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**UNCLASSIFIED**

**USAID/SRI LANKA  
PROJECT PAPER SUPPLEMENT**

**NATURAL RESOURCES AND ENVIRONMENTAL POLICY PROJECT  
(383-0109)  
AMENDMENT NUMBER ONE**

**SHARED CONTROL OF RESOURCES (SCOR)  
SUB-PROJECT**

**ORIGINAL LOP: \$12,000,000  
INCREASE: \$7,000,000  
NEW TOTAL: \$19,000,000**

**UNCLASSIFIED**

**BEST AVAILABLE COPY**

AGENCY FOR INTERNATIONAL DEVELOPMENT <b>PROJECT DATA SHEET</b>	1. TRANSACTION CODE <input checked="" type="checkbox"/> A = Add <input type="checkbox"/> C = Change <input type="checkbox"/> D = Delete	Amendment Number _____	DOCUMENT CODE 3
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COUNTRY/ENTITY <b>Sri Lanka</b>	3. PROJECT NUMBER <b>383-0109</b>
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4. BUREAU/OFFICE <b>ASIA</b>	5. PROJECT TITLE (maximum 40 characters) <b>Natural Resources &amp; Environmental Policy</b>
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6. PROJECT ASSISTANCE COMPLETION DATE (PACD) MM DD YY <b>01/9/30 09/8</b>	7. ESTIMATED DATE OF OBLIGATION (Under 'B.' below, enter 1, 2, 3, or 4) A. Initial FY <b>912</b> B. Quarter <input type="checkbox"/> C. Final FY <input type="checkbox"/>
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8. COSTS (\$000 OR EQUIVALENT \$1 = )						
A. FUNDING SOURCE	FIRST FY <b>90</b>			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total	1725	825	2550	13,220	5,780	19,000
(Grant)	( 1725 )	( 825 )	( 2550 )	( 13,220 )	( 5,780 )	( 19,000 )
(Loan)	( )	( )	( )	( )	( )	( )
Other U.S.						
1. Host Country		450	450	0	7,135	7,135
2. Other Donor(s)						
<b>TOTALS</b>	<b>1725</b>	<b>1275</b>	<b>3000</b>	<b>13,220</b>	<b>12,915</b>	<b>26,135</b>

9. SCHEDULE OF AID FUNDING (\$000)									
A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) FN				5,918		- 0 -		19,000	
(2)									
(3)									
(4)									
<b>TOTALS</b>				<b>5,918</b>		<b>- 0 -</b>		<b>19,000</b>	

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)	11. SECONDARY PURPOSE CODE
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12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)
A. Code
B. Amount

13. PROJECT PURPOSE (maximum 480 characters) SUB-PROJECT PURPOSE (SCOR)
To sustain the productivity of land and water through shared control of those resources in selected watersheds.

14. SCHEDULED EVALUATIONS Interim MM YY <b>01/6/91</b> Final MM YY <b>01/6/91</b>	15. SOURCE/OIGIN OF GOODS AND SERVICES <input checked="" type="checkbox"/> 000 <input type="checkbox"/> 941 <input checked="" type="checkbox"/> Local <input type="checkbox"/> Other (Specify) _____
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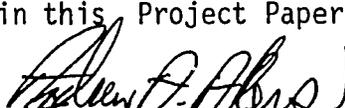
16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a \_\_\_\_\_ page PP Amendment)

This amendment adds a sub-project, Shared Control of Resources (SCOR) to NAREPP. The sub-project addresses constraints to sustainable increases in agricultural productivity and encourages better management of resources to reduce and prevent environmental degradation through participatory management of natural resources, particularly land and water at the local level.

17. APPROVED BY	Signature:  Richard M. Brown Title: Mission Director	18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION Date Signed MM DD YY <b>01/28/91</b>
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AID 1330-4 (8-79)

The Mission Controller hereby approves the methods of implementation and financing described in this Project Paper Supplement.

 Andrew Akers, Controller

ACTION MEMO. NDUM FOR THE DIRECTOR

Date: January 15, 1993  
To: Richard M. Brown, Director  
From: Glenn Anders, Chief, Agriculture and Natural Resources  
Subject: Approval of the Shared Control of Resources (SCOR) sub-project to the Natural Resources and Environmental Policy Project (383-0109)

ACTION:

Your approval is requested for the attached Project Paper Supplement describing a major new component of the Natural Resources and Environmental Policy Project (383-0109), Shared Control of Resources (SCOR). This Action will establish SCOR by authorizing an additional \$7,000,000 in Development Assistance grant funds for the current project and will extend the Project Assistance Completion Date to September 30, 1998 to ensure achievement of all project outputs. No additional funds will be obligated by this Action.

DISCUSSION:

The purpose of the SCOR sub-project of NAREPP is to assist Sri Lanka to sustain the productivity of land and water resources within selected watersheds through shared control of those resources by local user groups. The rationale for this sub-project is evidence that shared control of resources and local participation in management of natural resources are a necessity to arrest the deterioration of watershed areas, and that interventions aimed at improving natural resource management through local control yield high rates of return. Therefore, the activity will build on progress already made in Sri Lanka in irrigation management and in social forestry, apply an organizational approach on a watershed basis and demonstrate the appropriateness of the approach in selected provinces of Sri Lanka, chosen for their differing socio-economic and ecological characteristics. The sub-project is expected to result in a range of formal agreements with local user groups, investments in conservation by these user groups, and reduction in the degradation of land and water resources in the selected watershed areas.

The SCOR sub-project is expected to require six years at a total cost to A.I.D. of \$7,000,000 in Development Assistance grant funds, bringing the Life of Project level of authorized funding for NAREPP to \$19,000,000. The GSL and project beneficiaries are expected to contribute the equivalent of \$3,135,000 in local currency and in-kind contributions. The sub-project will initially be implemented through a cooperative agreement with an organization with experience in participatory management of natural resources, which

will work with Divisional-level teams and be guided by the Ministerial Provincial Committees. Implementation will be phased to ensure the effectiveness of the methodology and the performance of the grantee. The Cooperative Agreement will contain specific targets and benchmarks against which the impact of the project will be gauged. The initial phase of two years (estimated cost \$2,486,000) will be closely monitored and evaluated to determine the level and form of continued A.I.D. support. Implementation of the subsequent phase (estimated cost \$4,514,000) is directly dependent on the results of Phase 1 and whether adequate funds are available to continue the activity.

The Mission Review Committee has reviewed the attached project Paper Supplement which details the approach and rationale for the activity. All the issues which were raised during the Mission Review process have been resolved by incorporating them into the text of the Project Paper Supplement.

WAIVERS:

By approving this Project Paper Supplement for SCOR, you are also approving the following waivers:

- Justification for Non-Competitive Procurement (Cooperative Agreement);
- Source/Origin Requirements for project commodities;
- Local Cost Financing.

These waivers can be found in Annex D of the Supplement.

RECOMMENDATION:

Under the authority delegated to you as Mission Director under Bureau Delegation of Authority dated November 19, 1990, it is recommended that, by signing below, you approve the attached Project Paper Supplement creating the Shared Control of Resources component of the Natural Resources and Environmental Policy Project, sign Amendment Number 1 to the Project Authorization and sign the attached Project Data Sheet.

APPROVED \_\_\_\_\_ DISAPPROVED \_\_\_\_\_



Richard M. Brown,  
Director, USAID/Sri Lanka

DATE: 1/28/93

SHARED CONTROL OF RESOURCES  
NATURAL RESOURCES AND ENVIRONMENTAL POLICY  
(383-0109)

SUB-PROJECT APPROVAL

Clearance:

DGarms, PRM  
SStalla, PRJ  
~~SHadley, PSD~~  
AAkers, ETR  
ISmyer, RLA<sup>a</sup>

A  
SS  
AD  
(draft)

E:\SCOR\ACTIONME:kjf

PROJECT AUTHORIZATION

**AMENDMENT NO.1**

**Cooperating Country:** Sri Lanka

**Project Title:** Natural Resources and Environmental Policy (NAREP)

**Project Number:** 383-0109

Pursuant to Section 103 of the Foreign Assistance Act of 1961, as amended, the Natural Resources and Environmental Policy (NAREP) Project (383-0109) was authorized on June 27, 1990 at a level of \$12,000,000. This Amendment will increase Life of Project Funding by \$7,000,000 in Development Assistance grant funds to a new level of \$19,000,000 and extend the Life of Project by one year three months. I hereby amend the existing Project Authorization as follows:

1. Paragraph 1. of the original Authorization is hereby deleted and replaced by the following new Paragraph 1.:

"Pursuant to Section 103 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Natural Resources and Environmental Policy Project for Sri Lanka (the "Cooperating Country") involving planned obligations of not to exceed Nineteen Million United States Dollars (\$19,000,000) in grant funds over a period of eight years and three months from the date of authorization, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing foreign exchange and local currency costs for the Project. The planned life of project is eight years and three months from the date of initial obligation."

2. Paragraph 4.b of the original Authorization is hereby amended to add the following Condition Precedent:

"(5) Prior to any disbursement to assist specific Provinces, the Grantee shall furnish, in form and substance satisfactory to A.I.D., evidence of support for shared control of resources and a pledge of their best efforts to ensure the success of the activities being financed under this Grant from the Ministry of Land, Irrigation and Mahaweli Development, the Ministry of Agriculture, the Ministry of Environment and Parliamentary Affairs, and the appropriate Provincial authorities."

3. Except as amended herein, all terms and conditions of the Project Authorization remain in full force and effect.

Approved: 

Richard M. Brown, Director  
USAID/Sri Lanka

Date: 1/28/93

Clearances:

DGarms, PRM   
~~S~~Hadley, PSD   
SStalla, PRJ   
GAlex, ANR   
AAkers, ~~CTR~~  
ISmyer, RLA (draft)

## **DEDICATION**

This document is dedicated to the memory of Mr.S. Somasundaram of the National Planning Department whose knowledge and advice provided invaluable guidance to activities herein described.

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## ACRONYMS

ADB	Asian Development Bank
ADA	Agricultural Development Authority
AGA	Additional Government Agent
AR&TI	Agrarian Research and Training Institute
CEA	Central Environment Authority
CEQ	Council on Environmental Quality
ECC	Environmental Coordinating Committee
EIA	Environmental Impact Assessment
DAS	Department of Agrarian Services
DGA	Divisional Government Agent (now AGA)
DS	Divisional Secretary
DCC	District Coordinating Council
FD	Forest Department
FO	Farmer Organization
GA	Government Agent
GSL	Government of Sri Lanka
IBRD	International Bank for Reconstruction and Development (World Bank)
ID	Irrigation Department
IMD	Irrigation Management Division
IMPISA	Irrigation Management Policy Support Activity
IQC	Indefinite Quantity Contract
ISMP	Irrigation Systems Management Project
LUPPD	Land Use Policy and Planning Division
MASL	Mahaweli Authority of Sri Lanka
MAD&R	Ministry of Agriculture
MEP	Mahaweli Environment Project
MEPA	Ministry of Environment and Parliamentary Affairs
MLIMD	Ministry of Lands, Irrigation and Mahaweli Development
MLLA	Ministry of Lands and Land Alienation
NAREPP	Natural Resources and Environmental Policy Project
NARESA	Natural Resources, Energy and Science Authority
NEA	National Environment Act
NGO	Non-Governmental Organization
NORAD	Norwegian Development Cooperation
NWG	National Working Group
NSC	National Steering Committee
PC	Provincial Council
PWG	Provincial Working Group
PSC	Provincial Steering Committee
UG	User Group
WRMT	Watershed Resources Management Team

## I. EXECUTIVE SUMMARY

There is a growing awareness in Sri Lanka that government cannot be called upon to do everything, and that effective governance must be more of a partnership engaging the participation of the governed and sharing control and responsibility. Current privatization efforts in Sri Lanka are a testimony to the government's need to relinquish total control over the productive sector as nationalized industries are sold to investors and private investment is sought for new infrastructure. By the same token, control of natural resources, which has traditionally been the exclusive domain of the government, is evolving toward a partnership between local government and the resource users themselves, often farmer groups or local community organizations. The Government of Sri Lanka (GSL) is committed to the concept of sharing and devolving control at the local level, although clear guidance, procedures and operational expertise are lacking.

Consistent with the Mission's goal of increased public-private partnerships in Sri Lanka to support citizen participation in democratic systems and sustained productivity of natural resources, USAID is amending the Natural Resources and Environmental Policy Project to add a new sub-project known as SCOR (Shared Control of Resources). SCOR is a six-year, \$7,000,000 activity which will *assist Sri Lankans to sustain the productivity of their land and water resources within selected watersheds through shared control of those resources with local user groups*, as further described in this Project Paper Supplement.

SCOR's approach, which is strongly supported by recent development experience, links the GSL's commitment to participatory management and local control of resources with the sustained productivity of natural resources, specifically forests, grasslands and cultivated land. This is an approach which has historical roots, through collective management of reservoirs and tanks, and modern applications, such as recent experience in turning over management of irrigation systems to farmers organizations (USAID's Irrigation Systems Management Project). SCOR will build on the progress made in irrigation management and in social forestry, apply the organizational approach on a watershed basis, and demonstrate its appropriateness in two provinces with different social, agricultural and environmental characteristics.

By the end of the project, SCOR's activities will result in the following:

- \* **formal agreements to share authority for over 50% of land and water resources in target watersheds with established user groups;**
- \* **increases in private investment by resource users in target watersheds of approximately \$2.5 million; and**
- \* **demonstrable evidence of reductions in land degradation such as erosion, devegetation, and waterlogging in target watersheds.**

Specifically, SCOR will:

- \* Establish and/or strengthen some 500 user groups through training, user agreements, and support to local NGOs (Women's groups are to be specifically targeted);
- \* Ensure and formalize the shared control of land and water resources by these users through legal agreements;
- \* Improve local and central government's ability to encourage and work with users for sustainable land and water resource management; and
- \* Increase information and linkages among and across local and national organizations involved in land and water resource use.

Implementation of SCOR will be primarily accomplished by a cooperative agreement with a leading international research organization, likely to be the International Irrigation Management Institute (IIMI), which has extensive experience in participatory management of water resources. Implementation will be "phased," with full operations in an upper watershed in the Southern Province, and pilot activities in a lower watershed in the North Central Province. Those are contrasting and environmentally-unique regions, one with the only remaining virgin rain forest in Sri Lanka. After two years, and an intensive evaluation, activities will begin in all four watersheds. The cooperative agreement will be likewise phased. There will also be a "buy-in" to a centrally-funded A.I.D. project, likely the ACCESS or TPNRM Project, to provide external advice, evaluation and special studies of SCOR activities.

SCOR funding is principally for professional assistance, primarily from local specialists assisted by international consultants, and a cadre of local "catalysts"; training activities for local and intermediate levels of government officials, resource users and catalysts; analyses and studies to identify locally significant resource use issues; small grants to help "capitalize" new user groups; and limited amounts of operational equipment for local and intermediate level government. Short-term environmental and policy assistance and training will be provided through other components of the NAREP Project. The small grants program will be administered by the cooperative agreement recipient although the funding will come from PL-480 local currency resources earmarked for NGO support.

SCOR activities will be implemented primarily through watershed working groups or teams at the local level made up of project technical assistance and concerned local officials and representatives of user groups. These teams will be guided by Provincial-level Coordinating Committees chaired by the Provincial Chief Secretary to ensure inter-disciplinary and inter-project collaboration. At the national-level, a Steering Committee consisting of representatives of several relevant government agencies, non-governmental organizations (NGOs), implementing organization representatives, and USAID officers will provide a national locus for monitoring project activities and policy dialogue and direction. This Committee will review progress at least tri-annually, and use its influence to resolve issues

related to national level institutions and policy. Funds are provided for regular assessment and audit of SCOR's activities and two important evaluations. Information gained from monitoring and evaluation will be shared among all participating organizations. The first evaluation will be scheduled for early 1995 at the end of the first phase, two years after activities begin. Based upon this evaluation, SCOR will begin its full range of activities in four watersheds in two provinces.

Prior to beginning implementation, SCOR requires written assurance from the Ministry of Lands, Irrigation and Mahaweli Development (MLIMD), the Ministry of Agricultural Development and Research, the Ministry of the Environment and Parliamentary Affairs, and the Southern and North Central Provincial Councils of their full support for shared control of resources and best efforts to ensure project success.

## II. BACKGROUND AND RATIONALE

### A. Introduction

This Project Paper Supplement describes and justifies a new Shared Control of Natural Resources (SCOR) sub-project of the Natural Resources and Environment Policy Project (NAREPP). NAREPP was authorized on June 27, 1990 as a seven-year project at an LOP level of \$12 million. The Government of Sri Lanka (GSL) has committed an additional contribution of \$4 million in cash and in kind. NAREPP's purpose is **"to improve the public and private institutional performance in formulating and implementing effective environmental policies and developing sustainable and environmentally sound development programs."** NAREPP consists of four major components:

- 1) Development of policies and programs for environmental/natural resources planning and management;
- 2) Support for special projects to encourage private and public sector management partnerships;
- 3) Training in environmental and economic resource impact assessment and natural resource management for the public and private sectors; and
- 4) Support for more effective public education and participation in decisions which affect their economic and environmental interests.

As it has evolved, the technical assistance, training, commodities and direct financial support provided under NAREPP now constitute a programmatic approach focused on the critical institutional and policy changes necessary to:

- **Develop protected areas which preserve Sri Lanka's biodiversity;**
- **Introduce regulations and technologies for the control of industrial pollution;**
- **Promote public awareness and participation in resource planning and management; and**
- **Factor environmental considerations into planning and investment decisions.**

Although NAREPP involves a range of institutions, the priority has been at the national level and on a specified set of interventions which were deemed critical to environmental protection: assistance to the Central Environmental Agency, the departments responsible for land, water and wildlife within the Ministry of Lands, Irrigation and Mahaweli Development, the Coastal Resources Authority, and a small group of NGOs.

Like the existing components of NAREPP, SCOR will address specific institutional and

policy conditions constraining sustainable agricultural productivity, but with focus primarily on the rural interior of the country, at the provincial, divisional and local levels. Also, while the NAREPP's current components provide assistance across a broad range on non-agricultural resource uses, SCOR emphasizes agriculture and its consumption of and its impacts on land and water resources. In particular, it addresses environmental degradation within the watersheds, upon which a major portion of Sri Lanka's economy and population depend.

NAREPP is the primary Mission resource supporting USAID/Sri Lanka's Program Goal of a **Healthy, Productive Environment** and the associated Strategic Objective, **Sustainable Productivity of the Natural Resource Base**. SCOR, as further described in this document, is an integral part of NAREPP, and as such, this PP Supplement should be read with the description and analysis of the original Project Paper providing the background context. Where particularly appropriate, the analyses of the original PP are referenced in this supplement.

This Project Paper Supplement has been developed through a highly participatory and collaborative process between USAID/Sri Lanka, the International Irrigation Management Institute (IIMI), a broad range of GSL officials at all jurisdictional levels, and numerous resource users in the North Central and Southern Provinces. IIMI, under an initial Cooperative Agreement with USAID, organized a Core Group of senior government officials directly involved in natural resources management which met frequently during the design phase. A series of consultations was then undertaken with a wide cross-section of resource user groups, GSL officials and representatives of non-governmental organizations (NGOs). Further input was provided by two provincial workshops and two workshops with national/provincial level policy makers. Three American consultants also assisted in the process. The results are not only this PP Supplement, but a remarkable degree of consensus among virtually all participants and interviewees regarding the problems to be addressed and the most appropriate approach. The process has also made a valuable contribution towards the positive evolution of thinking about public-private partnerships and shared control of land and water resources.

## **B. An Overview of Agriculture and Natural Resources in Sri Lanka**

Despite modernization of some sectors of Sri Lanka's economy, agriculture remains the traditional and dominant economic sector. The agriculture and natural resources sector is the primary source of both the food and energy needed to meet domestic demand, and the largest employer of labor with as much as two-thirds of the employed labor force working on farms or in jobs that provide inputs for or utilize outputs from farms (i.e. agricultural services and agro-processing industries). Agriculture is also the primary source of national income: farming directly contributes approximately 25 percent of Gross National Product (GNP) and agricultural-related services and industry an additional 20-30 percent. The agricultural sector is also the largest net earner of foreign exchange (net of imports of intermediate goods).

