the Fund. President Salinas de Gotari and other leading public and private Mexicans strongly endorse the creation of the Fund and have indicated that the Government of Mexico will contribute matching funds.

The US contribution would build on a previous seed grant to the World Wildlife Fund to support the consultative committee of prominent Mexican businesspeople, academics and conservationists to design the Mexican Conservation Fund. The objective of the Fund is to provide long-term, sustained financing to strengthen the capacity of Mexican agencies and NGOs for conserving the country's biological resources and protected areas. Specific activities will be selected after broad public consultation, but will likely include:

- long-term, stable financing of ecosystem-level protection activities in at-risk areas of highest biological diversity;

- environment and natural resource management training for private sector, local government, academic and NGO conservation leaders; and

- establishment of strong public and private institutional arrangements that promote cross-border cooperation, accountability and technical support (i.e., cross-border sister parks).

The World Bank, the Inter-American Development Bank, and members of the international donor community have taken interest in the development of the Mexican Conservation Fund. It is expected that the US and Mexican contributions to the Fund will leverage participation of these other sources of finance to help in the conservation of some of the world's most significant biodiversity and help address issues of natural resource management arising from the NAFTA.

FRIENDS OF THE EARTH
Northwest Office

SPECIAL TO THE SEATTLE TIMES

by David E. Ortman
Director, Northwest Office, Friends of the Earth

White House Policy Leaves Wetlands High and Dry

On 24 August, the Clinton Administration issued two salvos at our nation's wetlands. The first was a final rule in the Federal Register which established Corps of Engineers and Environmental Protection Agency regulations governing Section 404 of the Federal Clean Water Act. The second was a wetlands policy directive from the White House Office of Environmental Policy.

Both are stunning examples of shoot first, aim later. Incorporting substantial elements of the Bush Administration's more net wetland loss framework, the White House Office on Environmental Policy did not even wait to clean house at the Corps of Engineers, where the Department of Army continues to view wetlands as targets to destroy.

Worse, the White House gives the Corps a pat on the back: "It is equally critical to recognize and understand the Corps' leadership and final decision-making role as 'project manager' for the evaluation of permit applications under the Section 404 regulatory program."

Corps "leadership" as "project managers" simply means that the Corps manages to find a way to approve a wetland fill application. This is a perverted form of wetland cleansing.

The regulation changes which apply to agriculturally converted wetlands prior to 1985 is really unbelievable. Prior converted wetlands are defined as farmed areas which are saturated for 14 or less consecutive days of inundation during the growing season. (Sorry, two weeks of wet, a day of dry and two more weeks of wet doesn't make it.)

Many such areas were identified as wetlands under the 1989 Federal Wetland Delineating Manual. The Bush Administration attempted to replace this manual with a totally unscientific version. As a result, Congress stepped in and asked the National Academy of Sciences to resolve the wetland delineation question. Rather than await the results of this study, the Clinton Administration has done what Reagan and Bush could not do, namely dismiss 53 million acres of prior converted cropland from permit review.

Ordinary farm practices, involving wet soils, already have an existing exemption from the Corps wetland program. The critical principle is that when farmed wetlands go out of production into other uses (e.g. shopping malls) a public review process is involved. Now, under the Clinton Doctrine, the one

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federal handle on reviewing the loss of converted cropland to non-agricultural uses has gone down the drain.

Despite the existing agricultural exemptions, the Administration has chosen to place the Soil Conservation Service in charge of wetland determinations on agricultural lands. An agency of the Department of Agriculture, the SCS has shown little backbone in administrating its existing responsibilities under the Food Security Act or "Swampbuster", which was passed by Congress in 1985 to stop federal subsidies for farming wetlands.

The Clinton Administration has also embraced mitigation banking. If you liked the savings and loan scandal, you will love the antics of a mitigation bank. It sounds enticing to create a wetland for a future wetland to be destroyed. However, the functions and values, or the currency if you will, of the wetland destroyed, is never the same as the currency of the wetland created. You may as well try and pay your mortgage with monopoly money.

The White House Office of Environmental Policy apparently misplaced its copy of a 25 June 1993 Science article "Wetlands Trading is a Loser's Game, say Ecologists." The article notes that "Compensatory mitigation. . .promised a way to have your K-mart and your wetland, too. You want to build a new mall here, on top of this salt marsh? No problem, the new reasoning went; just create a new marsh on another stretch of coast. Your highway will disrupt the habitat of an endangered bird? No sweat, just moved the bird to a new ecosystem built conveniently out of the way. . . .after thousands of mitigation projects, that supposedly scientific fix seems more like smoke and mirrors than a panacea." According to the article, in a five year study by EPA's Wetlands Research Program in Covallis, Oregon, not a single project surveyed was built as specified on the permit. Though no natural ponds were affected by development, 23% of created wetlands were ponds, because they were easy to build.

In 1992, the Bush Administration hamstrung the Environmental Protection Agency, the U.S. Fish and Wildlife Service and the National Marine Fisheries Service with a Section 404(q) Memoranda of Agreement which drastically limited the opportunity for the Federal resource agencies to request that someone at a higher level in the Department of Army than the District Engineer review a wetland fill permit decision. When asked why this MOA was still in effect, the Office of Environmental Policy said that the agencies (presumably the Corps) would not agree to change it. In other words, the Corps dictated terms to the White House.

This is borne out by the following proposed action: "Congress should amend the Clean Water Act to make it consistent with the agencies' rulemaking". Well, now, maybe the Corps should make its regulations consistent with the Clean Water Act. Is this what reordering Government is all about?

The Bush Administration sought to exempt the State of Alaska from any wetland filling mitigation requirements until 1% of Alaska's wetlands were obliterated. This 1% exemption has been eliminated, but it is a wonder that

Alaska thought it needed a special wetlands exemption rule at all. According to the Alaska Corps District, during the last 20 years, of the more than 3,000 individual permits issued (and 2.7 percent denied), only 15 (0.5 percent) required compensatory mitigation.

Finally, in a slap at public input, landowners would be allowed to appeal what few wetland filling denials there might be, but the public must wage a costly court fight when Corps permits are issued to protect public values that wetlands provide.

At one time, men, women and children were treated as property to be disposed of in what ever way a part of society saw fit. That way of thinking changed in this country. Since 75% of our nation's wetlands occurs on private lands, it is time to reconsider the treatment of wetlands as mere property. A wetland is a sponge for flood waters and a home for fish and wildlife. After all, you don't see wetlandless wildlife panhandling in downtown Seattle. Homeless wildlife die.

WHITE HOUSE OFFICE ON ENVIRONMENTAL POLICY

TO: MR. SMITH

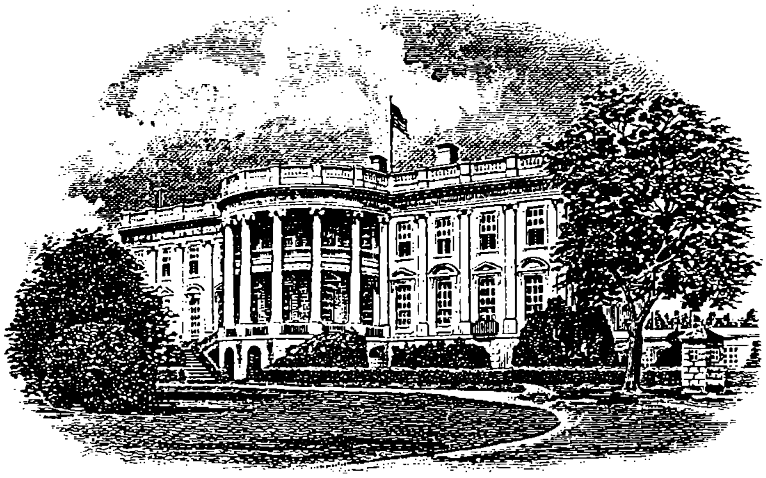
FROM: Dan Blank (P.J. Simmons for DB)

DATE: 9/9/93

FAX: 647-0217

Number of pages including cover: ____

COMMENTS: Attached is AID's draft on Mex. Conserv. Fund. (We sent this earlier today but it may not have gone through.) Please send comments to us by COB today; the fax # is 456-2710 or, if busy, fax to 395-1590. Thanks.



PHONE - (202) 456-6224 FAX - (202) 456-2710
OLD EXECUTIVE OFFICE BUILDING, ROOM 360
WASHINGTON, DC 20501

DRAFT

DRAFT

U.S. Support for the Mexican Conservation Fund

NAFTA environmental actions have focused on the "brown issues" of pollution and waste management. Less attention has been given to natural resource management. This is despite sustainable development and quality of life in the border region and throughout Mexico depending on the wise management of the country's forests, watersheds, and biodiversity. To address these concerns, the United States Government through the Agency for International Development (A.I.D.) will provide $20 million to initiate capitalization of Fondo Mexicano para la Conservacion de la Naturaleza (the Mexico Conservation Fund). The Mexican Government will match this.

The Fund will provide long-term, sustained financing to strengthen the capacity of Mexican agencies and NGO's for conserving the country's biological resources and natural ecosystems. President Carlos Salinas de Gortari and other leading public and private Mexicans strongly endorse creating the Mexico Conservation Fund. With support of an A.I.D. grant to the World Wildlife Fund, a consultative committee of prominent Mexican businesspeople, academics, and conservationists is designing the Fund. Specific activities will be developed after broad consultation with government and non-government conservationists throughout Mexico, but types of activities to be supported include:

1) Long term, stable financing of ecosystem-level protection activities in at-risk areas of highest biological diversity;

2) Environment and natural resource management training for private sector, local government, academic, and NGO conservation leaders;

3) Establishment of strong public and private institutional arrangements that promote cross-border cooperation, accountability, and technical support (i.e. cross-border sister parks).

DRAFT

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In addition to the support of prominent U.S. and Mexican public figures and NGOs, plans for establishment of the Fund has raised the interest of the World Bank, IDB, and donor community. It is expected that the U.S. and Mexican contributions will leverage significant additional funds from the multilateral banks and other donors.