However, performance in the agriculture sector in recent years has been spotty. Stagnation

and even decline has been experienced in important sub-sectors like rubber, coconuts and rice. In the past, increased production depended largely on the introduction of high-yielding varieties and on extending the acreage under cultivation, especially through the rapid development of irrigated settlements in the dry zone of the country. Since area expansion is less possible than before, future growth in the sector (and prospects for increases in rural household incomes) must come from greater production out of the already heavily-utilized resource base that exists; that is, increases in land and water resource productivity. That reality dictates that Sri Lanka pursue a strategy based upon more productive and more sustainable management which maximizes the total yield from land and water resources while minimizing the consumption of those resources.

Agriculture is essentially the husbandry of renewable natural resources. Given agriculture's critical structural contribution to the economy in terms of employment, income, and export earnings, effective management of natural resources and sustainable increases in agricultural productivity are fundamental requirements for achieving broad-based economic growth in Sri Lanka over the long-term. Moreover, agricultural activity is also the largest consumer of and has the greatest impact on Sri Lanka's natural resources; thus, the agricultural sector is fundamental to conservation and protection of the environment. The agriculture and natural resources sector, as defined in this analysis, constitutes a variety of activities providing both the primary inputs for value-added economic growth and the incomes and employment for stability in politically-critical rural areas. The sector includes such obvious areas as field, pasture and forest crop production, and initial stages of processing and transformation, transportation and marketing. It also includes areas which impinge on or are affected by agricultural production such as: ecologically-sound tourism (eco-tourism); soil fertility and biological diversity (biodiversity); and, runoff and climate change related to tropical deforestation. SCOR is particularly concerned with management of the following resources:

1. **Forest and grassland management** involves the utilization of tree and related plant and animal populations in ways that perpetuate the forest ecosystems. Forest products such as fuel, fodder, cardamon and building materials are important inputs in agriculture and other economic sectors. If forest and grassland resources are handled properly, both the quantity and quality of soil and water will also be maintained.
2. **Land use and soil conservation** is particularly concerned with preserving the soil nutrients and structure that crops need. The downstream effects of erosion can also be costly. The means for controlling erosion, restoring soil nutrients and maintaining soil structure may differ markedly with the soil types and topography.
3. **Water management** involves the acquisition and distribution of water for agriculture and for domestic and other uses in rural areas. This type of management has more direct and immediate links to production than do forest or land management and frequently requires the control of tensions between upstream and downstream users, and over environmental concerns.

The watershed is the natural unit within which the interrelationships of all of these resources

are revealed. **Watershed management**, therefore, encompasses all of these resources, but concentrates on better soil and water management practices in hilly areas that effectively capture rainfall.

### C. Constraints to Sustainable Increases in Agricultural Productivity

Degradation of Sri Lanka's natural resources has become a serious concern. Deforestation since the mid-1950s has slashed natural forests by 50 percent. This, combined with poor practices of upland cultivation, has increased soil erosion and siltation, distorted runoff patterns, and reduced water quality. These problems threaten the tremendous investments which the GSL and donors have been made in transport, irrigation and hydropower. They also threaten the very sustainability of the nation's productivity and the livelihood which the watersheds currently support.

Sri Lanka's long tradition of irrigation water management, mixed tree cropping, and protection of wildlife in large areas is evidence that people appreciate the importance of natural resources. Furthermore, a range of technical packages which could both increase land productivity and sustain the natural resource base already exists. These include forest gardens, cascade irrigation, contour plantings, natural fertilizers and pesticides, sloping land agriculture, and wetland management.

Nevertheless, degradation continues. Over use and poor management of Sri Lanka's land and water resources can be attributed to many factors. At base are poverty and high population density, and all development assistance projects must deal with them, directly or indirectly. About 3 million people, or about 18 per cent of the rural population, already live in upper watersheds with slopes over 30%, and this number is only likely to increase. Population growth in those areas combined with a growing demand for agricultural products in the rest of the country promises to increase pressure on the resource base. With these pressures, low levels of technology and lack of alternative employment opportunities become critical factors.

However, sustainable increases in agricultural productivity have also been impeded by the paternalistic and centralized resource management policies and institutional structures which have been the legacy of centuries of colonialism, of a decade of socialism, and of production-oriented development strategies for the past half-century. These policies and structures are manifested in three predominant types of constraints:

- **Inadequate databases, analyses, and information flows;**
- **Disaggregated, partially implemented and, in many ways, counterproductive sets of procedures, regulations, and policies; and**
- **Public and private sector organizational and institutional relationships ill-suited to enabling, motivating and linking resource users.**

1. Analysis and Information

Information and analysis influence users in their management of the many variables in agriculture. For example, the positive trends in private sector agricultural productivity in recent years have definitely been helped by information-dependent factors such as high rates of literacy, liberalized policies and markets, and improved technologies and practices.

The remarkable changes taking place in the agricultural and natural resources sector hold both promise and challenges for the future. Those changes need to be monitored and their consequences evaluated so that the process of development and adjustment continues to be successful, sustainable and of benefit to the maximum number of rural households. The information needs of SCOR constitute the four following questions:

- What are the potentials and constraints of watershed resources and their users?
- What are the priority trends and problems within the watersheds?
- What are the impacts of activities and investments and how are they best measured?
- What works, what doesn't and why?

Decision makers at all levels (from farmers to central government ministers) need to know the capability of the resources, emerging trends and the costs, and the results and impact of current and prior programs in order to assess their efficiency and cost effectiveness. Timely lateral and vertical flows (across government agencies and between agencies, scientists, and users) of information are critical to natural resource management, and yet are more the exception than the rule in Sri Lanka. Furthermore, to ensure that solutions are replicated and enjoy broad support, policy makers, governments officials, project implementers and donors need to be able to quantify how new procedures and programs sustain productivity and are environmentally sound.

Numerous scholarly works attest to the complexity of landholding, tenure and management patterns in Sri Lanka. However, few if any demonstrate the economic significance of these patterns. Water resource, land use, and soil erosion data are unsystematic and anecdotal. Socio-economic and institutional aspects of resource management systems are seldom analyzed. Moreover, at the present time, the GSL and international donors have insufficient capacity to monitor and evaluate what is happening in the natural resources sector and its impact on the economy, society and rural households. Information relevant to improving market efficiencies, credit, technology utilization and agriculture and natural resources management is not systematically available from either the public or the private sector. SCOR must strengthen analytical capabilities and establish information systems to inform group, local and central decision making on natural resources management. New public-private partnerships will both enable and require expanded information flows both vertically and laterally.

## 2. Policies, Regulations and Procedures

More than a hundred laws and policies, dating back to the First Land Commission of 1927 and the ensuing Land Development Ordinance of 1935, have sought to establish and maintain farmers' access to adequate amounts of land via "protected tenure" restrictions on land use, sale, subdivision and inheritance, and to ensure putatively equitable distribution of water via highly centralized management of irrigation systems. Massive settlement programs in irrigated areas, and programs to regularize the status of "encroachers" (squatters on land owned by the State) outside of irrigation systems have redistributed substantial proportions of the poor and landless population from areas of land scarcity to areas where making a living from agriculture is possible. This policy continuity has unquestionably contributed to Sri Lanka's unusually low rate of urbanization, its progress on food security, and its reasonably equitable (although recently widening) rural income distribution.

However, these policies are reaching their useful limits. The Accelerated Mahaweli Development Program, the centerpiece of the development of irrigated agriculture, is close to completion, and there is little scope for expansion of irrigated area elsewhere. Irrigation systems also exhibit a cycle of deterioration and rehabilitation with additional investment required to maintain their effectiveness in water delivery. Meanwhile, there has been considerable encroachment in forest reserves and stream and reservoir reservations. Most unprotected rainfed land, including fragile land of ecological and hydrological importance, is already occupied and used. Whether its occupants are "regularized" or not, these lands are used sub-optimally; this is also true of the large, money-losing export-crop estate sector.

Taken together, the large number of GSL statements, legal instruments and special programs to deal with land and water resources management make up a confusing, uneven and only partially implemented policy framework for supporting sustainable increases in agricultural production. In some instances, the effect is counterproductive. Overlapping authority, confusing, contradictory and in some cases incomplete legislation, and inadequate means for transferring policy statements into implementable actions have seriously hindered progress.

While USAID has not identified any specific legal constraint which would make implementation of SCOR impossible, there are some specific policy, regulatory, and procedural issues which may still curb the spread of sustainable management of natural resources including:

- The various types of arrangements which give legal right or tenure to land in Sri Lanka are limited in both number and applications. The government still directly controls approximately 80 percent of the land and 95 percent of the forests in Sri Lanka. Yet, central exercise of control is increasingly problematical. Furthermore, it is widely accepted that a lack of secure access to, control of and decision-making on land and water resources at local levels discourages capital and labor investments, limits users' access to credit and ability to organize production, and contributes to short-term extensive cropping systems and encroachments with consequent deterioration of land quality and productivity. Security of tenure usually is assured by ownership title, but numerous other usufruct mechanisms can be sufficient to provide a sense of security and rights to the income streams necessary for effective long-term development.

- Registering farmer organizations has been simplified by an Amendment of the Agrarian Services Act, but implementation of the Amendment has been very slow. Registration, therefore, remains a complicated process which inhibits widespread formation of user groups. Access to credit and other services are, in turn, more difficult without registration.
- Water rights, or at least foreknowledge of water deliveries and their costs, are fundamental to optimal use of the water resource as well as to the investments necessary for growth. Although some traditional rights exist and the government makes efforts to allocate water equitably, other than old Irrigation Ordinances, no water code, law or even explicit policy exists in Sri Lanka. As competitive pressures on existing resources grow this will result in greater misallocation and conflict.
- "Paddy land" restrictions prescribe that land presently or in the past cultivated with paddy can only be used for paddy production. As a result, lands that might be better suited to other crops (and to more sustainable agronomic practices), must remain devoted to paddy.

SCOR cannot directly affect the passing or amending of legislation, but will encourage the continuation of formulation, specification and implementation of enabling policies to hasten the process of devolution of control over resources, and increase awareness among rural resource users and local government officials of those policies, laws and programs which currently exist.

### 3. Weak or Poorly-suited Institutions and Structures

Directly related to policies, regulations, and procedures are the institutions and structures which implement them. There are roughly three dozen agencies within at least seven ministries that directly manage land and water resources. Many others affect land directly or indirectly through permits and other regulations. Water resources are covered by more than forty acts and ordinances administered by dozens of agencies and several ministries. This naturally results in overlapping mandates, jurisdictional disputes and poor coordination. It also enables ministries and agencies to "pass the buck" when problems arise.

As a result of this overhang of colonial and statist regimes, adoption of new organizational and participatory approaches to resource management has been grudging and uneven. Central control, risk averse behavior, and administrative inertia remain dominant obstacles to the process of devolution. In addition, most central and provincial agencies of the government have taken a top down enforcement approach "policing" resources as opposed to an approach which supports and enables users to manage resources in the most sustainable and productive ways.

At the local level, some community and farmer organizations have been active, especially in irrigation management, but have not received the support, autonomy and rights required for true public-private partnership. The large number of existing NGOs depend almost entirely

on government or sectarian financial support and on their leading personalities.

The Project Identification Document (PID) proposed that SCOR directly address several institutional and structural changes within the Ministry of Lands, Irrigation and Mahaweli Development and other central government entities. The long and highly-participatory process which has led the activity design effort, however, indicated that while such Ministerial changes are desirable and important in the long-run, they are not critical to sub-project success. Therefore, most SCOR activities will be focused on the local level to (a) strengthen user organizations' capability to accept control for valued resources at the local level, (b) help the provincial and divisional level government structures to fulfill increased responsibilities under devolution, and (c) make all levels of government more responsive to and supportive of the local needs and resources users.

#### D. Sub-Project Rationale

As the name suggests, **shared control** of land and water resources is the primary thrust of SCOR. All activities are focussed either on increasing the control of user groups or on supporting and enabling those groups to more productively exercise that control, and employ sustainable resource management practices. Sri Lanka possesses extensive proof that a "top down", centralized orientation to resource management has not worked. As government resources become ever more scarce, there is even less chance that centralized approaches will achieve increases in productivity or sustainability of the land and water resource base.

Concurrently, there is a growing experience and evidence in natural resources management in Sri Lanka and other Asian nations that local participation and shared control is a fundamental precondition (and in some cases a sufficient condition) for productive and sustainable management of natural resources. As detailed in Section VII., a variety of recent experience in land tenure and irrigation and forestry management in Sri Lanka, Thailand, India, Nepal and the Philippines demonstrates the necessity for local participation in and control over natural resource management. Experience also demonstrates the high rates of return achievable from interventions which improve management through local control.

Two fundamental concepts characterizing SCOR should be noted: the terms "shared" and "local." Shared control is explicitly separate and distinct from total private and individual ownership and control. Despite the problems with the GSL's prior approach to resource control, government does continue to have a legitimate and valuable role to play not just in supporting the responsible exploitation of resources by the users, but also in monitoring what is happening to them and, if necessary, enforcing provisions protecting the wider society from predatory group practices. The focus of SCOR is not only on resource users, but also on the agencies of government, the private sector and NGOs with which they interact. Assistance will be provided to increase the technical, organizational and legal ability of users to interact effectively with agencies and enterprises relating to the use of land and water resources. Assistance will also be provided to those agencies to improve their capacity to support and work with the users more effectively. "Shared" is also intended to emphasize the role of peer groups in supporting each other and in moderating inappropriate individual behavior.

"Local" management is intended to shift responsibilities to local residents who have the greatest stake in the land and water resources, are usually most knowledgeable about them, and thus have the greatest incentive to manage them productively. As defined by this project, local boundaries will usually be the perimeters of the watersheds. Management is expected to involve and link a variety of stakeholders within watersheds including, in addition to resource users: divisional and provincial officials; bankers, traders, and other private sector business people; not-for-profit organizations such as recreational users; NGOs and the general public.

#### **E. Relationship to USAID and GSL Development Strategies**

##### **1. A.I.D. Strategy**

Since the design and authorization of NAREPP, USAID has done substantial analysis of the natural resources sector of Sri Lanka, examined those areas where it has a comparative advantage and focused its efforts within the Strategic Framework: FY 1992-1996. SCOR fully and directly supports the overall Strategic Vision of Sri Lanka as "a democratic, "greener" NIC by 2001. SCOR helps define the Framework's Strategic Goal of **public-private partnerships** relative to rural areas: devolving control of productive rural resources from government to resource users who are predominantly farmers. Therefore, SCOR contributes to all three of the Mission's Program Sub-goals: **an effective market economy, a healthy environment and productive natural resource base, and an active pluralistic democracy.**

Within these goals, SCOR focuses directly on two of the Mission's four Program Objectives:

- **Citizen participation in democratic systems** because it will help Sri Lankan resource users organize and exercise greater control over their land and water resources; and
- **Conservation and shared control of natural resources** because it will help sustain the productivity of Sri Lanka's land and water resources.

SCOR is the logical evolution from the Mission's prior and current project activities in irrigation management, agricultural development and natural resource conservation as well as the Mission's liberalization and environmental policy agenda. Of particular relevance to the development of SCOR:

- An early Reforestation and Watershed Management Project strengthened the Forestry Department's technical capabilities and demonstrated some techniques of watershed protection. However, a recently-initiated evaluation indicates that the lack of participation by villagers in planning and maintenance precluded overall success.
- The Irrigation Systems Management (ISM) Project concentrated on systems design, operation improvements and the involvement of farmers. The project was redesigned to emphasize establishment of formal arrangements with water user groups.

- The Irrigation Management Policy Support Activity (IMPSA) supported policy dialogue, new government perspectives and institutional changes concerning water resources, user organizations, and the relationships between users and GSL agencies.
- The NGO Co-Financing II Project assists both U.S. and local non-governmental organizations to build their capabilities as well as those of smaller local organizations with whom they work. Many of these organizations are involved in agricultural development and natural resource management.

While SCOR could be a free standing project and need not be directly dependent upon NAREPP, its objectives fit within and provide critical support to the goal of the NAREP program. Moreover, there are common approaches and opportunities for economies of scale and synergy with the other components of NAREPP in training, technical assistance, policy dialogue, and institutional development.

## 2. GSL Strategy/Program

The GSL has formulated a number of policies and programs to overcome constraints discussed in Section II.B. above. A common theme running throughout many new policy directions is the stated intention to devolve decision-making control and ownership from central government to regional and local government, to farmers and/or farmer organizations, and to other private resource users. Thus far, however, uncertain mandates and guidance, inadequate budgetary resources, procedural rigidities and uncertainties, and influential groups benefiting from existing arrangements, have hampered progress in transferring control of natural resources.

There are several GSL statements, legal instruments and program initiatives which provide the policy support basis for local management of land and water resources:

- UNP Party Manifesto** - Although a political document, the manifesto is firmly rooted in the concept of people's increased participation in local government with additional powers and autonomy in decision-making. The UNP is the governing party and concrete steps toward implementation of this manifesto continue to be taken.
- Thirteenth Amendment to the Constitution** - This amendment to the Constitution, passed in 1987, provides for the devolution of control from central to provincial and divisional levels for many administrative functions, including, inter alia, land administration, irrigation management and participatory forestry.
- Amendment to the Agrarian Services Act** - Passed in early 1991, this legislation encourages and formalizes the procedures under which farmer groups may organize and be officially registered with corporate status with consequent rights to hold assets in common and enter into contracts.
- Land Survey, Use and Registration of Title Acts** - This triple legislation was approved by the Cabinet in 1990 and is currently in final stages of legal

specification. It will streamline and clarify survey, land use and titling procedures and requirements and is expected to be passed within the next year. Its enactment will further the ability of landholders to obtain secure title and credit for investment.

e. **Swarnabhoomi Land Grants** - This and other land "alienation" activities appear to have increased farmers' tenure security to some extent. The grants are conditional rather than clear freehold title: sale and subdivision are prohibited without authorization and, therefore institutional credit is limited by banks' reluctance to issue mortgages on them. The rate of issuance of land grants has slowed dramatically and there remains a backlog of over 700,000 parcels to be converted from simple occupancy permits to land grants.

f. **National Environmental Action Plan (NEAP)** - The GSL formulated and the Cabinet recently approved a National Environmental Action Plan to implement the National Conservation Strategy, which was accepted as government policy in 1988. The NEAP places great emphasis on soil conservation, reforestation and watershed protection, among other actions, and stresses the need for increased security of tenure and involvement of local communities in resource management. Implementation of this plan promises to be difficult, but there appears to be a commitment to progress.

g. **Cabinet Papers on Irrigation Policy** - A Cabinet Paper promoting the principle of farmer participation in the management of irrigation systems was signed in 1989. The IMPSA policy recommendations elaborated on the institutional and resource management implications. A second Cabinet Paper mandating necessary organizational and institutional changes is expected soon. Under the new policy of system turnover, farmer organizations accept responsibility to operate and maintain irrigation systems. Many of these organizations are however inexperienced and financially insecure, and current incentive structures may not encourage them to accept the responsibilities which government is now willing to give them.

Furthermore, legislation is also in process to establish a **National Land Commission** and the Ministry of Land, Irrigation and Mahaweli Development has initiated both **National Land Use** and **Water Resources Planning** programs. SCOR will encourage further rationalization of policies and institutions and reinforce those measures already in place.

#### F. Relationship to Other Donor Activities

Annex H includes a list of 52 "Projects/Programs on Natural Resources Management in Sri Lanka Funded by Donor Agencies." The fact that twenty different donors are included on the list illustrates not just the breadth of donor support for natural resources programs in Sri Lanka, but also the challenges of coordinating programs to minimize conflicts, redundancies and gaps. Several of the projects noted will be directly involved in and important to the implementation of SCOR:

- The Participatory Forestry Project, funded by the ADB, emphasizes and provides inputs for a village-level approach to reforestation.

- The National Irrigation Rehabilitation Project, funded by the World Bank, provides construction inputs and includes the establishment and training of farmer organizations.
- The Land Use Policy Planning Project, funded by the ADB, helps to build a land-use database and formulate land use policies and plans. It incorporates local participation and will operate in several provinces.
- The Anuradhapura Integrated Rural Development Project provides assistance to the North Central Province for the establishment of sustainable production systems.
- The Southern Area Rural Development Project, funded by the ADB, provides infrastructure and enterprise assistance to the Southern Province.
- The Forestry Sector Development Program, funded by the World Bank, convenes regular meetings of donors where experiences, needs and concerns about the sector are shared.

NAREPP was designed, in part, to complement other donor support of natural resources activities in Sri Lanka and to encourage closer donor coordination. To date, however, NAREPP has only begun to have an effect on donor coordination through a nascent information bank and coordination unit in the Central Environmental Authority. SCOR will not only coordinate, but is expected to actively collaborate with other donor programs related to watershed management, particularly those listed above. Most collaboration will be at the provincial and divisional levels. SCOR will link its clients with all of the resources available in that locale, matching user needs with specific private sector capabilities, GSL services, or donor-funded programs.

### III. DETAILED PROJECT DESCRIPTION

#### A. Project Goal and Sub-Project Purpose

The Goal of NAREPP is to sustain economic growth in Sri Lanka by efficient management of the island's forests, wildlife, soils, waters, and other coastal and inland natural resources. "Efficient management" for SCOR is defined by sustained productivity of land and water resources. The intention is to improve incentives for the resource users, managers and planners to consider environmental implications (opportunities, costs and long-term impact) more consciously and explicitly.

Progress towards achievement of NAREPP's goal will be gauged through shifts in government resources which lead to reduced degradation and/or increased conservation of forest, land and water resources; SCOR recognizes that the behavior of resources users is dependent upon a wide variety of factors beyond its control and that the economic and/or other incentives and information provided through the sub-project are sufficient for them to change behavior and actually invest in and utilize higher yielding technologies and adopt more sustainable agricultural and resources management practices.

The NAREPP Purpose is **"to enhance public and private institutional capabilities to formulate and implement effective environmental policies and develop sustainable and environmentally sound development programs."**

The purpose of the SCOR *sub-project* is:

**"to sustain the productivity of land and water resources within selected areas of Sri Lanka, through shared control of these resources."**

As shown in Figure III.A., the SCOR purpose can accurately be characterized as an End of Program Status (EOPS) indicator for NAREPP.

The link between the NAREPP goal and the SCOR sub-purpose assumes that user groups will respond to improved tenure, information, training, services and production opportunities and that the various organizations and levels of government continue to support sub-project objectives and to participate actively.

Indicators that the purpose of SCOR has been achieved are that:

- Formal agreements with user groups within target watersheds give authority over half of the land and water resources in accordance with joint management plans;
- Resource users in target watersheds invest at least \$2.5 million of labor, capital, etc., in land and water conservation; and
- Visible, recorded evidence demonstrates significant reduction of soil erosion, devegetation, and/or waterlogging in target watersheds.

**B. End of Project Status**

<p><b>NAREP PROGRAM PURPOSE</b> To enhance public and private institutional capabilities to formulate and implement effective environmental policies and develop sustainable and environmentally sound development programs.</p>	<p><b>NAREP END OF PROJECT STATUS</b></p> <ol style="list-style-type: none"> <li>1. Substantial budget and staff increases in environmental agencies and NGOs, and more resources directed to environmental research.</li> <li>2. More research projects underway on environmental impacts, functions and values of natural systems.</li> <li>3. Increased numbers of environmentally trained staff in environmental cadres within the private and public sector.</li> <li>4. Sustained productivity of land and water resources in selected areas through shared control of those resources.</li> </ol>
<p><b>SCOR PURPOSE</b></p>	

A further indicator of SCOR's success will be the generation of additional income and employment within the user groups from new activities which enhance land and water productivity.

**C. Sub-Project Structure**

As already noted, the primary geographical unit for implementation of SCOR is the watershed. Watersheds can be divided into four areas according to their elevation and usage: upper catchment areas; highland cultivated areas; command areas including reservoirs and other control and irrigation structures; and return flow or drainage areas. SCOR will work in approximately four watersheds in two provinces, covering an area of approximately 40,000 hectares.

The Provinces selected for project activities are the Southern Province (NCP) and the North Central Province. Both are fully described in Annex H. They are selected for their social, environmental and agronomic diversity as well as the strong interest of Provincial and Divisional authorities and users to participate in the sub-project. Several well-established user groups have been identified in both provinces, although such organizations are more developed in North Central Province. Consultations with government officials, other agencies and user groups in these Provinces have all confirmed their willingness and motivation to participate fully in SCOR.

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Design consultations and analysis led to the selection of watersheds in each Province which will be the target of the first phase of SCOR activities. In the Southern Province, the upper Nilwala watershed in the Matara District is typical of Sri Lanka's wet zone and includes three Divisional Secretariats: Kotapola, Pitabeddara and Akuressa. The target area includes two important highland forest reserves, a major river with riverine forest and flood plains, some tea, rubber and coconut plantations, and paddy lands. There is gem and sand mining in the river beds. Land use conflicts are widespread. In the North Central Province, the lower Huruluwewa watershed in Anuradhapura District is located in Sri Lanka's dry zone and includes two Divisional Secretariats: Galenbindunuwewa and Palugaswewa. The target area includes degraded dryland forest, a small reservoir and feeder canal, and highland and paddy cultivation. There are numerous small projects in the area. Despite the irrigation infrastructure, water is scarce and its use a major source of conflict.

Central to the structure of the SCOR sub-project is a methodology which has been both organizationally and cost effective in other natural resource management approaches in Asia, and particularly in water management in Sri Lanka: building small, local organizations around the use of a common resource using young organizers or "catalysts" backed up by experienced specialists, in-site training, and support of local authorities. This extra-institutional effort, facilitation, training and dialogue has proven to be essential to identifying common interests, coalescing group dynamics, and developing the new incentive structures. Drawing economic, technical, political and informational resources from external entities is also important to this organizational process. Therefore, SCOR consists of a substantial level of primarily Sri Lankan specialist assistance to provide technical, organizational, financial and training services in four sets of activities:

- 1. Forming, expanding and strengthening resource user groups;**
- 2. Securing shared control of resources by these user groups through formal agreements;**
- 3. Helping government, NGO, and private entities to better support, work with and monitor resource users; and**
- 4. Improving information and linkages among all groups and entities to promote sustainable land and water use.**

Each is discussed below.

#### **1. Forming, Expanding and Strengthening Resource User Groups**

There is considerable unmet demand for the formation of new user groups and, although numerous such groups exist on paper, fewer are legally recognized, well-developed, or financially sound. Moreover, few have clearly defined rights and responsibilities vis-a-vis the government. Building upon GSL and USAID experience with ISMP, IMPSA and various NGO activities and traditional organizational structures, SCOR activities will assure that usergroups have the capacity and capabilities to responsibly manage the resources being

turned over to them. Women's groups will be a particular focus.

There are numerous NGOs operating in rural areas which assist resource user organizations. However, their capability has been demonstrated to be weak due to, *inter alia*, a lack of technical expertise and local resources. Through a combination of technical assistance, training and increased support by local government, SCOR will also expand the capability of a selected number of NGOs to improve relationships with local government and service delivery to resource user organizations.

The priority **outputs** anticipated for this component are:

- 500 user groups identified, organized and/or assisted to take joint responsibility for management of land and water resources;
- 3,000 users group members and entrepreneurs trained. An additional 65 officers in user group councils or associations will receive more extensive short-term training in country or overseas;
- 10 user group association/council(s) established; and
- 500 small grants to user groups made and invested into common user group assets.

In its four pilot watershed areas, SCOR will:

- a. Survey, identify and assess existing local organizations in target areas to determine their willingness and suitability to work with SCOR. Women's groups will be specifically targeted. In Nilwala watershed, this inventory will be demanding in view of the wide variety and relative under-development of organizations. In Huruluwewa, the inventory will be straight forward due to the numbers of existing organizations.
- b. Undertake watershed-specific constraints analysis, in collaboration with individuals, user groups, officials and NGO representatives. These analyses will assess the current and potential status and uses of resources in the area and identify economic, technical, informational, institutional or legal factors that prevent resource users from managing and utilizing land and water resources (as well as labor and capital) to best advantage. Other than some scattered experiences with "social mobilizers" in the Provinces and with village irrigation systems, information on incentives and means for organizing rainfed farmers and other resource users in upland areas is limited. In Nilwala, analysis will focus on land uses and mixed cropping systems. In Huruluwewa, revegetation of the catchment and water conservation and rights will be the focus of analysis.
- c. Help user groups organize, register and formalize agreements with the government. In some areas, particularly in the catchment areas, few formally-organized groups currently exist. Working through organizers or "catalysts" and NGOs, the sub-project will promote the organization of groups, orient them to sustainability considerations and the benefits of

organizing, support them through the process of registration or legalization and obtain for them appropriate legal status and powers for recognition and access to financial and other services. The organizational effort in Nilwala will be substantial and demand most of the early effort. Legislation will be the focus of the effort in Huruluwewa.

d. Train user group representatives (with particular emphasis on women's groups) including appropriate NGOs in skills such as leadership, group dynamics, resource planning, sustainable practices, resource monitoring and reporting, financial management, accessing local skills and services, enterprise development, and marketing. The representatives trained will take these skills back to their groups. In order to carry out this training, appropriate training materials and methodologies will have to be adapted and/or developed. To the extent possible, currently active NGOs will be engaged. In addition to this formal training, additional assistance will be provided through regular visits by the catalysts who themselves have been trained in these skills. Training in Nilwala watershed will likely be predominantly organizational and environmental while in Huruluwewa water management and entrepreneurial skills will likely be dominant.

e. Provide small grants and/or facilitate loans for existing and new user groups. Such loans/grants will enable the groups to:

- Show collateral when seeking additional loans through private financial institutions;
- Develop promotion of insurance schemes for new crops, conservation schemes and investments;
- Construct storage facilities, markets, terraces, nurseries or other small physical infrastructure;
- Purchase equipment needed to initiate or upgrade joint enterprises to gain economies of scale and value added to their production.
- Join with other user groups to establish revolving funds for conservation of investments and/or the purchase of agricultural inputs; and
- Obtain legal, financial and other services associated with establishing user rights, small enterprises and productive ventures.

In Nilwala watershed, in addition to erosion and flood control, new commercial activities in the forest areas may include medicinal plants, honey production, reed/rattan products, wild fruits and kitul production.

In Huruluwewa, the emphasis will be on investments to improve water productivity, pasturage and woodlots, and fruit and vegetable production.

In later years, it is expected that several larger loans (of up to \$20,000) may be guaranteed for larger scale production activities in which several user groups combine forces and

resources.

f. Provide a variety of information, analyses, linkages and support services guiding the user groups through the establishment and early days of commercial ventures. Such assistance might include: provision of information and education materials (discussed below) and facilitating access to specialized services and expertise available from private firms, NGOs or government agencies.

In later years, individual user groups may find that an association or council of user groups, organized along either geographical or functional lines, is warranted, and limited assistance for this will also be provided. In Nilwala, larger forestry societies may undertake processing of special forest products or eco-tourism. In Huruluwewa, a larger water management organization or agro-processing cooperative appears likely.

g. Building on efforts to strengthen user groups, a few associations/councils of user groups will be organized along geographic or functional lines to improve coordination and cooperation not only among users but also between government agencies and user groups. In Nilwala watershed, the irrigation organizations expressed the need to form a user organization centered on various components of the watershed, such as above reservoir, command, drainage, etc., and to link all of them to a federation of users.

## **2. Securing Shared Control of Resources by User Groups through Formal Agreements**

As discussed above, a sense of security and a right to income streams generated from land and water resources is essential to users' adoption of more sustainable management practices. At a minimum, this must include: guaranteed access to land and water resources; the authority to determine and control the best uses of that consistent with government guidelines for environmental sustainability and other reasonable considerations of society; and long-term (minimum 10 years) usufruct rights. During the initial months of implementation, two major policy constraints will be identified. These issues will be the focus for special studies and ways to overcome them through policy reform measures will be identified and executed.

Ultimately, user groups will enter into formal agreements with local (provincial and divisional) authorities describing their rights and responsibilities. At a minimum, these agreements will specify the rights/responsibilities to: use and maintain the resources; negotiate and conclude contracts; collect and manage fees and revenues; resolve conflicts; educate and train members; prevent unauthorized entry of modifications; and maintain books and accounts. This activity is consistent with government policy and assumes continuing political support of participatory management of land and water resources.

The priority outputs anticipated for this component are:

- Significant regulatory, procedural or organizational changes enacted to increase shared control by users;

- Land leasing/usufruct processes accelerated, reducing the processing time for most mechanisms by approximately 50 percent; and
- Demonstration of the benefits of authorizing user groups, joint management arrangements, and consolidated land management or production systems.

Activities within this component will include:

a. Ongoing examination and evaluation of regulatory and legal mechanisms and organizations concerning land and other natural resources. As noted in Section II, with anticipated enactment of the Land Survey, Use and Registration of Title Acts, USAID is not aware of any significant regulatory or legal changes which must be enacted before SCOR can be fully successful. Nevertheless, changes to a number of existing organizations, procedures and policies would make the process of securing and formalizing shared control faster and more efficient and would speed SCOR implementation. For example, within the Ministry of Lands, Irrigation and Mahaweli Development (MLIMD) changes may include:

- Strengthening resource policy analysis, implementation and monitoring capabilities;
- Restructuring land analysis, policy, planning and administration units;
- Consolidating water resource and irrigation development and management;
- Improving forestry land tenure or leasing procedures; and
- Reorienting and privatizing public land surveying.

Possible improvements at the local level include:

- Land permitting and leasing by the Divisional Secretariats and Provincial Councils;
- Formal, transparent procedures for resolution of conflicts over resource rights; and
- Interdisciplinary teams to serve user groups as a "mobile service."

b. Studies and applied research on the effects of resource tenure arrangements for land, water, and trees on production practices, cropping patterns, investment incentives, time horizons, etc. in the watersheds. Examples of arrangements to be studied may include:

- First-class title via elimination of restrictions on Swarnabhoomi grants;

- Issuing block grants under the Land Settlement Ordinance rather than individual grants under the Land Development Ordinance;
- Streamlined procedures for commercial leasing of land or water rights based upon investment potential;
- Other land tenure arrangements such as sharecropping arrangements, rotational land use (thattumaruru), and absentee ownership; and/or
- Community-based management of forestry reserves.

Experience in other countries will be considered where relevant to Sri Lankan tenure issues.

c. Where policy or regulatory changes are recommended, national-level policy dialogue, with the relevant Ministries and departments will be undertaken to initiate the necessary reforms. This effort will draw on the results of sub-project studies and experience, experiences from the Asia region, on policy analyses of IMPSA and other NAREPP components, and field experience in the country. (Policy changes may be supported by large local currency performance disbursements through the PL-480 Title III program as agreed upon by the Ministry of Finance).

d. Additional applied research will be conducted on the concept of consolidated land management or production, potential mechanisms to increase productivity and sustainability and reduce pressures on the land. The research will examine both consolidated production on fragmented private holdings, and pooling of resources to gain better access to credit, production inputs and economies of scale. The intent of the research is to demonstrate the technical, social and organizational feasibility and the economic viability of the alternative methods.

### **3. Improving Government, NGO and Commercial Support to and Relationships with User Groups**

In addition to effecting policy changes and strengthening user organizations, successful implementation of shared control will require that governmental organizations and individual officers, at various jurisdictional levels, revise their attitudes towards user groups, modify their traditional set of functions, and establish new working relationships with those groups. In addition, and as noted in Section II, rather than providing all services and information directly, SCOR will depend to a substantial extent upon being able to form linkages between user groups and appropriate information or service organizations, whether governmental, NGO or commercial. The priority **outputs** anticipated for this sub-project component are:

- Approximately 230 national, provincial and divisional officials trained in local level planning and user group formation, support and collaboration; and
- 20 NGOs and other private sector firms actively providing technical, managerial and

other information and support to user groups.

Accordingly, the sub-project will:

a. Focus on those jurisdictions and organizations which provide information and services directly to the target watersheds:

- The irrigation, lands, forestry, agricultural and planning staff of the Southern and North Central Provincial Councils will develop planning, monitoring and evaluation capabilities associated with their new responsibilities and devolution of land and water management. The technical staffs of the Provincial Councils have only been operational for the last year and a half;
- In each of the Provinces, there are 20-30 new Divisional Government Agents or Secretaries who are receiving substantially increased authority and responsibility as a result of the devolution process. A combination of technical and management assistance and training will be given to the ten Divisional Secretaries (and their technical assistants) in the four targeted watersheds to improve the implementation of their resource management functions, which include planning, inspecting and monitoring land uses, determining various usufruct rights, issuing leases and permits, registering organizations, working with user groups and NGOs, and using databases. The Division Secretaries have only recently been appointed. Assistance will also either reinforce the existing Company and Deeds Registries or develop new, possibly computerized Registries depending on the conclusions of pilot projects.

b. Work with relevant national level departments and agencies to raise the level of staff awareness and qualifications for dealing with natural resource management in participatory ways. Short-term training and study tours are also planned under this activity.

c. Training of NGOs and private firms to ensure adequate and efficient private support services operating in target areas, e.g., services for banking, processing agricultural commodities, or for surveying in support of titling, leasing or co-management programs.

#### 4. Improving Information Flow and Inter-Organizational Linkages

The shared control and devolution policies mean that some individuals and groups will be assuming new and unfamiliar responsibilities, while others will be relinquishing control and shifting to support and monitoring. Still others will have significant opportunities to provide new products and services through commercial ventures once needs are known. This flux and informational "market failure" is evident in the target watersheds. The priority outputs anticipated for this component are:

- Improved methodologies and tools developed and applied for multilevel planning and coordination in pilot watersheds;
- Annual land and water management plans for two of the four target watersheds produced jointly by user groups, NGOs and government; and
- An improved land and water resource information and monitoring system developed and operating.

This whole process is heavily dependent upon better coordination and collaboration and a freer, two-way flow of accurate information. To support this process the sub-project will:

a. Design, establish and operate an improved resource use information and monitoring system. The system will support national and provincial and division level capabilities for monitoring and evaluating trends and performance in the target watersheds with regard to shared control of natural resources. The systems will be designed to be useful to local communities and resource users; to national, provincial and divisional level decision-makers; to NGOs and the for-profit private sector; and to international donors. The system will facilitate information flow both from the field and forest level upwards as well as from various government levels to the resource users. Although a rudimentary monitoring system and baselines will be established during the first months of project implementation, the design of the model system will be finalized based upon the experience of the first phase of activities in two watersheds. It will likely include:

- **Information on new and sustainable technologies**, involving both production and protection, must flow to the resource users. The catalysts and the Agrarian Service Centers in each division are reasonable means of disseminating that information;
- **Information on products, markets and services**, such as banking and credit facilities, markets, and processing facilities available in the area, should similarly be available to the users. Access to up-to-date market information is also critical to most producers; and
- **Information on potential of and changes to the natural resource base in the target areas** needs to be obtained, aggregated and made easily available to all of the groups noted above. Information expected to be collected includes: number of user groups, number of people using control practices, disputes raised and resolved,

types of production, new investments, and changes in vegetative cover.

- b. New methodologies and technical and liaison assistance will initiate and strengthen local, multi-level planning for land and water resource use. Better communication and coordination is particularly important where the watersheds impact on more than one governmental jurisdiction. This effort will engage the cooperation and active participation of ministry representatives at the provincial and divisional levels, together with user groups or associations and other stakeholders in the watershed. In Nilwala, an overall geographic information system for land use will be developed. In Huruluwewa, the watershed plans may provide for crop specialization, land capability, coordination of seasonal schedules, economizing on irrigation water, enhancing crop protection (introducing integrated pest management), and even improving marketing arrangements.