The enthusiasm with which the Mexico Conservation Fund is being received, and the care with which it is being designed, indicate it will: make a significant contribution to sustainable development in Mexico; help in the conservation of some of the world's most significant biodiversity; and help address issues of natural resource management arising from NAFTA.

DRAFT

NOTE TO BO CUTTER FROM CATHY ZOI
RE: CONSERVATION FUNDING AND THE NAFTA
9/8/93

Cathy

To save the time of phone tag, I offer this quick update on where we stand with conservation funding and the NAFTA. The latest information from Treasury indicates that the likelihood of GEF certification is higher than previously reported. **Since the GEF certification decision will not be made by Treasury until Friday, the conservation funding concept paper will not be transmitted to you on Thursday as requested, but will be delayed until Friday**. Here's why:

- AID is preparing a "concept piece" on using a portion of the $30 million likely to come their way from Treasury to help capitalize a trust fund for biodiversity projects in Mexico, which we will distribute to other members of the rump group for comment this afternoon.

- You had asked to see this concept piece by COB tomorrow (9/9). However, Treasury will not have made a final decision on whether to certify the GEF (determining whether AID will receive the additional $30 million) until Friday (9/10). It seems to me that, rather than deliver a concept piece to you that may be moot less than 24 hours later, it makes more sense to wait until Friday to transmit the concept piece.

- I assume that this is OK with you. However, please do not hesitate to track me down (Room 360, x6224) if you feel that it is still necessary to have the concept piece by Thursday. Again, thanks for your help in pulling together this effort.

Alternative Proposal

Allocate a portion of USAID parallel GEF financing (including the $30 million conditional appropriation for the Global Environment Facility) to the Mexican Green Fund.

Background

The FY 93 Foreign Operations Appropriations Act provides $30 million for contribution by the Treasury Department to the Core Fund of the Global Environment Facility (GEF). However, contribution is dependent upon the satisfaction, by the GEF, of several conditions in the Act by September 30, 1993. In the event that a direct contribution to the GEF Core Fund is disqualified, the $30 million will be transferred to USAID "...for activities associated with the GEF and [or] the Global Warming Initiative."

In addition, USAID is charged with meeting a $150 million pledge to the Pilot Phase of the GEF. The outstanding balance of this pledge stands at approximately $100 million dollars, although USAID has nearly $36 million worth of projects in the pipeline.

- It is possible that some, or all, of the $30 million could be used for a Mexican Green Fund. Reducing the U.S. pledge to the GEF can be seen as an ancillary benefit, but not a precondition, for using the funds.
    - The modalities and timing of contribution to the Green Fund would be dependent upon USAID's internal practices and regulations. This issue is currently being discussed with USAID.
- It is also possible that additional USAID parallel financing activities could be designed in association with the Green Fund.
- Several qualifications need to be considered:
    - Certification that the GEF has qualified for direct contribution is still a possibility. If certification occurs, the $30 million must be contributed directly to the GEF. A final decision on this question is expected by September 10.
    - The guidelines of parallel financing may prohibit expenditure for the Mexican Green Fund from counting towards the U.S. pledge to the GEF.
- The Administration should further explore whether:
    - a) The channeling of some, or all, of the $30 million to a Mexican Green Fund could also count against the balance of the U.S. pledge to the GEF.
    - b) Any planned U.S. parallel financing of GEF projects could be associated with the planned Green Fund.

TO DO LIST

TODAY

- 11:00 with Katie
- Find out citation for David from EPA woman
- Ask Gillman (206-728-1902) to fax exactly what will be discussing; write up background for David on Foundation
- Ask Dan about U.S.-Colombia Joint Initiative
- Make sure faxes went through; send second fax; CALL HESTER at 11:30 if not here

TOMORROW

- Review Greenpeace Fish Conference stuff

Longer Term

- Stay on top of the **Technol Initiative with Columbia**; What's up? Call State.
  Go to interagency meetings; need to know when policy decisions need to be made

- Stay on top of LBS

- What happened at the UNCLOS conference??? Call State (Scott Thompson) and NRDC, Greenpeace?
  --Read the LOS Task Force Paper

Personal - TODAY

Mail/Communicate with Bologna re: stuff

Personal - TOMORROW

Call Tracy at home
Thank yous to Randy and Samantha
REGISTER BIKE and lock
Andrew Sullivan; Paul Hofer and Marin; movie with Nick.
Call Oasis-- Karen Doyne
Inform people about the clearance process

DRAFT

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What? reword this said!

The Fund will provide long-term, sustained financing to strengthen the capacity of Mexican agencies and NGO's for conserving the country's biological resources and ~~natural~~ ecosystems. President Carlos Salinas de Gortari and other leading public and private Mexicans strongly endorse ~~creating~~ the creation of the Mexico Conservation Fund. With support of an A.I.D. grant to the World Wildlife Fund, a consultative committee of prominent Mexican businesspeople, academics, and conservationists is designing the Fund. Specific activities will be developed after broad consultation with government and non-government conservationists throughout Mexico, but types of activities to be supported include:

as opposed to artificial ones?

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