#### D. Project Inputs

##### 1. Technical Assistance

The heart of SCOR operations is the long-term professional assistance, primarily Sri Lankan. These professionals have the central role in assisting user groups and local officials in identifying problems, working together to resolve them, and generally informing, facilitating and institutionalizing the processes of shared control. This professional assistance will be provided primarily through a Cooperative Agreement with an appropriately-experienced institution, likely to be the International Irrigation Management Institute (IIMI) which has its headquarters in Sri Lanka. IIMI has pre-eminent capability in Sri Lanka and in the area of participatory management of natural resources, primarily in the field of irrigation systems. However, IIMI also has relationships with a wide variety of institutions concerned with other resources such as forestry and land use management.

The professional assistance which will be necessary includes:

- a. **Long-Term International Specialist:** An international professional would be recruited jointly by USAID and the CA recipient to provide overall leadership and management for SCOR activities. He/she would be initially recruited as Chief-of-Party for two years (extendable to four years) and would start up the sub-project activities with emphasis on the Southern Province working out of Colombo with frequent travel to watershed sites. A second international specialist may be recruited to serve for approximately three years, beginning in the third year of the sub-project. This specialist who will be based in Colombo, will start up sub-project activities in the second phase watershed in the provinces. Accordingly, this specialist will be required to travel frequently to the watershed sites. Recruitment of this specialist will be decided based upon the experience of the first phase and its evaluation.

The primary responsibilities of the international specialists will be:

- In cooperation with USAID, establish and supervise monitoring systems, offices staff and activities in the provinces;
- Manage and coordinate short-term assistance, catalysts, training, and GSL inputs;
- Lead dialogue with central and provincial officials on sub-project issues and activities;
- Work with relevant institutions and specialists to improve information systems and coordinating mechanism;
- Establish criteria for and review and approve all sub-grants; and
- Report on budgets, expenditures, activities, progress and issues to the CA recipient, the GSL, and USAID.

The Specialists should have post-graduate degrees in rural, technical or social sciences and considerable experience in rural land and water management in developing countries. Proven, strong cross-cultural, interpersonal and organization skills will be imperative.

**b. Long-Term Sri Lankan Professional Assistance:** A range of experienced Sri Lankan specialists will be recruited to provide the operational, organizational and technical support and skills necessary to implement the sub-project activities. Selection will be made by the CA recipient in cooperation with USAID. A key position will be the Executive Officer stationed in Colombo with a small support staff. The Executive Officer will be responsible for overall coordination, support, and record keeping for the larger field offices and activities in the two provinces, including central accounts and inventories, travel and transportation, scheduling and subcontracting, and coordination with the grantee's Head Office and with USAID. A small supporting staff will likely consist of an evaluation specialist, an accountant, a logistical specialist, two secretaries, driver and a messenger. The Executive Officer is a highly-responsible position and will require proven management competence with substantial experience, preferably international, directing logistical, financial and procurement activities.

Several Sri Lankan technical specialists would be recruited for the watershed working groups in each of the two provinces, the first smaller teams in the first year and larger teams in the third year. These groups or teams, led by the international specialist as discussed above, would ultimately include three Sri Lankan specialists:

- A Rural Organizational Development Specialist with experience in training and facilitation of rural organizations with strong interpersonal and training skills;
- An Agro-Ecologist with broad experience in land use, water and forestry/grassland systems and management; and

- A Small Enterprise/Financial Specialist with diverse experience in developing micro-enterprises, cooperative business ventures, outgrower systems, and marketing outlets.

These professionals will be supplemented by research, evaluation and training assistants working closely with local government officials, user groups and short-term technical assistants within the Provincial Working Groups. They will be the primary agents of project assistance in the field, both in terms of direct assistance to user groups and in obtaining assistance and services from other sources, public and private.

Finally, the efforts of the professionals will be extended in each province by the recruitment of fifteen young organizers or "catalysts" for each province who will work closely with individual user groups to facilitate their growth following the model which has been successful in several projects discussed in the technical analysis. Based upon the current model for irrigation management in Sri Lanka, the catalysts would generally be young school leavers from the area who will be assigned to several user groups over a period of two three years as change agents, service facilitators, and progress monitors. Interpersonal skills, problem-solving abilities, environmental awareness, and dedication to rural improvement are necessary requirements of their positions.

c. **Short-term Technical Assistance:** The project will confront a broad range of special problems and issues in watershed management ranging from policies and institutions (water rights, land use agreements, etc.) to products and technologies (medicinal plants, geographic information systems, environmental assessment, etc.). Government agencies will not be able to provide this range of technical assistance and services. Wherever possible this assistance would be obtained from other components of NAREPP, other special programs and/or other donor projects. A detailed inventory of various sources for this specialized assistance has not been possible at this time. To ensure project success, a minimum range of U.S. and Sri Lankan specialist assistance (with the exception of that obtained from other NAREPP components) needs to be planned and budgeted. Given the range of issues and activities involved, the composition and levels of this short-term assistance is likely to change as local constraints analyses are completed.

A total of 12 person-months of international short-term assistance and 45 person-months of local short-term assistance are planned in the following specialties:

- Organizational Development
- Watershed Management
- Usufruct/Tenure Law
- Geographic Information Systems
- Lease and Title Registration
- Resource Policy and Economics (likely from NAREPP/IRG)
- Land Use Planning (possibly from ADB Project)
- Environmental Impact Assessment (likely from NAREPP/IRG)
- Various Product Technologies
- Micro-Enterprise Marketing
- Eco-Tourism (likely from NAREPP/USFNS).

## 2. Training

Most training under SCOR will take place in-country in the form of short courses, seminars and workshops. The training plans will be jointly developed by the CA recipient and USAID. Most of the training will be conducted by the CA recipient in collaboration with local institutions. On-site training for users groups will be conducted primarily by the catalysts. A modest amount of participant training overseas may be necessary, primarily for short-courses and study tours related to local organizations in watershed management. These participants will be funded under and carried out in accordance with the procedures in A.I.D. Handbook 10. Some in-country training will be carried out by other components of NAREPP. The estimated quantity and forms of training activities are as follows:

- 200 Small User Group Workshops
- 40 Workshops for Local NGOs
- 19 Workshops for Local and Central Officials
- 65 Regional Study Tours for Group Representatives and Officials
- 19 International Short-Courses for Central and Regional Officials
- 19 Senior Level meetings.

## 3. Commodities

The procurement of a limited range of commodities will be required for implementation. This includes vehicles for project staff, necessary office, computer, training, and mapping equipment (and associated operating expenses) both for project staff and for Divisional Secretariats, and general project supplies. A preliminary commodity procurement plan is found in Section V, but a more detailed plan will be prepared jointly by USAID and the CA recipient in the initial stages of sub-project implementation. This plan will include detailed specifications, cost estimates and source and origin requirements. Source and origin for NAREPP is A.I.D. Geographic Code 000 and Sri Lanka.

## 4. Grants

SCOR will provide small support grants not exceeding \$1,500 in local currency to many of the user groups. These grants will help user groups to develop capital assets, to renovate, repair or improve assets held in common, or to initiate joint projects. As discussed earlier, this "capitalization" will not only assist user groups to begin joint activities, but will also strengthen the incentives for cooperation within the group. Specific, qualifying criteria for these grants will be established early in the first year by the Working Groups. In later years the merits of providing loan guarantees for loans (say up to \$20,000) for larger commercial groups will be examined. The grants will be funded from the PL-480 Title III local currencies which are deposited in the NGO Special Account controlled by USAID. This funding is discussed in Section V.

### **E. Sustainability of SCOR**

There is a strong body of knowledge and experience which supports the SCOR approach to natural resource sustainability. The institutional or financial sustainability of SCOR can be viewed at three levels: (1) replicability of the approach; (2) the beneficiaries' incentive structures; and (3) the degree of support provided by the institutional and policy environments. Thus, the sustainability of SCOR depends on how effectively the methodology is implemented, the level of incentive and participation of local users, officials and private services, and the conduciveness of institutional arrangements, procedures and regulations.

A substantial amount of professional assistance is required at the beginning of the implementation of this approach to ensure the effectiveness of implementation in the initially-targeted watersheds. The use of organizers, mobilizers or "catalysts" has generally proven to be effective for organizational development projects and is relatively inexpensive. In SCOR, the catalysts will be supplemented by watershed teams and coordination committees to deal with more complex issues, given the variety and disaggregated nature of production activities in watersheds. With a better understanding of the exact set of inputs for this methodology in the Sri Lankan context, it is expected that implementation can be replicated with better specified inputs at far less cost in subsequent watersheds.

The incentives for user groups are principally the reduced costs resulting from clearer rights of use and security of tenure. Short- and medium-term costs for the resource users and government will decline. This is especially true of the transaction costs of services and conflicts caused as a consequence of uncertainty, e.g. time spent dealing with requests and permits, inefficient or ineffective public investment decisions (location of a drain, choice of tree species, protective barriers, etc.), and of poor use of land and water (soil and water loss, waterlogging, devegetation, unsustainable yields, etc.). Moreover, development experience and research repeatedly emphasize that a sense of security and a right to income streams are essential incentives for the sustainable management of a resource. Consequently, the establishment of clearly-defined, formal rights for well-organized user groups will share the responsibility for sustaining the resource with the most direct beneficiaries and stewards of the resource. As a strong basic appreciation of nature already exists in Sri Lankan rural culture, SCOR will be building on a solid foundation.

The sustainability of the activities initiated under SCOR will also depend upon the continued movement, if measured, by the GSL to make devolution a reality at the local level. This is more likely if local officials and organizations operate in a policy and institutional environment which provides support for their initiatives and makes them feel secure in their decision making. Although this environment currently exists at senior levels of government, the operational levels of government still have to change attitudes, habits and procedures. SCOR will depend on this process, but more importantly will facilitate it by providing field experience and demonstrable impacts resulting from support for the approach of shared control.

#### IV. COST ESTIMATE AND FINANCING PLAN

Project inputs are presented in Table IV.A., Summary Cost Estimate and Financial Plan and Table IV.B., A.I.D. Sub-Project Expenditures by Fiscal Year. Table IV.C shows the obligation schedule for this Sub-project. Additional notes on project inputs and costs are found in Annex E, Budget Notes and Assumptions.

While most figures are self-explanatory, the overall composition of the \$7 million in A.I.D. costs bears note. Technical assistance costs constitute 66 percent of the A.I.D. total; training, 13 percent; special studies and pilots, 4 percent; commodities, 12 percent; and monitoring, evaluations and audits, 4 percent. Approximately 500 sub-grants to user groups and NGOs of between approximately \$500 and \$1,500 each will be financed from local currency proceeds of the PL480 Title III program which are deposited in USAID's NGO Account (See Annex K for an explanation of the sub-grant management mechanism). Additional training and short-term technical assistance will be funded under other appropriately earmarked components of NAREPP specifically earmarked for the same purpose.

Local contributions are estimated to total approximately \$3.1 million or approximately 31 percent of total project costs excluding sub-grants, about three-fourths of that amount is composed of time spent with the catalysts and investments made by the approximately 25,000 participating households in the target watersheds. It is assumed that each of the households will increase their investment in natural resources by approximately one percent of household income, or \$20 per year. Over the five-year LOP that represents a contribution of approximately \$2.5 million. The remaining contribution consists of salaries of the Government of Sri Lanka officials prorated for the amount of time spent on project activities.

Over the initial two years of SCOR, the GSL and USAID will explore the possibility of programming additional PL480 Title III local currencies to support the implementation of specific regulatory and institutional reforms. As described earlier, while these reforms do not appear to be conditions for sub-project success, they would certainly facilitate achievement of SCOR objectives. If a series of regulatory and/or institutional reforms is proposed by the MLIMD, USAID and the Ministry of Finance would negotiate several specific restructuring or deregulation measures, and "implementation plans" for each benchmark to be included in the annual PL-480 Title III Agreements. The attainment of those benchmarks would be recognized by release of a performance disbursement earmarked for the Ministry or Provincial Council to support the changes. The uses of the local currencies transferred to the Ministry or local levels from the dollar disbursements would only be broadly specified.

**SUMMARY COST ESTIMATE AND FINANCIAL PLAN**  
(\$000)

COMPONENT	AID CONTRIBUTION			SRI LANKAN CONTRIBUTION			PROJECT TOTAL
	FX	LC	TOTAL	FX	LC	TOTAL	
<b>TECHNICAL ASSISTANCE</b>							
Long-Term International	\$1,452	\$0	\$1,452	\$0	\$0	\$0	\$1,452
Local Professional	\$735	\$0	\$735	\$0	\$120	\$120	\$855
Local Technical	\$551	\$0	\$551	\$0	\$50	\$50	\$601
Local Support	\$676	\$0	\$676	\$0	\$0	\$0	\$676
Catalysts	\$618	\$0	\$618	\$0	\$250	\$250	\$868
Short-Term U.S.	\$315	\$0	\$315	\$0	\$10	\$10	\$325
Short-Term Local	\$149	\$0	\$149	\$0	\$10	\$10	\$159
<b>SUBTOTAL TA</b>	<b>\$4,496</b>	<b>\$0</b>	<b>\$4,496</b>	<b>\$0</b>	<b>\$440</b>	<b>\$440</b>	<b>\$4,936</b>
<b>TRAINING</b>							
U.S. Courses & Study Tours	\$337	\$0	\$337	\$0	\$45	\$45	\$382
Local Study Tours	\$183	\$0	\$183	\$0	\$15	\$15	\$198
Workshops & Seminars	\$296	\$0	\$296	\$0	\$75	\$75	\$371
Senior Level Meetings	\$0	\$106	\$106	\$0	\$25	\$25	\$131
<b>SUBTOTAL TRAINING</b>	<b>\$816</b>	<b>\$106</b>	<b>\$922</b>	<b>\$0</b>	<b>\$160</b>	<b>\$160</b>	<b>\$1,082</b>
<b>SPECIAL STUDIES &amp; PILOTS</b>	<b>\$188</b>	<b>\$265</b>	<b>\$453</b>	<b>\$0</b>	<b>\$10</b>	<b>\$10</b>	<b>\$463</b>
<b>SUB-GRANTS/PL480 FUND</b>					<b>\$2,500</b>	<b>\$2,500</b>	<b>\$2,500</b>
<b>COMMODITIES</b>	<b>\$346</b>	<b>\$490</b>	<b>\$836</b>	<b>\$0</b>	<b>\$5</b>	<b>\$5</b>	<b>\$841</b>
<b>AUDITS</b>	<b>\$61</b>	<b>\$0</b>	<b>\$61</b>	<b>\$0</b>	<b>\$5</b>	<b>\$5</b>	<b>\$66</b>
<b>ADVISORY &amp; EVALUATION</b>	<b>\$231</b>	<b>\$0</b>	<b>\$231</b>	<b>\$0</b>	<b>\$15</b>	<b>\$15</b>	<b>\$246</b>
<b>SUB-PROJECT TOTAL</b>	<b>\$6,139</b>	<b>\$861</b>	<b>\$7,000</b>	<b>\$0</b>	<b>\$3,135</b>	<b>\$3,135</b>	<b>\$10,135</b>
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PROJECTED EXPENDITURES PER PROJECT YEAR  
(\$000 - A.I.D. ONLY)

TABLE IV.B.

INPUTS	UNIT COST	FY93	FY94	FY95	FY96	FY97	FY98	TOTAL
	(BASE YEAR)							
<b>TECHNICAL ASSISTANCE</b>								
Long-Term International	211.0	106	222	233	366	256	269	1,452
Local Professional	22.0	44	92	121	178	187	112	735
Local Technical	8.0	33	84	115	120	107	92	551
Local Support	4.5	51	113	134	141	148	89	676
Catalysts	4.0	40	84	132	139	146	77	618
Short-Term U.S.	25.0	33	53	110	58	61	0	315
Short-Term Local	3.0	10	16	33	35	36	19	149
<b>SUBTOTAL TA</b>		<b>317</b>	<b>664</b>	<b>878</b>	<b>1,037</b>	<b>941</b>	<b>658</b>	<b>4,496</b>
<b>TRAINING</b>								
U.S. Courses & Study Tours	15.0	15	63	99	87	73	0	337
Local Study Tours	2.5	0	39	55	58	30	0	183
Workshops & Seminars	1.0	21	58	67	64	53	33	296
Senior Level Mtgs	5.0	10	21	33	23	.12	6	106
<b>SUBTOTAL TRAINING</b>		<b>46</b>	<b>181</b>	<b>255</b>	<b>232</b>	<b>169</b>	<b>39</b>	<b>922</b>
<b>SPECIAL STUDIES/PILOTS(GIS)</b>	20.0	40	48	201	97	24	43	453
<b>SUB-GRANTS *</b>								
<b>COMMODITIES/MAINTENANCE</b>	NA	291	162	115	103	90	76	836
<b>AUDITS</b>	5.0	0	5	6	6	6	38	61
<b>ADVISORY &amp; EVALUATION</b>	NA	125	0	0	0	106	0	231
<b>SUB-PROJECT TOTAL</b>		<b>819</b>	<b>1,060</b>	<b>1,454</b>	<b>1,474</b>	<b>1,337</b>	<b>855</b>	<b>7,000</b>
<b>CURRENT NAREP PROJECT AUTHORIZATION</b>								<b>12,000</b>
<b>NEW NAREP PROJECT TOTAL</b>								<b>19,000</b>

NOTE: BUDGETARY NOTES AND ASSUMPTIONS FOUND IN ANNEX E.

\* Sub-Grants to NGOs and user groups estimated at a total of approximately \$500,000 will be funded from the L480, Title III, PVO account.

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OBLIGATION SCHEDULE & ESTIMATED  
 PROJECT EXPENDITURES  
 SCOR SUBPROJECT (383-0109)  
 (000's)

TABLE IV C

	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98	TOTAL
CARRY FORWARD		868	649	889	935	2,193	856	
OBLIGATION	868	600	1,300	1,500	2,732			7,000
EXPENDITURE		819	1,060	1,454	1,474	1,337	856	7,000
BALANCE	868	649	889	935	2,193	856	0	0

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## V. IMPLEMENTATION PLAN

### A. Roles and Responsibilities

The SCOR sub-project purpose has two major components: to sustain land and water productivity and to improve shared control. Each of those objectives has clear geographical implications and will focus primarily on the local (Provincial and Divisional) levels. As described in the NAREP PP and as further elaborated in Section II and the Institutional and Administrative Analyses and the Annexes of this PP Supplement, there are a number of ministries and departments and provincial authorities involved in the planning, management and control of land and water resources. While the roles and responsibilities for these organizations will continue to evolve as SCOR and the GSL's policy of devolution unfold, the successful implementation of SCOR will require that those responsibilities be delineated as clearly as possible. This section will briefly discuss those entities as well as the other organizations which will be involved in SCOR:

- The Ministry of Lands, Irrigation and Mahaweli Development (MLIMD)
  - Cooperative Agreement Recipient, likely to be the International Irrigation Management Institute (IIMI)
  - External Advisory and Evaluation Assistance (Buy-In)
  - User Groups
  - Provincial-Divisional Working Groups
  - USAID
1. **The Ministry of Lands, Irrigation and Mahaweli Development (MLIMD) and Other GSL Entities**

The MLIMD is a "mega-ministry" established in 1989 with authority over rural land and water development and management. To a limited extent it oversees those issues in relation to the Provincial Councils or local Divisional Secretaries. Together with its Minister, its various Secretaries and Directors, the MLIMD's departments of irrigation, lands, forests, and planning all play a central role in policy and process planning and reform. At the national level the MLIMD will establish a National Steering Committee (NSC) for SCOR to provide a locus of policy dialogue and assessment of progress and constraints.

The National Steering Committee for SCOR will be comprised of senior representatives of the relevant GSL agencies and project implementors including: Ministry of Land, Irrigation and Mahaweli Development's divisions of lands, irrigation, forestry and planning, the Ministry of Agricultural Development and Research, the Ministry of Environment and Parliamentary Affairs, the North Central and Southern Provincial Councils, USAID and IIMI. From time to time representatives of the NGOs, the private sectors, user

organizations, and/or other donors may be invited to participate. The Steering Committee will be chaired by the Secretary, MLIMD and will provide a locus for policy level dialogue and direction as well as the senior-level oversight needed to monitor progress and resolve problems. The NSC will meet at least once every four months. Its specific responsibilities will include:

- Review program progress on a tri-annual basis in conjunction with the trimestral progress reports prepared by IIMI. The committee will note any discrepancies between planned benchmarks and the progress actually achieved and make recommendations for accelerating progress in the upcoming trimester;
- Review and approve the annual workplans and budgets, recommending such changes (in collaboration with USAID) as may be needed to maintain satisfactory progress towards overall program objectives;
- Facilitate progress by adding the "good offices" of the Steering Committee to the efforts of those implementing the Sub-project in the field; and
- Discussing and resolving specific policy and/or procedural impediments to implementation of Sub-project activities or achievement of the Sub-project's objectives.

As chair of the NSC, the Secretary will be the GSL signatory for the Sub-project. He will also play a key role in maintaining overall GSL commitment to and support for the sub-project and in assuring the participation of other GSL ministries and agencies as appropriate. In addition, most of the MLIMD's divisions also have technical representatives working at or "deputed" to the Provinces, Districts, and the Divisions who will figure prominently in the provincial and watershed working groups discussed below.

Besides the MLIMD, there are several other ministries whose cooperation and support will be important to sub-project activities, particularly at the policy level. These include the Ministry of Home Affairs (Registrar General); the Ministry of Environment and Parliamentary Affairs (specifically the Central Environment Authority); the Ministry of Agriculture, Development and Research; the Ministry of Finance; and the Ministry of Policy, Planning and Implementation.

## **2. Recipient of the Cooperative Agreement**

Day to day project implementation responsibilities will be carried out primarily by the recipient of the Cooperative Agreement (A), most likely to be IIMI. The specific functions of the CA recipient may be grouped into five interrelated categories: providing technical services; providing training services; procurement, distribution and management of commodities; grant making; and activity monitoring, information and reporting.

a. Providing Technical Services - The CA recipient will provide professional services and support in planning, implementing and managing the project: identifying, assessing,

organizing and training the user groups and user associations and councils as appropriate; linking user groups with necessary services available from the government and private sectors at the local and national levels; undertaking special studies and operational research to provide the informational base and rationale for policy, legal, regulatory or procedural changes needed to make resource tenure for users more secure; facilitating, training and otherwise supporting GSL entities (particularly those at the local levels) who are redefining their relationships and improving their support to resource users; and undertaking research and pilot activities leading towards improved linkages between and coordination of groups supporting and promoting sustainable land and water utilization practices.

A senior representative of the CA recipient and the Chief-of-Party will serve on key policy, implementation, and coordinating committees including the National Steering Committee. However, at the Provincial and watershed levels, the implementation of sub-project activities will be effected by SCOR Working Groups guided by the Provincial Coordinating Committees. The working groups will consist of the long-term Professional Assistants and technical advisors (U.S. and local) who will have responsibility for advising on regulatory and procedural policy issues as well as carrying out activities in their areas and special expertise, including developing the training modules, conducting training, participating in policy dialogue, approving sub-grants, coordinating with other program/donor inputs, and developing scopes of work for short-term TA.

Within the first three months of the CA, the recipient will prepare a specific life-of-project and first year action plan. The Chief-of-Party will supervise the activities of all CA recipient personnel in preparing and implementing these action plans. All long-term advisors will have as a primary responsibility providing regular, systematic on-the-job training and technical assistance for their colleagues in the user groups and GSL agencies.

In addition, the CA recipient will be involved in finalizing the design for and implementing aspects of the project monitoring and evaluation plan. Specialized short-term assistance may be required in that effort.

b. Providing Training Services:

The CA recipient will be responsible for planning, managing, and continually improving a comprehensive program of workshops, seminars and short term training for representatives of user groups, various government entities, NGOs and other private sector entities. Activities will include analyzing constraints and determining training needs, assisting in selecting participants and/or developing selection criteria, and designing and presenting workshops and seminars.

For each participant going on short-term study tours or training courses abroad, the CA recipient will collaborate with the NAREPP/IRG contractors to prepare specific training programs. IRG will, within its existing contract, arrange placement and funding in training institutions or programs, assess individual results, prepare progress and

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financial reports, arrange pre-departure and post-training orientations (including travel arrangements and per diem advances), and advise on appropriate follow-on training activities. IIMI will however be responsible for all in-country training for SCOR.

c. Commodity Procurement and Logistics Management

The CA recipient may also be responsible for the procurement of certain commodities not purchased directly by USAID. As a part of the constraints analysis and in cooperation with the MLIMD, the CA recipient will determine equipment and commodity needs, develop specifications, place orders (where USAID chooses not to) and arrange for delivery and insurance. The CA recipient will also have to be responsible for all of its own logistics and support requirements.

d. Sub-Grants

In collaboration with the Provincial and Divisional Authorities and USAID, the CA recipient will be responsible for establishing and implementing a small grants program providing sub-grants of up to \$1,500 each to approximately 500 user groups.

Annex K contains a detailed explanation of how the sub-grant program will work. USAID and the CA recipient will jointly develop criteria for sub-grant approval as well as all application procedures and forms. The CA recipient will administer the program but will report quarterly on sub-grants approved and monitor their implementation. In addition, the sub-grant component will be part of the mid-term evaluation and the annual and terminal audits. Coordination of these sub-grants with inputs and services from other sources, programs and donors will be important.

e. Reporting

Finally, the CA recipient will be responsible for providing to the MLIMD, Provincial Authorities, USAID and other entities as may be specified, timely reports and documents required under the sub-project. The reports will include life of project and annual work plans, monthly financial statements, including sub-grants, and trimestral progress reports. The progress reports will lay out the progress to date, compare that progress to the planned achievements during the period, discuss problems encountered and proposals for dealing with them, suggested modifications in sub-project implementation, and highlight actions planned over the next reporting period. Specific guidance regarding the nature, frequency, format, content, and preparation and distribution of reports will be provided in the RFA.

**3. External Advisory/Evaluation Assistance**

In view of the likely limitations in technical or international experience inherent with any single Cooperative Agreement Recipient, some form of external advisory and evaluation assistance will be helpful, if not necessary. It will be especially vital given the innovative SCOR organizational approach and the importance to A.I.D. of this project. Such assistance should ensure regular, objective, outside assessment of progress, focus additional

international expertise on specific institutional or policy issues, and promote cross-fertilization of approaches and ideas throughout the region. The consultant or contractor would be responsible for (1) periodic visits prior and during NSC meetings, assess implementation and contribute to policy dialogue with a regional perspective, and (2) fielding small evaluation teams familiar with not only SCOR activities and actors, but also similar efforts in the region. It is likely that this assistance will be obtained through a Buy-In to a centrally- or regionally-funded project such as the ACCESS or the Tenure Policies and Natural Resources Management (TPNRM) Projects once further information is obtained. This arrangement will begin no later than six months after the execution of the Cooperative Agreement.

#### 4. User Groups

SCOR will identify, establish and/or strengthen about 1,000 informal user groups plus 20 larger user associations or councils, each of which would consist of several informal user groups. The sub-project will involve an area of approximately 30,000 ha covering about 4 watersheds. The exact number of groups or the membership per group or organization cannot be certain at this time, as it will depend on group preferences and specific conditions prevailing in the area selected (social, type of economic/commercial activity, etc.). For preliminary planning purposes, the approximate number of potential informal user groups that may be developed is based on the following:

- a. An irrigation system of 15,000 ha could be equivalent to 650 groups each consisting of about 15 users, and each user having about 1.5 ha.;
- b. A catchment of 4,500 ha could be equivalent to 100 groups, each having responsibility for about 45 ha.;
- c. Highland area of about 10,500 ha could be equivalent to about 250 informal user groups each member having 1 ha and a group consisting of about 40 users.

The average informal user group will consist of approximately 20-25 members.

Users will become involved in the sub-project in different ways. Where groups already exist in the selected watersheds, e.g., in irrigated command areas, they will be brought in through a process of consultation and assistance. SCOR will play a catalytic role in creating new user groups where they do not exist. When sufficient institutional capacity and interest have been built up, associations or councils of user groups within a watershed may be set up to work together and with the SCOR Working Groups in local-level and watershed-level resource planning and management. Such groups may be federated on the basis of spatial distribution, as well as of specific activities such as fruits and vegetable production, minor forest products, dairy production activities, mushroom cultivation, tapping Kitul palm, treacle and vinegar making. It is expected that each activity will center around the theme of "production and protection".

With the assistance of SCOR sub-project personnel and applicable GSL, NGO and private

sector advisors, the user groups will be responsible for such activities as: preparation of resource use plans; utilizing resources in accordance with the plan; monitoring resource utilization; bookkeeping and reporting; operation and maintenance; resolution of disputes; repaying loans; mutual education and support.

## **5. Provisional-Divisional Working Groups**

Formal Provincial Coordinating Committees with less-formal SCOR Working Groups will be established in the two Provinces to provide, in the case of the former, guidance and direction in planning and, in the latter, implementation and supervision of those activities carried out in each Province. The Working Groups will be the actual locus of implementation of the activities of the provincial and line agencies and Divisional Secretariats in the target watersheds, within the overall guidance and coordination provided by the Coordinating Committees. The Coordinating Committee will be chaired by the Chief Secretary, and include officers in-charge of land, irrigation, forests, agriculture, planning and environment, divisional level officials where appropriate, representatives of resource user organizations and NGO/private sector groups as appropriate, and the SCOR sub-project advisors. The Chief Secretary is also the Planning Director of the Provincial Council.

While the Coordinating Committee reviews, coordinates and advises, the Working Groups will actually assist or undertake the planning, analysis, implementation and monitoring to be done in the target watersheds. The working arrangements and tasks will be decided upon by its members. The Coordinating Committee will make inputs into the work assignments of the SCOR advisory staff and assist and oversee the various activities with the user groups. Responsibilities of the Provincial Working Group include:

- Provide professional expertise for project implementation;
- Prepare work plans and budgets at the watershed and provincial levels;
- Conduct regular sub-project reviews and analyses;
- Arrange for specialized assistance as required including preparation of terms of reference, work supervision and evaluation;
- Provide guidance and technical advice to the NSC, Coordinating Committee and catalysts, as required;
- Develop close links and working relationships with relevant GSL or other donor funded projects operating in the area which address land, water, irrigation, forestry and environmental issues;
- Monitor sub-project progress and performance;
- Sub-contract project work to user organizations, NGOs and others, and monitor performance of the contractors;
- Aggregate sub-project reporting at the provincial level;
- Participate in provincial and divisional meetings; and
- Other functions that may be decided upon by the NSC or PCCs.

## 6. USAID/Sri Lanka

Operational responsibility for USAID participation in sub-project planning, monitoring, evaluation, and coordination will rest with the USAID Office of Agriculture and Natural Resources (ANR). ANR plans to devote the services of one U.S. Natural Resources Officer half time and one FSN project manager to this activity. FSN staff assigned to this activity will be re-assigned from other projects which are ending and will be familiar with AID project management regulations. Prior to the arrival of a Natural Resources Officer and during the start-up phase, SCOR will likely be assisted by a short-term U.S. PSC. The SCOR sub-project manager(s) will maintain close working relations with the CA recipient, various MLIMD units, members of the NSC and the Working Groups operating in the two target provinces. He/she will also work closely with the NAREP Project Officer and participate on the various NAREPP coordinating and management committees and fora. (The administrative relationships between the SCOR sub-project manager(s) and the NAREP Project Officer will be spelt-out in an MOU between PRJ and ANR).

The SCOR sub-project manager(s) primary role is to collaborate with the CA recipient on project direction and to ensure that project funded activities are making satisfactory progress towards meeting project objectives. The USDH Office Chief or Natural Resources Officer will also participate as an active member of the National Steering Committee. Other specific sub-project management responsibilities will include:

- Prepare the scopes of work and PIO/T for the Cooperative Agreement and participate in negotiations;
- Provide "substantive involvement" and oversight in accordance with the terms of the CA and A.I.D. policies and regulations but including: preparation with the CA recipient of annual workplans and inputs schedules; selection of CA recipient personnel; maintenance of regular contact with the Chief-of-Party; approval of monthly invoices and CA budget monitoring; joint review, approval and monitoring of progress against annual work plan objectives;
- Participate in the regular meetings of the National Steering Committee, through which project progress will be reviewed by A.I.D. and the GSL.
- Chair the Mission's Sub-Project Implementation Committee and prepare semi-annual Project Implementation Reports;
- Monitor compliance with conditions and covenants of the Project Agreement;
- Facilitate communications, coordination and linkages with all project entities and other donor organizations;
- Participate with the CA recipient to execute the project monitoring and evaluation plan; and
- Participate in other managerial, implementation and monitoring of the project as necessary to achieve project objectives.

The sub-project manager will be supported by USAID's NAREP Project Implementation Committee whose membership also includes the Project Officer, Environmental Officer, Office Chief, Controller, the Executive Officer and the Project Development Officer. Additional assistance will be obtained from the Regional Legal Advisor (Bangkok) and the

Regional Contracting Officer (New Delhi). The Mission Director, or his delegate, will be active in project related policy dialogue.

## **B. Contracting and Procurement Plan**

The primary procurement actions planned for SCOR are for long and short-term technical assistance, short-term training, limited commodities and special studies. Most procurement will be incorporated into a single Cooperative Agreement (A) and all procurement will utilize existing rules and procedures and maximize competition.

The roles and responsibilities of the CA recipient are described above. The CA recipient will be expected to work with USAID to identify, field and support long-term multi-disciplinary advisors, to develop strong working relationships with other international institutions involved in similar activities, to provide short-term technical experts, arrange local training services (noted below) and to provide the administrative support necessary to effectively execute the CA. In all likelihood, such services will have to be drawn from a variety of Sri Lankan, U.S. and third country sources. In addition the CA recipient will help establish baseline data and a comprehensive monitoring system to assist the MLIMD in tracking implementation of activities and against which project achievements can be measured. The exact nature of the short-term TA requirements will be defined jointly by USAID and the CA recipient during the initial stages of sub-project implementation. The CA recipient will also assist the MLIMD and Provincial Councils to develop and establish long-term linkages with comparable activities in other countries.

The same CA recipient will also be responsible for supporting local and short-term U.S. and third country training. Training responsibilities are set forth above. The implementation of each of the components of SCOR will require the procurement of a modest level of commodities and equipment including: vehicles, computers, printers, duplication equipment, audio visual equipment, supplies, etc. The specifications of required equipment will be relatively standard and procurement will be initiated at various times throughout the LOP. In the initial stages of implementation, USAID and the CA recipient will work together to draw up a detailed list of items to be procured. Items may be procured directly by USAID from either the General Service Administration schedule or via competitive procedures from the U.S., and Sri Lanka, or through the Cooperative Agreement. If procured through the CA, the CA recipient could charge the G&A rate on such purchases but would not be allowed to add on overhead or fee charges. USAID will determine the preferred mode of commodity procurement once a detailed commodity list is developed.

It is anticipated that the sub-project will be implemented through a single Cooperative Agreement with the International Irrigation Management Institute (IIMI). As a member of the Consultative Group on International Agricultural Research (CGIAR), IIMI is considered to be of U.S. nationality and, therefore, eligible for financing by A.I.D. as a grantee or contractor. An assessment of IIMI's administrative and contracting capability is found in Annex H. During the course of sub-project design, IIMI has demonstrated a unique and adroit ability to foster linkages between and work collaboratively with a wide variety of GSL entities at all jurisdictional levels, user groups, international donors and expatriate advisors

across several sectors. IIMI is well established and well recognized in Sri Lanka and has substantial grass roots experience of the type required for this project. USAID believes that there is no other organization or group of organizations which could provide the project with the broad access to GSL and other local entities and individuals as does IIMI. However, IIMI will have to demonstrate how it will supplement its financial and procurement systems and its technical and institutional capabilities for this large undertaking prior to finalizing a Cooperative Agreement.

IIMI and USAID will make every reasonable effort to identify and make maximum practical use of a range of institutional and professional expertise, as well as personnel and firms which are small, minority and women-owned businesses and Historically Black Colleges and Universities. Such entities may be used as institutions for training, for providing individual consultants or as members of sub-contracting organizations.

A small, separate contract will be necessary to provide the external advisory/evaluation assistance described earlier. It is anticipated that this will involve approximately six person months of short-term assistance over the life of SCOR and will be easily and appropriately obtained through a Buy-In with one of A.I.D.'s centrally- or regionally-funded projects such as ACCESS with the Land Tenure Center or Tenure Policies and Natural Resources Management with the World Resources Institute. This Buy-In will provide additional external expertise in the collaborative process of evaluation of sub-project implementation and will be effected within six months of the signing of the Cooperative Agreement.

### C. Implementation Financing Methods

Item	Method of Implementation	Method of Financing	Estimated Cost (\$'000s)
1. Technical Assistance	AID Cooperative Agreement	Advance/Liquidation	4,654
2. Training	AID Cooperative Agreement	Direct AID Payment or Advance/Liquidation	901
3. Equipment	AID Cooperative Agreement	Advance/Liquidation	836
4. Special Studies & Pilots	Direct AID Contract/Buy-In or CA	Direct AID Payment or Advance/Liquidation	312
5. Advisory + Evaluation	Direct AID Contract/Buy-In	Direct AID Payment	231
6. Audit	Direct AID Contract	Direct AID Payment	66
<b>TOTAL</b>			<b>7,000</b>

#### **D. Implementation Schedule**

Implementation of SCOR is divided into two major phases in the two Provinces. The first phase consists of establishing the assistance teams, Working Groups and Coordinating Committees in each Province and initiating organizational and pilot activities in the watersheds. In Nilwala watershed in the Southern Province, USAID and IIMI will establish to focus on survey, organizational, and analytical work with user groups, in view of the comparatively greater range and difficulty of organizational problems in the watershed. In Huruluwewa in the North Central Province, given the existence of many organizations, a smaller team and Working Group will suffice to focus immediately on two pilot activities: revegetation and stabilization of the reservoir catchment and resolution of water use conflicts along the feeder canal. The first phase will end with an evaluation focused on the organizational base or network established in Nilwala and the results of the pilot activities carried out in Huruluwewa. These achievements and the successes and problems in reaching them will provide the basis for any changes necessary in implementation and the negotiation of a new or extended Cooperative Agreement before preceding into the second phase of full teams and operations in both Provinces and two additional watersheds. The new Cooperative Agreement will describe in some detail the implementation of the first phase including progress benchmarks and the overall indicators for the two-year period.

A staged approach, as described below, is planned for each of the four watersheds, though implementation will be modified in accordance with particular local conditions:

- **Planning and Organizing Phase**

IIMI and USAID staff and the Provincial Coordinating Committee and Working Groups will initiate an early dialogue and inventory with the existing and potential users, organize user groups, conduct a participatory assessment of (present) land and water use patterns, capability of institutions including government agencies, NGOs, etc., and conduct a constraints analysis. Based on these, the Working Group will design, through a participatory approach, an integrated plan to improve land and water resources management. During this period, (while planning for augmenting the resource base, for example, tree planting) efforts will be made to enhance the utilization of existing resources through known technologies. This will also improve the economic incentives for existing and potential users to organize into groups.

- **Experimentation and Replication**

Following the inventory, analysis and initial agreements with groups in the first Province, innovative production and protection modes will be tested and implemented, e.g., water user groups, production companies, or forest protection societies. In addition innovations will be tested in institutional working relationship tenure and permitting. Mid-way into this effort, an external evaluation, complementary to the on-going joint evaluation of sub-project progress, is expected to assess and recommend modifications to the implementation methodology, as well as identify major institutional or policy issues affecting activities. This

will be an important, and necessary opportunity to re-examine SCOR's assumptions, the implementation modalities, and GSL commitment. The extension of the Cooperative Agreement for the full six years of SCOR and initiation of full operations in the four watersheds will be based upon this evaluation.

- **Consolidation**

Phasing out of external inputs, such as project financing or technical assistance, will begin in FY97 with the Huruluwewa watershed in the North Central Province. However, a rigorous self-monitoring and evaluation mechanism will be carried out to enhance self reliance of user groups, NGOs etc., and as a feedback mechanism for the Working Groups.

- **Internalization and Spread Effects**

During the early years of project implementation, the PWGs will examine mechanisms designed to enhance spread effects. In the latter years, the SCOR will provide the services of catalysts, in a reduced scale, if necessary. Only the Nilwala and Huruluwewa watersheds will complete a five-year cycle. However, by the end of the project the user groups and supporting actors (government agencies, NGOs, private sector etc.) will have fully demonstrated their capability to implement and support activities of this nature.

Key implementation actions in SCOR are indicated below together with time lines and the actors responsible. The Working Groups, USAID and the CA recipient will prepare overall and annual action plans which summarize the Sub-project's objectives and the specific steps/activities required to meet those objectives. The action plans will also identify the type, magnitude and source of the resources required and the estimated schedule for accomplishing the specific steps/activities. The Sub-project implementation schedule will be expanded and modified accordingly. Since it could take several months to negotiate the Cooperative Agreement, and since approximately five and one-half years of activities are anticipated under the project, a six year life is anticipated. The Project Assistance Completion Date (PACD) for NAREPP will have to be extended to six years from the date of the signing of the Project Agreement Amendment. A preliminary implementation schedule for the first year is as follows:

DATE	ACTION	RESPONSIBILITY
09/92	Amended Project Authorized	USAID
10/92	Amended ProAg Signed	USAID/MOF/MLIMD
11/92	CA SOW & PIO/T to RCO	USAID/MLIMD/RCO
12/92	CA Proposal Received and Negotiated	CA/USAID
01/93	CA Signed	CA/USAID
02/93	COP arrives; Work Plan Finalized	CA
04/93	First NSC & PWG meetings Staff for 2 watersheds recruited	CA/MLIMD
05/93	First Tri-Annual Report Field Activities begin in watersheds	CA/PWGs
07/93	First Workshops held	CA/PWGs
08/93	Second Tri-annual Report	CA
12/93	Draft Use Plan for first Watershed	CA/PWGs
	Third Tri-annual Report	CA

An overall implementation schedule for the full six years FY92-98 follows in Table V.A.

**SCOR IMPLEMENTATION PLAN**

	FY93	FY94	FY95	FY96	FY97	FY98	
<b>USAID ACTIONS</b>	<u>ProAg</u>						
	<u>PIO/T First Cooperative Agreement</u>		<u>PIO/T Second Cooperative Agreement</u>				
	<u>PIO/T External Buy-in</u>						<u>Close Out</u>
	<u>Eval</u>						<u>Eval</u>
	<u>Audit</u>	<u>Audit</u>	<u>Audit</u>	<u>Audit</u>	<u>Audit</u>	<u>Audit</u>	<u>NPA</u>
<b>SOUTHERN PROVINCE OPERATIONS</b>	<u>Office Division Set-up Equipment</u>						
	<u>First Watershed Team</u>			<u>Full Watershed Team</u>			
	<u>Inv Anals</u>		<u>Inv Anals</u>				
	<u>Trng</u>		<u>Trng</u>				
	<u>User Group Testing</u>			<u>User Group Support</u>			
<b>NORTH CENTRAL PROVINCE OPERATIONS</b>	<u>Office Set-up</u>			<u>Division Equip</u>			
	<u>Initial Watershed Team</u>			<u>Full Watershed Team</u>			
	<u>Inv Anals</u>		<u>Inv Anals</u>				
	<u>Trng</u>		<u>Trng</u>				
	<u>Initial User Group Support</u>			<u>User Group Support</u>			
<b>POLICY DIALOGUE</b>	<u>Policy Workshop</u>			<u>New Policies</u>			
<b>OTHER NAREPP SUPPORT</b>	<u>Environmental Policy TA and Workshop</u>						
<b>PVO GRANTS</b>	<u>Sub-Grants</u>						

## VI. MONITORING AND EVALUATION PLAN

The SCOR sub-project will be implemented through a CA and therefore, because the CA mechanism provides for increased flexibility in implementation, there will be an on-going internal system for monitoring and evaluation. This will allow USAID and the CA recipient to tailor the sub-project in response to issues that arise during the course of implementation. The need for improved information systems for the two-way flow of information to, from and across the target watersheds and the institutions and organizations involved in land and water management is discussed in Sections II and III. Success mandates open and easy access to information both vertically and laterally between public and private entities. SCOR will improve resource use information and monitoring systems. These systems will enable both resource users and national and local government to evaluate trends, potential and performance in the target watershed areas. The information will be critical for successful implementation of project activities addressing production activities, institutional change and resource policy formulation. This chapter focusses on the joint USAID and CA recipient internal monitoring and evaluation system as well as the planned external evaluations.

### A. Objectives of the M&E Plan

The primary purposes of the M&E Plan are to verify the SCOR approach, assumptions, and inputs are reasonable, to provide adequate data to facilitate the on-going cooperative relationship between USAID and the CA recipient, and to show whether adequate progress is being made towards achieving sub-project objectives (especially outputs and EOPS indicators). Monitoring requires analyzing information to track project accomplishments and to identify problems or "bottlenecks," particularly those of an institutional or policy nature thus enabling USAID and the CA recipient to adjust inputs or actions associated with project implementation. A second purpose of the sub-project monitoring system is to collect relevant information on financial flows, input provision, output and purpose-level indicators and major problems. This is needed for periodic reports required by the GSL, USAID, and AID/W. External evaluations will aim to provide information about program impact at the goal and purpose levels.

SCOR must first clearly demonstrate to the resource users that the incentives are sufficient to justify additional expenditure of labor and capital in sustainable practices. Second, it must be able to demonstrate that the resources whose control the government is partially relinquishing are being husbanded responsibly by the resource users to the benefit of long-term national development. Third, it must indicate how government institutions and policies affect the incentive structures and transfer of control. An improved and more carefully managed monitoring and evaluation system is essential to both of those major aims. The emphasis of the plan is both on routine and ad hoc information collection and small studies provided by implementing agencies and clients as well as several intensive periodic evaluations.

### B. Key Questions

Among the specific questions to be addressed at each level are the following:

Input Level: Are project inputs being provided as projected? Have sub-project structures such as the NSC, PWGs and user groups been established, and how are they

functioning? Was the monitoring and evaluation plan finalized?

**Output Level:** Has the quantity of activities being completed as planned and are they of high quality? How many people have been trained? and in what? How many user groups are being organized and strengthened? How many higher level user associations or councils have been established? What new enterprises have been developed by the users groups? What has been their record to date? Are tenure arrangements for users becoming more secure? What regulatory or procedural changes have been made regarding resource control? In what ways are GSL, NGO and private sector entities supporting user efforts? To what extent are users content with that support? Are all parties communicating and coordinating more easily and effectively? How many resource use plans have been prepared and what area do they cover? Are resource use plans being prepared collaboratively and at the local level? Is a resource information plan in place? Who is receiving information through that system?

**Purpose Level:** How many new resource groups in the target areas have been given formal status and control? How much forest land, irrigation land and other lands, previously under GSL control, have been turned over to private user group management? What has been the increase in users' investment in land. In what specific ways have user resource management capabilities been strengthened? How many groups:

- Have information on the resources under their control?
- Are able to resolve disputes raised?
- Actually are implementing the resource management plans?
- Have criteria and mechanisms for controlling illegal practices?
- Actively promote sustainable practices?
- Have obtained loans from private financial institutions?
- Maintain their resource "infrastructure?"
- Are employing more sustainable practices?
- Are generating income from sustainable practices?

**Goal/Level:** While actually above the purpose level, sub-project sustainability absolutely mandates that certain people-level and system-level impacts also be examined. These questions include: How much have household incomes in the target areas increased? What new investments in labor have been made on user lands? What changes in production have been experienced? Do estimates of bio-mass suggest that farmers and communities in turn-over areas are utilizing more sustainable management practices? What is the evidence that productivity and protection are linked? What is the evidence that organizational change (including the strengthening of divisional secretariats) leads to productivity and sustainability increases?

### C. Methodology

Primary responsibility for program monitoring and evaluation will rest jointly with USAID and the CA recipient in cooperation the MLIMD and the Provincial Authorities. The CA recipient, together with USAID, will also be responsible for finalizing a basic plan during the first months of the program, assisted by consultants. The final plan will call for a flexible mix of methodologies, including regular collection of information from user organizations, and periodic evaluations but relying heavily on existing and routine data sources and ad hoc assessments. The system also will aim for "order of magnitude" reliability for most of its information and management needs. The plan will stress the value of gender disaggregated data and seek to obtain it whenever practicable.

Routine methods of data collection may include USAID's accounting and control system; the watershed constraints analyses; work plans; watershed user plans; pilot activities and special studies; CA recipient monthly financial reports and semi-annual progress reports; consultations with CA recipient and implementing agency staffs; and site visits. As needed, special studies will be undertaken early in the first year of activities to establish baseline information for such things as user group formation, investments, household incomes and photopoint assessments of land conditions. Other special studies, using local or expatriate consultants will be undertaken as the need arises.

On a tri-annual basis, the Provincial Coordinating and National Steering Committees will assess specific progress being made on the major policy or institutional problems impeding progress and suggest or initiate corrective actions.

In addition to joint USAID/CA recipient on-going internal monitoring and evaluation, two formal, external evaluations will be held: one in early FY95, after the two-year first phase, and the final evaluation at PACD in FY98. The principal purpose of the first evaluation is to verify progress on sub-project objectives, determine if it is satisfactory and what modifications are necessary to make SCOR implementation more effective and efficient, particularly those of a methodological or policy nature. This will provide the basis for the second, fully-operational phase of SCOR. The evaluation will also assess three fundamental issues: the effectiveness of SCOR's methodology in the target watersheds; necessary modifications to SCOR's methodology and inputs for the second Province and Cooperative Agreement; and the government's commitment to SCOR's principles and implementation and any necessary policy or institutional changes. The evaluation team will have full access to all reports and data generated by the joint evaluation and monitoring process. This evaluation will be particularly important since it is scheduled to occur when much of the initial experimentations and organizing will have been completed. The final evaluation will focus on impacts, sustainability and lessons learned. The make-up of these evaluation teams and the scopes of work may be influenced by the planned evaluations of NAREPP, scheduled for similar times.

Short-term assistance will be provided through a Buy-In to an A.I.D. centrally-funded or regionally-funded project for the formal evaluations as well as any special monitoring or

evaluation studies particularly of an institutional or policy nature which may be required. This will ensure comparative analysis with similar efforts in the region. In addition, the CA recipient will have monitoring and evaluation specialists over the life of the sub-project.

#### **D. Financial Audits**

The CA recipient will be responsible for accounting for all funds provided under sub-project agreements and will provide an audit plan acceptable to A.I.D. An analysis of audit requirements is presented in Table VI.A. Funds will be kept separately and disbursed according to normal A.I.D. practices. Records will be maintained and reports submitted in accordance with procedures acceptable to A.I.D. The CA recipient is covered by federal audit requirements as set forth in OMB Circular A-133. The CA recipient will therefore be subject to an annual audit of the program funded under this CA to be conducted by a professional auditing firm in accordance with Government auditing standards. Copies of the annual audit report will be submitted to USAID in the format specified in Circular A-133. USAID and the CA recipient will work together to resolve any material audit recommendations and appropriate action will be taken to ensure efficient and effective implementation of the project. In addition, a terminal non-federal audit is scheduled for the last year of the project, to be carried out in conformance with AID Inspector General's guidance.

## VII. SUMMARY PROJECT ANALYSES

This section contains brief summaries of the technical, social soundness, economic, and administrative and institutional analyses. Please refer to the Annexes and the original NAREPP analyses for fuller discussions.

### A. Technical and Environmental Analysis

The technical analysis builds on NAREPP's original analysis by describing the justification for the proposed approach of devolving control over natural resources to local level participation and discussing the policy and institutional context to demonstrate SCOR's feasibility. The feasibility of the technical, or rather specifically the non-technical, organizational approach proposed by SCOR is based upon a variety of experience and evidence from recent efforts in natural resources management in Sri Lanka and throughout Asia:

- An extensive search of the literature on land titling in Asia indicates that, whatever the land use, management is more effectively handled at the local level. In most cases shared tenure or other usufruct rights consistently encouraged the users to invest in the resource and take responsibility for its management.
- In the States of Haryana and West Bengal in India, village resource management societies were created and given right to use and to protect the upper catchment where state forest lands are located. Not only have the societies benefitted from the grass and minor forest products, but the irrigation schemes further down the catchment have benefitted from more and better quality water.
- A recent review of A.I.D.'s natural resource management activities in Nepal stressed the necessity of not only the active assistance of local government, but the vital role of the users themselves in planning and decision-making on the use of watershed resources.
- A study by the World Bank of a massive land titling activity in northern Thailand showed that access to land use rights generated a rate of return of approximately 80 percent.
- A review of the Community Forestry and Agro-Forestry projects in Sri Lanka showed that key factors to success are local management and user rights to income from

forestry products. A new Participatory Forestry Project, sponsored by the Asian Development Bank emphasizes the importance of "tree tenure."

- An analysis of irrigation investments in Sri Lanka, conducted by the International Irrigation Management Institute showed that, while investments in irrigation rehabilitation were economically viable (IRR of approximately 24 percent respectively), investments in successful irrigation management activities generated IRRs as high as 70 to 80 percent.
- The USAID-funded Irrigation Systems Management Project, although not yet yielding evidence that local management was more productive, demonstrated that farmer organizations can effectively operate and manage irrigations systems at costs far below the costs of GSL management.
- The most enduring example of sustainable community resource management in Sri Lanka is the profusion of large and small water reservoirs (tanks) which farmers constructed and have maintained, sometimes for as long as a millennium, with well-defined procedures for access to water by all landowners in the command area. Other examples include the tradition of social tree-planting and the upland home garden system, dating at least from the period of the Kandyan kings.

SCOR's organizational approach is rooted in this variety of evidence and experience that local participation and control is a fundamental, and in some cases the sufficient condition for productive and sustainable management of natural resources. The watershed is the logical geographical unit for this approach since it offers the opportunity to link organizationally the different and conflicting uses of land and water resources. Identification of upstream and downstream interests provides the basis for participatory resolution of conflicting uses where local government provides the framework for management rather than decisive control. Developing organizations within which users can exercise control over land and water resources also creates longer-term incentive structures and significant economies in transaction costs. An organizational framework helps to internalize social costs wherein the individual forgoes some short-term gain for a greater or longer-term gain of the group (e.g., a community woodlot or rotational water management). Resolving conflicts and seeking services as a group substantially lowers the transaction costs to both the individual and the society. It further provides improved access to educational, technical and financial services and information (e.g., environmental awareness, commercial extension, group credit, etc.).

Finally, the "catalytic" organizational assistance proposed in SCOR is based upon three well-tested development principles: it is sequential, starting small and building up and outward from user groups to policy change; it is demand-driven, only providing assistance where users will organize and contribute; and it is integrated, bring groups, organizations, disciplines and institutions together to resolve common problems. The participatory and collaborative design process for SCOR has set the standard for commitment and compromise among diverse interests for its implementation.

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The GSL has promulgated numerous policies which encourage devolution of control from the national government to local level entities and which support the rights of user groups. Policy implementation has been less successful. Moreover, user groups receive little support to organize at local levels, often requiring financial and technical assistance to manage local resources effectively. Consequently, SCOR must address the following:

- pilot test specific land and water management techniques in selected watersheds;
- strengthen the resource user groups in those watersheds; and
- strengthen the capacity of local and intermediate government to implement a national policy supporting shared control of resources.

The technical analysis describes specific improvements in incentives and the institutional context necessary for SCOR to be effective. These are critical because they impact on the users' ability to organize activities around resources for economic benefit, and are directly related to the availability of support services to resource users, such as financing and technologies (through government and private services and NGOs). In addition, the analysis highlights the potential benefit to government of developing partnerships with local resource users. In particular, the shared control enhances the ability of local and intermediate level government to regulate and monitor resource use in lieu of the much greater levels of effort needed to control it.

The analysis recommends implementing project activities in two distinct regions, preferably with differing agro-ecological climates. Hence, it supports the selection of the North Central and Southern Provinces. Moreover, a sequential implementation plan is appropriate to gain from lessons learned in the first watersheds.

The SCOR sub-project will make a beneficial contribution to Sri Lanka's land and water resources. A premise of the sub-project is that shared control of resources by their users will result in improved management. Management improvements will not only be production-oriented, but also conservation-oriented, thereby resulting in greater sustainability of those resources. For example, user groups are expected to take better care in the application of costly pesticides and fertilizers, to seek more cost effective methods of pest control, to reduce soil erosion through reforestation schemes and better cultivating practices, and to conserve water through control of irrigation and drainage infrastructure.

Because this sub-project's primary inputs are technical assistance and training, it is not expected that any sub-project activities will have a direct, negative impact on the environment. Therefore, the Mission Environmental Officer will recommend an Initial Environmental Examination Categorical Exclusion, as allowed under 22 CFR 216.2(c)2(i). Notwithstanding the expected positive environmental impacts of the sub-project, all sub-project activities identified for A.I.D. assistance will be subject to the relevant A.I.D. and Government of Sri Lanka environmental review procedures. The Mission Environmental Officer will include SCOR activities in the NAREPP environmental monitoring system, and the SCOR project officer will provide periodic reports on SCOR's compliance with these procedures.

## B. Social Soundness Analysis

SCOR relies on the Social Soundness Analysis done for NAREPP with several additions related to land and water resources. In Sri Lanka, the State currently retains ownership of over 80% of the national territory, although it has "alienated" a proportion of resources under a number of schemes. In spite of centuries-long traditions of local management of resources, the government has been slow to return the rights over local resources to farmers and other users. The current government has done more than any recent government to lay the groundwork for devolving responsibilities back to the local level.

Participation is the most important sociological aspect relevant to SCOR's success. Specifically, the cooperation of decision makers at three levels is required: (1) central level government policy makers; (2) local level government operational personnel; and (3) resources users, themselves. Project activities must fully involve these three groups to engender full participation.

The direct and immediate beneficiaries of SCOR are the people living within the watersheds. This project will provide them with opportunities to form viable organizations to embark upon income earning activities through improved access to resources for their use in innovating cropping patterns. The government and agency officials and farmers in this area will receive training which will better-equip and empower them to analyze problems, and develop, plan and implement programs. The unemployed youth will be provided with employment opportunities and improvement of their skills. The farmers will be enriched with better cost effective technologies which reduce degradation. Indirect project beneficiaries include all those touched by the training, including school children. A sense of awareness about the need to protect the environment will be developed. At national and provincial levels the beneficiaries include the policy makers who will use the lessons learnt. The project will also curb the opportunities of those who mismanage the environment and help to degrade the forests and catchments. Once the users are organized they will be more responsible and alert to destructive activities in watershed areas.

One of the novel approaches of SCOR is the recognition of the watershed as a unit in keeping with people's customs from ancient times. Modern attempts to protect the watersheds have generally been regulatory rather than community-based, and laws aimed at solving these problems will be more responsible and alert and alive to destructive activities in watershed areas.

Socio-cultural risks to the project are posed on several fronts. One risk is the transformation of the administrative mechanism presently taking place in the provinces and districts as a result of the devolution of powers and functions of the government under the 13th Amendment and the set-up of Pradeshiya Sabhas. There is still some confusion as regards the division of authority among each sector and the activities coming from the center. This has to be overcome through dialogue and establishing collaborative relationships, involving the provincial and divisional officials in project activities as already outlined. Some existing laws and regulations may restrict the implementation of innovative experiments. This may be true in the case of forest uses or in the establishment of certain types of corporate modes.

This can be overcome by developing feasible alternatives while at the same time pressing for policy changes at national level.

Given the total increase in benefits and decreases in costs due to better organized management and production activities, winners should outnumber losers in target watersheds. Potential "losers" who could impede the devolutionary processes of shared control would be politically-connected, local strongmen who have taken ad hoc control over certain land and water resources due to their ability to influence government officials. Rent-seeking behavior or authoritarianism on the part of some government officials would also militate against sharing of control over land and water resources. The democratic and participatory processes promoted and assisted by SCOR should provide substantial counterweight to this limited group of potential losers.

SCOR activities will involve women in rural areas since they are actively engaged in the management of local resources. Although, little research has been done which documents their involvement, indications from other projects are that their involvement is substantial. Women are expected to have strong representation as catalysts in SCOR and identification, inclusion and training of women's groups will be emphasized during implementation. In addition, household level research, particularly as it relates to consumption patterns and resource distribution, will be an important component of many analytical activities.

### C. Economic and Financial Analysis

The Economic Analysis in the NAREP Project Paper covers watershed activities similar to SCOR, but is highly qualitative and only marginally indicative. The more rigorous analysis carried out for SCOR is comprehensive and complicated, but indicates a wide range of benefits and conservatively estimates an attractive economic return to the investment. The analysis is comprehensive due to the number and variety of benefit streams and sources of cost reduction in a watershed area. It is complicated by the difficulty of quantifying some of the benefits (e.g., water saved), and cost savings such as decision-making at the most appropriate local level (conflict resolution) and the longer-term in the depletion of the stock of natural capital (e.g., soil fertility). Other components of NAREPP are making an effort to introduce new analytical tools to improve the valuation of these benefits and costs.

The analysis describes numerous direct and indirect benefits from SCOR. Direct benefits include numbers of trees or other biomass grown, reduced transaction costs of resolving conflict and obtaining services and information economies of scale from consolidating production and marketing activities, expansion of value-added or income-generating opportunities, and reduced damages from pollution, flooding, etc. A major direct benefit would simply be the preservation or even increase to the stock of natural capital. However, techniques for its valuation or rate of depletion are new, complex and time-consuming. Indirect benefits from SCOR activities include the information on watershed conditions, trends, and experimentation, improved returns on irrigation, conservation, and other resource management investments or infrastructure (including longevity), economic multipliers from increased rural incomes, reductions in societal costs of conflict over resource use, more efficient local government, and the effects of change in national policies.

For the purpose of estimating an internal rate of return for SCOR, only the following benefits and cost streams were evaluated over 25 years with a discount factor of 22%. The decreases in costs calculated were:

- Operation and maintenance of public irrigation systems.
- Protection of forest and other reservations.
- Damages from flooding and siltation.
- Public and commercial extension services.
- Distribution and marketing.

The increases in incomes calculated were:

- New or expanded range of agricultural products.
- Greater area cropped and/or irrigated.
- More agro-forestry.

This analysis yielded an IRR of over 18%. This is on the order of the IRRs of traditional agricultural extension to which the SCOR approach may in some ways be compared. Given the broad aggregate nature and margin of error of the estimates, a sensitivity analysis was not considered to be informative. Thus, based upon this conservative and limited analysis of readily valued, primarily agricultural costs and incomes, SCOR's economic viability appears robust.

The SCOR sub-project will not generate revenues per se. Its purpose to sustain the productivity of land and water through shared control of those resources in selected areas, is intangible in a financial sense and the benefits resulting from successful implementation of the project will not be financially quantifiable. Rather, the benefits will be related to empowered local organizations and subsequent demonstrated decreases in the rate of environmental degradation and improved agricultural productivity. Therefore, a full-scale financial analysis has not been performed. However, an analysis of the financial plan of the project (see Chapter IV, Cost Estimates and Financial Plan) indicates that there are sufficient funds budgeted to allow the project to achieve its purpose. Furthermore, the cost estimates used to build the project budget (see Annex E for a full description of budget and financial assumptions) have been derived from USAID/Sri Lanka's standard costs and are fully supported by Mission experience.

#### **D. Administrative and Institutional Analysis**

The Institutional and Administrative Analysis focuses on the three major sets of institutional relationships. SCOR activities will be primarily implemented through user groups in the target watersheds, the Southern and North Central Provincial Councils and associated Divisional Secretariats, and a Cooperative Agreement Recipient, likely to be the International Irrigation Management Institute. The Ministry of Lands, Irrigation and Mahaweli Development will be involved in monitoring overall progress and discussing and resolving particular national policy or regulatory issues through the National Steering Committee.

Similar to many developing countries, Sri Lanka has a historical tradition of village-level land and water resource management. Evolving from this tradition, many established local groups exercise de-facto authority over the use of their land and water resources within their communities. However, with economic and population pressures and strong statist development policies, control by local groups without government support becomes increasingly difficult. In modern times, legislation and policies have also been uneven. Emphasis has been placed on local agricultural production groups, while central authority was maintained over public lands, water and forests. Most recently, irrigation authorities have included user groups in planning and management decision-making, and forestry and land officials are increasingly aware of the difficulties of centralized control.

As detailed in the Analysis, examples of existing user groups in the North Central Province include: "D-Canal" organizations (DCOs) which have demonstrated their ability to rehabilitate and manage irrigation the subsystems in Polonnaruwa District assisted through the ISM Project; soya production groups assisted in Huruluwewa by Plenty Canada; fisheries societies in the Huruluwewa Reservoir; and a dairy producers association in Kahatagasdigiya. Several NGOs are also active: CARE, Nation Builders Association, Sarvodya and GMS. User groups are less numerous and developed in the Southern Province, although environmental-oriented groups are more active. With organizational assistance and hands-on training all of the groups in these provinces have demonstrated an ability to carry out substantial works, collaborative production activities, and manage small accounts and common assets.

The Provincial Councils and Divisional Secretariats are in many cases less than a few years old. The GSL has been devoting increasing staff and financial resources as well as authority to these newly consolidated local levels of government. The North Central Provincial Council is among the more mature and is fully staffed with a strong Chief Secretary (also Director of Planning) and active Provincial Directors for Agriculture and Irrigation, a Forestry Officer, Provincial Land Commissioner and Assistant Commissioner of Agrarian Services. The Province currently benefits from several projects: an IRDP currently rehabilitating two tanks; a DANIDA tube well construction program, a provincial agro-forestry effort, an ADA agro-wells program, and activities by CARE, AgroSwiss and SAMADEEPA in cottage industries. The first watershed targeted, Huruluwewa, will involve the Divisional Secretariats at Galenbindunuwewa and Palugaswewa. Both secretariats are newly-established with current operating budgets of over Rs.2 million each. Although office-trained Divisional staff is in place, the Secretariats still lack modern office equipment or records and registries. Divisional staff has had no training in natural resources management or local organizational development.

The Cooperative Agreement (CA) Recipient will be a key institution in implementing of SCOR since most funding and assistance will be channeled through it. The CA Recipient must have excellent working relationships in and knowledge of rural Sri Lanka, must have demonstrated competence in methodologies of participatory resource management, and must have proven financial and procurement systems for its current activities to deliver and account for project funds and inputs. The International Irrigation Management Institute has these capabilities. It has developed a unique relationship with Sri Lankan central and local

government officials, professionals, NGOs and farmer organizations through numerous "action" research programs and policy dialogue, most recently in USAID's IMPSA and ISMP. In 1991, IIMI implemented 27 donor-funded activities totaling \$9,845,899. IIMI's financial and procurement systems have been assessed as satisfactory by USAID Controller's Office. Nevertheless, SCOR will represent the largest single set of activities which IIMI has implemented. Furthermore, some of the resource management issues may be outside of IIMI's normal range of activities and expertise (eg. forestry, pasturage, local government, etc). Therefore, implementation and the Cooperative Agreement will be divided into two separate phases and IIMI will need to demonstrate the institutional and professional linkages necessary to ensure the requisite range of experience and expertise for SCOR activities.

## VIII. SUB-PROJECT ISSUES, CONDITIONS AND COVENANTS

### A. Issues

Major issues which were raised in the original PID design and the review leading to the SCOR PP Supplement are discussed below:

#### PID Design:

1. **Timing of/Commitment to Regulatory/Institutional Change:** The highly-participatory process leading to the current approach indicate a strong level of commitment and no specific regulatory or institutional impediments to start-up of activities.
2. **Necessity, Priority and Requirement of Regulatory/Institutional Change:** As above, no specific changes are necessary before initiating the shared control approach. Implementation will help identify and carry-out recommended changes using PL-480 Title III support if necessary.
3. **Performance Based Disbursements:** These will only be involved if PL-480 Title III local currencies are used to leverage necessary policy changes which are identified during implementation.
4. **Local User Organizations:** Most of the activities and funding is now directed to local user organizations.
5. **Land vs. Water and Rights Issues:** Both land and water are able to be addressed through the watershed management approach. Rights are implicitly included in the shared control approach without the necessity of explicit statement.
6. **Economic Impacts:** The Economic Analysis estimates economic benefits and the M&E System will track incomes changes among selected beneficiaries.
7. **Land Market:** The movent towards local control facilitates the eventual evolution of land markets in rural areas.

#### PID Approval Memo:

1. SCOR's outputs are specified in non-institutional terms, i.e. user agreements, investment, and visible evidence.
2. Most of SCOR's activities are at the Divisional level and the institutional/organizational change necessary is the development of and agreements with user groups. An evaluation to determine necessary corrections is scheduled after two years.

3. The SCOR design was highly collaborative and participatory and the Ministry (MLIMD) has actively participated and agreed with the shared control approach and its role in implementation.
4. Local level interventions now begin in the relatively better known North Central Province.
5. The use of one primary implementing organization, the Cooperative Agreement Recipient and targeting of four watershed areas in two provinces should ensure that project management requirements are neither excessive nor complicated.
6. The title "Rights to Resources" was changed by the design Core Group to "Shared Control of Resources".

Informal AID/W PID Review:

1. **Tenure Security:** The design acknowledges that secure tenure is a necessary, but not sufficient condition for the adoption of more sustainable, environmentally-sound practices. Education, entrepreneurship, technology and organization are also required.
2. **Agricultural Intensification vs. Management:** Sustainable management of resources, rather than agricultural intensification, is the primary objective.
3. **Land and Water Linkages:** The watershed approach stresses the linkages between land and water resources and their management.
4. **Private Ownership:** It is not politically-feasible nor absolutely necessary to insist upon freehold title in smallholder agriculture at this time. Other land is available for larger-scale commercial operations (e.g., the Mahaweli). Smallholder can benefit economically by organizing without selling their land. This organizational approach is not driven primarily by a concern for economic growth; the stability of the rural smallholding policy and its environment are equal concerns.
5. **Gender Issues:** Concern and mechanisms for women's participation are included in user group formation, in training, in organizational change and in M&E.

B. **Conditions and Covenants**

As described earlier, the SCOR sub-project has already been discussed extensively and substantially agreed upon with the key operational ministries and ministerial divisions, the primary Provincial Secretaries, Divisional officials and users. Once the NAREPP Authorization has been amended, an Amended Grant Agreement will be drafted, negotiated and signed with the Ministry of Finance. Shortly, thereafter, a Program Implementation Letter (PIL) will be drafted, referencing the amended Grant Agreement, and countersigned by all the implementing agencies naming the authorized signatories for necessary approvals.

In addition to the standard Conditions Precedent and covenants in the current Project Authorization and Grant Agreement, the Amended Authorization will contain one new CP. In addition one new covenant will be added to the amended Grant Agreement.

1. Condition Precedent

Prior to any disbursement to assist specific Provinces, the Grantee shall furnish, in form and substance satisfactory to A.I.D., evidence of support for shared control of resources and a pledge of their best efforts to ensure the success of the activities being financed under this Grant from the Ministry of Land, Irrigation and Mahaweli Development, the Ministry of Agriculture, the Ministry of Environment and Parliamentary Affairs, and the appropriate Provincial authorities.

2. Covenant

The Grantee covenants to continue to make efforts to identify and eliminate policy, regulatory and procedural impediments to increasing control of land and water resources by local resource users.

**SCOR Sub-Project (383-0109)**

**SHARED CONTROL OF RESOURCES  
SUB-PROJECT  
(383-0109)  
PROJECT PAPER SUPPLEMENT**

**ANNEXES**

SCOR Sub-Project (383-0109)

ANNEX A  
PID APPROVAL MEMORANDUM

**MEMORANDUM**

Date: April 09, 1992

From: ~~Glenn Anders~~ / Dan Jenkins, Agriculture & Natural Resources

Subject: **Mission Review of the Rights to Resources PID**

To: Project Design Files

The Mission Review Committee chaired by the Director, Richard Brown and composed of the Deputy Director, George Jones, Program Economist, Paul Crowe, Projects Office Chief, William Jeffers, and Backstop Stan Stalla, Private Sector Officer, Steve Hadley, and involved ANR Officers, Glenn Anders, Dan Jenkins, and Mohamed Fallil, met on Tuesday, March 24, 1992, to discuss the draft Rights to Resources PID.

The Committee generally accepted the Issues Memorandum (copy attached). With regard to the primary issue of the potential risks inherent in the changes targeted by the Project, it was felt that by waiting for change or carrying out further analysis, USAID would lose the opportunity of affecting change and possibly setback its growing partnership with the GSL in this sector by breaking a continuum of project assistance. The Committee therefore approved the PID with the modifications suggested in the Issues Memorandum, (copy attached) and subject to the following:

1. The ultimate outputs of the Project will also have to be specified in non-institutional terms. The next phase of the design effort should focus on and quantify the specific cost reductions or income gains to result from the institutional and organizational changes targeted.
2. The institutional and organizational changes proposed have to be clearly spelled-out and ranked or otherwise targeted in order of their importance to achieving the cost/income outputs, and the feasibility of accomplishing each change within the time frames indicated. The Divisional level is a priority. A phased approach with mid-project modifications may be desirable. This must be determined in very close collaboration with senior most Ministry officials.



## MEMORANDUM

Date: March 24, 1992

From: Glenn Anders/Dan Jenkins, Agriculture & Natural Resources

Subject: Issues for Mission Review of the Draft Rights to Resources PID

To: Please see distribution

The comments received from the Mission for the review of the R2R PID can be categorized into major issues and important concerns. We suggest that today's meeting focus on the major issues and that the concerns be directly incorporated as part of the PID.

### MAJOR ISSUES:

Issue I:      **The Political Sensitivity of Focus on Institutional Reform in the M/LMD:**

Discussion: The PID discusses the need to reorganize various departments within one Ministry. Are we likely to become involved in political controversy by focussing on institutional change and support to the Ministry when we may really need to be focussing on decentralization. There may be political risks in some of the Ministerial changes foreseen (especially MASL and the Survey Department) and the PID instructs the PP design to be aware of particular political issues (C.7.c.5). This instruction can be strengthened. All institutional reform involves some bureaucratic political risk and many of USAID's projects run such risks (PS<sup>2</sup>'s build-up of securities market regulatory institutions, NAREP's strengthening of central environmental authority, DS&T's recommendations on the Budget Department, APAP's studies and work with five agricultural institutions, DARP with seeds etc.,). None of these efforts have met with particularly insurmountable political problems and most have been/are successful. Moreover, the changes foreseen in this project are the direct result of several years' of discussion, study and seminars with senior Ministry officials and a stated policy and desire for change. All indicate that these changes are necessary. USAID is also well-received and respected through the highest levels in the sector and few USAID projects have enjoyed such a long and deep policy foundation. It also will be implemented

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over a period of seven years giving adequate time for incremental change. However, since the Project targets a number of departments of the Ministry, as well as local levels, it does have several options in case bureaucratic changes in one area become too politically "hot." Nevertheless, the USAID Pre-design (C.7.a), especially the Director's consultations with the Minister must focus on the potential political risks.

**Recommended Action:** PID Section C.7. will strengthen instructions to the PP design and Mission participants on the need to explore/highlight bureaucratic political risks. The PP should include institutional options should any of the targeted bureaucratic change become too politically sensitive.

**Issue II:** Need to Focus the Project and the Use of USAID Resources:

**Discussion:** The Project foresees providing assistance to a wide range of government (national, provincial, local), NGOs, and user groups. There is concern over the need to focus on a manageable number of organizations and institutions. This can and should be addressed in the PP design. A counter-argument is that institutional options should not be overly-proscribed. Policy implementation and institutional change are not well-studied phenomena and seldom occur in a rational, well-ordered sequence spatially, temporarily or otherwise (the experience in APAP, MARD-MED and IMPSA are cases in point). Also, PS<sup>2</sup> has successfully – and necessarily – dealt with three very different institutional groups. The Project needs a "critical mass" for change with the Ministry and selected Province as PS<sup>2</sup> aims for the business institutions. Hence, the Project should remain flexible enough to be responsive to all trickledown, gurgle up and splatter sideways possibilities by maintaining its basic three tier structure (Ministry-local government-user organizations) and land and water control focus. Otherwise, it may become captive to one narrow segment as other USAID projects unfortunately have (DARP-DOA, MED-EIED, APAP-Agrarian Services before changes, etc.). There was ample discussion and analysis in formulating the PID over the focus issue. The result was targeting of several Departments within only one Ministry, and local organizations within one or two provinces and several divisions. Many of the technical reviewers argued against this focussing.

**Recommended Action:** The PID should not proscribe focus, but instruct the PP design to determine the feasible and necessary range and numbers of organizational components and levels that the Project can effectively target.

**Issue III:      **Performance-Based Disbursements Appear Directed at Central Ministry rather than Decentralized Local Organizations****

**Discussion:** If we are concerned with institutional changes to be supported through performance based disbursement, we should focus on real changes in resources (e.g., budgetary and staffing composition), and not just changes to an organizational structure. The PID provides some analysis of the Ministry's budget but little discussion of actual changes in budgets and staffing. Although the purpose of the Project is decentralization, the largest share of funding and resources may bolster the central Ministry. Perhaps, we should seek an approach which "starves" the Ministry of funding to force cutbacks and loss of capacity to control resources. On the other hand, performance disbursement does appear to have been successful in changing institutional focus (ISMP and in other Asian programs) and downsizing/divesting by bureaucracies (PL-480 Title III and the ADB). It also allows us to become involved in and help the process along by being the "financier of change." Furthermore, the Ministry has legitimate and important roles to play in the development and management of Sri Lanka's natural resources and starving it of funds would also damage its capability to carry out those responsibilities, ultimately jeopardizing the project's stated goal.

**Recommended Action:** This issue be included as a concern within the design strategy issues (C.7.c.). The PP design will ensure an analysis of expected changes in organizational budgets and staffing on which the performance based disbursements will be developed.

**Issue IV: Do the Economic Impacts Expected from Devolved Control in Rural Areas Justify the Intervention?**

**Discussion:** This is the standard "so what?" test. What does this intervention mean in terms of incomes, employment, growth and poverty? Will the interventions resolve a major constraint to rural growth and welfare? The PID notes that increases in private rural investment (in targeted localities) is an expected indicator of success. In terms of impact this may be the most important result of the project: decentralizing central and increasing local control should result in significant increases in investment primarily by resource user groups, but also by commercial enterprises, thus leading to increased incomes, employment, sustainability, etc. However, although the PID cites evidence, this is not axiomatic and we should analyze these relationships and expected economic impacts and ensure monitoring of same. The economic returns of the project will have to be quantified.

**Recommended Action:** The PP design must include through economic analysis of the impacts of the proposed interventions on investment, incomes and employment, and resource sustainability at the local level, and the Project's monitoring system must include the evaluation of these impacts.

**Issue V: Will the Project's Leverage and Interventions Lead to the Need Creation of Land Markets?**

**Discussion:** The PID has shifted focus somewhat from land titling, per se, to various institutional and regulatory reforms under the general rubric of devolved control to land and water resources. The thrust is now primarily organizational and appears to have abandoned direct interventions to increase private ownership through free land title. There is reference to conditionality linked to the new Registration of Title Act, and reorganization and improvement of the central and local land administration functions. Will this be enough to move the system towards a freer rural land market or will these interventions only camouflage the real, if politically-volatile issue of free title to all land? The PID designers felt that land titling is legislative and political, and therefore could not easily be the substance of a major project.

**Recommended Action:** The PP design should specifically address how the project's interventions will facilitate, if not promote, the evolution of a land market.

## **IMPORTANT CONCERNS**

1. **Institutional Change or Pilot Projects:** The PID foresees a policy and institutional environment which gives user groups the rights and opportunities for resource management, and acting positively on those rights and knowledge. However, it is still unclear whether the project will rely on the results of the pilot projects to set a policy/institutional reform agenda (in which case the project should focus on identifying appropriate pilot studies), or whether the project will be identifying a reform package at the outset which will lead to the types of (pilot) activities which indicate user control/management of resources. Although the latter appears to be the case, the PP design should make this clear and adjust the design accordingly.
2. **Social Effects of Land Consolidation:** The project design should consider the social implications of giving rights to certain user groups. Often there are losers as well as winners when rights are transferred, and these repercussions need to be analyzed and considered. Greater focus will be placed on social analysis during the PP design.
3. **Contracting with IIMI Versus a U.S. Firm:** IIMI is an international organization. The need to use IIMI for the project design is understandable. However, USAID should consider greater competition and the opportunity to provide business to a U.S. institution/consortium for project implementation.
4. **Will the Title "Rights to Resources" Title Help or Hinder the Project?:** Some in and out of the GSL express concern that the title may be too ideological and spur unnecessarily defensive reactions among some in Sri Lanka. On the other hand the title is a clear statement of principle with which the Ministry must agree if the Project is to succeed. This issue will be discussed with Secretary Premachandra and rely on his judgment as to the appropriateness and effects of the Project title.

5. **Decentralization to Highly-Politicized Local Levels Could Constrain Liberalization:** This is a real risk. Some localities may in fact prefer a very conservative approach to ownership questions. However, devolution and subsidiarity will enable rural organizations to make these decisions for themselves. The PP design should discuss this issue.

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SCOR Sub-Project (383-0109)

ANNEX B  
**LOGICAL FRAMEWORK MATRIX**

SHARED CONTROL OF NATURAL RESOURCES (SCOR)  
 SUB-PROJECT OF NAREP  
 LOGICAL FRAMEWORK MATRIX

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p><b>NAREP PROGRAM GOAL</b>                      To sustain economic growth in Sri Lanka by efficient management of the island's forests, wildlife, soils, waters, and other coastal and inland natural resources.</p>	<p>Increased governmental resources directed towards environmental conservation and management. (GSL will turn over land use in return for management by user groups).</p>	<p>GSL budgets, staff levels, programs, and facilities established to manage and monitor environmental conditions and trends.</p> <p>Project evaluations</p>	<p>Economic growth and political stability in Sri Lanka.</p> <p>Existing or increased levels of donor support for environmental programs.</p> <p>Continued political support for environmental programs.</p>
<p><b>SUB-PROJECT PURPOSE</b>                      To sustain the productivity of land and water through shared control of those resources in selected watersheds.</p>	<p><b>END OF PROJECT STATUS</b></p> <ul style="list-style-type: none"> <li>* Formal agreements with user groups within target watersheds give authority over 50% of the land and water resources in accordance with joint management plans.</li> <li>* Resource users in target watersheds invest at least \$2.5 million of labor and capital in land and water conservation.</li> <li>* Visible recorded evidence demonstrates reduction in erosion, devegetation, and waterlogging in target watersheds.</li> <li>* Generation of addition income and employment within the user groups from new activities which enhance land and water productivity.</li> </ul>	<p>Special baseline and follow-up surveys of client farmers and communities.</p> <p>Baseline photopoint survey followed by follow-up 3 years after turn-over.</p> <p>Project G.I.S. Database</p> <p>Deeds registry</p> <p>GSL "Gazette"</p> <p>Project reports</p> <p>Project evaluations</p>	<p>Increased private sector control, policy and regulatory reforms and program entities more responsive to client needs, together provide sufficient incentive for farmers to utilize more sustainable and productive practices.</p> <p>Farmer investments have been constrained by variety of factors including insecure tenure of resources.</p> <p>UGs will respond to improved information, training, services and production opportunities.</p> <p>GSL continues to support sub-project objectives and actively participate.</p> <p>Registered user groups in target watersheds increase from ___ to 500.</p>

SHARED CONTROL OF NATURAL RESOURCES (SCOR)  
 SUB-PROJECT OF NAREP  
 LOGICAL FRAMEWORK MATRIX

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS																																				
<p><b>OUTPUTS</b></p> <p>1. User group capabilities strengthened.</p> <p>2. Resource control secured and formalized for users.</p> <p>3. Government entities better able to support and monitor resource users.</p> <p>4. Improved linkages between and coordination of groups supporting and promoting sustainable land and water utilization.</p>	<p><b>MAGNITUDE OF OUTPUTS</b></p> <p>1.a. 500 UGs identified, organized and assisted to apply for registration.</p> <p>1.b. User groups able to: inventory economic potential of resources; develop and implement resource utilization plans; control illegal practices; promote sustainable practices within their memberships; obtain loans from private financial institutions; and operate and maintain resource infrastructure.</p> <p>1.c. NGOs and other private sector providing technical, managerial and commercial information and support to UGs.</p> <p>1.d. User groups and general public have increased access to improved information and services regarding land and water use in target areas.</p> <p>2.a. Regulatory or procedural changes enacted increasing control by users.</p> <p>2.b. Users possessing usufruct agreements, formal rights or long-term leases increased by 300% by EOP.</p> <p>2.c. Benefits of consolidated land management or production demonstrated.</p> <p>3.a. Officials' functions relative to user groups redefined.</p> <p>3.b. 250 provincial and divisional officials involved/participate in local level planning and user group coordination.</p> <p>4.a. Land and water management plans for pilot watersheds produced jointly by user groups, NGOs and GSL.</p> <p>4.b. 5 UG association/ council(s) established.</p> <p>4.c. Improved resource use information and monitoring system developed and operating.</p>	<p>Project reports</p> <p>Project evaluations</p> <p>Provincial land records</p> <p>Interviews with farmers and local officials</p>	<p>Once established, trained and empowered, UGs can manage resources effectively with minimum support.</p> <p>Substantial unmet demand exists or can be generated for establishment of user groups.</p> <p>Land leasing/usufruct processes accelerated.</p> <p>Sub-project improves methodologies and tools for multilevel planning and coordination in pilot water sheds.</p>																																				
<p><b>INPUTS</b></p> <p>Technical Assistance</p> <p>Training</p> <p>Special Studies &amp; Pilots</p> <p>Sub-Grants</p> <p>Commodities</p> <p>Audits</p> <p>Advisory &amp; Evaluation</p> <p><b>TOTAL</b></p>	<table border="1"> <thead> <tr> <th></th> <th>AID</th> <th>LOCAL</th> <th>(\$000)</th> </tr> </thead> <tbody> <tr> <td>Technical Assistance</td> <td>4,654</td> <td>440</td> <td></td> </tr> <tr> <td>Training</td> <td>901</td> <td>135</td> <td></td> </tr> <tr> <td>Special Studies &amp; Pilots</td> <td>312</td> <td>10</td> <td></td> </tr> <tr> <td>Sub-Grants</td> <td>0</td> <td>2,500</td> <td></td> </tr> <tr> <td>Commodities</td> <td>83</td> <td>5</td> <td></td> </tr> <tr> <td>Audits</td> <td>66</td> <td>5</td> <td></td> </tr> <tr> <td>Advisory &amp; Evaluation</td> <td>231</td> <td>15</td> <td></td> </tr> <tr> <td><b>TOTAL</b></td> <td><b>7,000</b></td> <td><b>3,110</b></td> <td></td> </tr> </tbody> </table>		AID	LOCAL	(\$000)	Technical Assistance	4,654	440		Training	901	135		Special Studies & Pilots	312	10		Sub-Grants	0	2,500		Commodities	83	5		Audits	66	5		Advisory & Evaluation	231	15		<b>TOTAL</b>	<b>7,000</b>	<b>3,110</b>		<p>Project reports</p> <p>Provincial/divisional records</p> <p>Disbursement records</p>	<p>Appropriate implementation institution can be identified.</p> <p>AID and GSL funds are forthcoming.</p> <p>Qualified personnel can be located.</p>
	AID	LOCAL	(\$000)																																				
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SCOR Sub-Project (383-0109)

ANNEX C  
**PP SUPPLEMENT DESIGN PROCESS**  
**AND**  
**LIST OF CORE GROUP MEMBERS**

## PP SUPPLEMENT DESIGN PROCESS AND LIST OF CORE GROUP MEMBERS

This annex briefly describes the process of PP Supplement design. A list of the members of the Core Group is found at the end of this annex.

The Government of Sri Lanka and USAID had discussions on the need for donor assistance in the more effective management of natural resources of Sri Lanka, particularly land and water resources, in irrigated as well as in non-irrigated areas. A Team of USAID consultants visited Sri Lanka in January 1992 to conduct a Project Identification Study. Among the main areas identified for focus were: (a) Institutional changes within the M/LI&MD, (b) Improvement to local level organizations, and (c) Expansion of analytic capabilities and knowledge base.

Following discussion with the Government of Sri Lanka and USAID officials, IIMI/SLFO was invited to present proposals to assist in the development of a project with the working title "Rights to Resources". It is particularly significant that the USAID had agreed that the proposed project be designed by IIMI/SLFO in close collaboration with the Government of Sri Lanka on the basis of a systematic consultative process with all relevant officials of Government, non-government agencies and users involved in the management of land and water resource.

Following the agreement with the USAID and Government of Sri Lanka, IIMI/SLFO set-up a 4-member Team to initiate the work of facilitating the design process in May 1992. IIMI also commissioned the services of three expatriate consultants from the University of Cornell and the Land Tenure Center, University of Wisconsin. The Secretary M/LI&MD nominated a Core Team of senior officials to spearhead the participatory design process.

Consultations were held with senior officials of national level agencies, non-government agencies concerned with management of land and water resources and with Provincial/Divisional/field-level officials and also with user groups to obtain inputs into the design process. The IIMI Core Design Team joined by the three international resource consultants worked together in formulating the project paper. The first meeting was held on the 11 June 1992 at which the Group was able to discuss matters intended to be addressed through the project and the possible goals, objectives, proposals and themes and the activities of the would be project. These tentative proposals were prepared by the Core Team on the basis of literature reviews and past experiences. Following this meeting, several other Core Group meetings were held at which the final design was developed in stages with the active participation of the members of the Core Group. A decision was made that the project would not distribute its resources thinly on all areas of the country but would concentrate on 2 pilot areas which represent a sample of the issue areas to be tackled. Accordingly, North Central Province and Southern Province were tentatively selected.

A field trip to the North Central Province was organized from the 24 - 27 June 1992. During this trip, consultations were conducted with several user groups and officials ending

up with a Workshop for Provincial/Divisional officers at Habarana on 25/26 May 1992. Similarly a field trip to the Southern Province was organized. Consultations were conducted with the user groups and officials ending up with a Workshop for Provincial level officials at Koggala on the 10/11 July 1992. The information and knowledge gathered from these field trips provided inputs to the design process.

Following the North Central Province field trip and the Workshop, a National level Workshop was organized in Negombo on 3/4 July 1992. At the workshop, the project goals, themes and activity areas presented by the design team were intensely reviewed by a Small Group and plenary sessions. At subsequent meetings of the Core Group the revised draft was further modified and the final draft of the project document was presented at the final National Level Workshop held at the Airport Garden Hotel, Seeduwa from 7-8 August 1992.

A listing of the different activities performed during May-August 1992 is given below:

1. USAID coming out with several ideas mainly rights issue in the form of a PID. This was considered by the AID as outlining the main issue areas.
2. Informal arrangement to form the design team with Dr. C.M. Wijyaratne, and Messrs I.K. Weerawardhena, Paul Rajasekera and Anura Widhanapathirana.
3. Subsequent discussions by the AID and government agency staff, mainly ML/I&MD. The latter expressing some 'concerns'.
4. Secretary, ML/I&MD summons a meeting of all the agencies relevant to land and water under the ministry. Participants not agreeing to the project concept.
5. CMW was coming out with a strategy of participatory project design. It appeared to be acceptable to the ministry.
6. Discussion on design outline and further refinements.
7. Coming out with the Core Group idea. Prepared a list of possible names to be included in the Core Group. Submission of the list to Secretary, ML/I&MD. Obtained his approval. Prepared the draft letter to be sent to Core Group members and submitted to Secretary.
8. Discussing about the strategy. Agreeing to the idea of organizing two each provincial and national workshops.
9. Summoning the first meeting of the Core Group and the group agreeing to the design strategy and the ideas put together by the IIMI design group.
10. Discussion with USAID continues. AID softening on the rights issue on land.

11. Project emerges as a land, water, agriculture and environment project with emphasis on shared control.
12. Secretary gives a date for the first National workshop. It is postponed to suit him.
13. Going ahead with the provincial visits and the workshop. FO group meeting; informal meeting with the top provincial council staff at NCP; meeting with top district administration, Polonnaruwa; Provincial workshop.
14. Prof. Levine joins the design team. Coming out with some concepts which sets us thinking on additional issues involved.
15. Core Group agrees to the outcome of the NCP field trip.
16. First National workshop well attended. Participants agreeing to the work of design team with minor adjustments.
17. Local design team coming out with activity areas, project organization, objectives and some activities.
18. Good participation of members at Core Group meetings.
19. Design team is joined by Prof. Norman Uphoff and Dr. Peter Block. Organized several meetings with all the 8 members of the team.
20. Team coming out with 29 activities and 5 activity areas.
21. Discussion with the core group. It comes out with further ideas.
22. Revision of activity list. Six areas identified. Addressing who will do identified activities.
23. Preparation of papers for presentation at the national workshop. Some ideas presented at the workshop not discussed by the design team. National workshop well attended and top level people participating in it.
24. Design team agreeing to shared control as a project goal.
25. Secretary not being able to attend the workshop due to other unforeseen state responsibilities.
26. New idea of watershed as a basic planning unit emerged from the NCP field tour. Core group agreeing to this novel idea.

27. Participatory design process fully open; all documents making available to national workshop participants including the minutes of the core group.
28. Project title of SCOR selected out of 23 different titles.
29. National workshop participants and core group members agreeing to the title.
30. Some members of the core group not agreeing to include NGOs in the core group.

List of Core Group Members

Mr. L.U. Weerakoon	Secretary to State Minister for Irrigation
Mr. O.C. Jayawardena	Secretary, Project Ministry of Lands and Land Alienation
Mr. D.M. Ariyaratne	Director, Irrigation Management Division, MLI&MD
Mr. S. Berugoda	Director, Land Use Policy Planning Division, MLI&MD
Mr. S. Wickremaarchchi	Land Commissioner
Mr. A. Gunasekera	Director, Water Resources Development Division, MLI&MD
Mr. K. Yoganathan	Director of Irrigation
Dr. R. Wanigaratne	Head, PMU, MASL
Dr. S. Somasiri	Head, Land & Water Management, Department of Agriculture
Mrs. G.K.C. Wijeratne	Commissioner of Agrarian Services
Mr. V.K. Nanayakkara	Secretary, Ministry of Environment and Parliamentary Affairs
Mr. U.G. Jayasinghe	Government Agent, Polonnaruwa
Mr. C. Ranasinghe	Provincial Land Commissioner, Southern Province
Prof. M. Karunanayake	Prof. of Geography, University of Sri Jayawardenapura

SCOR Sub-Project (383-0109)

ANNEX D  
**JUSTIFICATION OF WAIVERS  
AND  
NONCOMPETITIVE AWARD**

### Justification for Source/Origin Waivers

This annex provides the justification for two source/origin waivers contained in the Amended Project Authorization. The commodities being procured will be used in connection with the technical assistance and other support provided through the Shared Control of Resources sub-project of NAREP. The authorized geographic code for goods and services provided under NAREP is the U.S and Sri Lanka.

- a) Co-operating country : Sri Lanka
- b) Project Name : Natural Resources & Environmental Policy Project (SCOR subproject)
- c) Project Number : 383-0109
- d) Nature of Funding : Grant

The waivers required are for the procurement from Code 935 countries of right hand drive, air-conditioned vehicles and office equipment (computers, photocopiers, FAX machines etc.)

#### 1. Right-Hand Drive, Air-Conditioned Vehicles Plus Motorbikes

Estimated Amount - US\$ 95,500

Seven vehicles (2 4x4, 2 pickup, 3 sedans and 5 motorbikes) are required for the implementation of the SCOR sub-project. These vehicles will support technical assistance and training activities in four watersheds in the rural areas of North Central Province and Southern Province. The vehicles will be subjected to hard use on very poorly maintained rural roads. Right hand drive vehicles are required for road safety considerations. Moreover, ready availability of spare parts and servicing facilities is especially important. In addition, due to the extremely humid climate of Sri Lanka, these vehicles require air-conditioning to keep project personnel healthy and productive.

Since lightweight motorbikes are unavailable from the authorized geographic code and since U.S. manufactured right-hand drive vehicles would be impossible to maintain in Sri Lanka due to a lack of spare parts and trained mechanics, a source/origin waiver is required to permit procurement from geographic code 935 countries. Pursuant to AID Handbook 1, Supplement B, Section 4C2d(1), a waiver of source-origin from Code 000 to Code 935 is justified when "circumstances which may merit waiving the

requirement are (a) inability of U.S. manufacturers to provide a particular type of needed vehicle; e.g., light weight motorcycles, right-hand drive vehicles; or (b) present or projected lack of adequate service facilities and supply of spare parts for U.S. manufactured vehicles". The waiver of source/origin requirements is justified for the two reasons given above. Chapter 4C2a(5)(b) of Handbook 1B states that the Mission Director may make a determination that air-conditioning is justified taking into account the climate in which the vehicles will operate, the capabilities for servicing air-conditioning equipment, and the need for austerity and economy in project accomplishment.

Under Delegation of Authority dated August 9, 1991 from AA/APRE to Mission Directors in the Asia Region and in accordance with the criteria prescribed in AID Handbook 1B, Section 4C2, you have the authority to waive source/origin requirements and approve air-conditioning for AID-financed project vehicles. By your approval of this waiver, the Director certifies that "Exclusion of procurement from Free World countries other than the cooperating country and countries included in Code 941 would seriously impede attainment of U.S. policy objectives and objectives of the foreign assistance program."

## **2. Office Equipment**

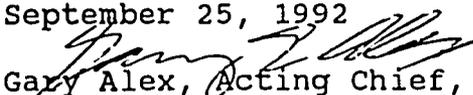
Estimated Amount - US\$ 75,000

The subproject requires approximately 3-4 FAX machines, 3 photocopy machines, and 4 sets of training equipment (slide projector and screen, overhead projector, video equipment). The equipment is needed to set-up and operated the two provincial and one central project offices. The source of the equipment is Sri Lanka and the origin is Japan. U.S. manufactured electronic office equipment, which operates on the local voltage (240V), is not available in Sri Lanka. For those few comparable items made in the U.S., spare parts, servicing and repair facilities are not readily available in Sri Lanka.

Pursuant to AID Handbook 1, Supplement B, Section 5B4a(6), a waiver of source/origin/nationality from Code 000 to Code 935 is justified when "the commodity is not available from countries or areas included in the authorized geographic code". Under Delegation of Authority dated August 9, 1991 from the AA/APRE to Mission Directors in the Asia region, and in accordance with the criteria prescribed in AID Handbook 1B, Section 5B4, you have the authority to waive source/origin/nationality requirements for AID-financed project commodities. By your approval of this waiver, the Director certifies that "Exclusion of procurement from Free World countries other than the cooperating country and countries included in Code 941 would seriously impede attainment of U.S. policy objectives and objectives of the foreign assistance program."

Based on the above justifications, waivers to AID procurement regulations for the above items are approved with the signing of the Amended Project Authorization.

**JUSTIFICATION OF NONCOMPETITIVE AWARD  
M E M O R A N D U M**

**DATE:** September 25, 1992  
**FROM:**  Gary Alex, Acting Chief, Agriculture & Natural Resources Office  
**SUBJECT:** Justification of Non-Competitive Award  
**TO:** Leonard Kata, Regional Contracting Officer/Grant Officer

**BACKGROUND:**

The mission is proposing to enter into a Cooperative Agreement with the International Irrigation Management Institute (IIMI) in order to implement the Shared Control of Resources (SCOR) subproject of the Natural Resources and Environmental Policy (NAREPP) project (383-0109). This subproject has been designed in a collaborative mode with IIMI. The justification below explains why IIMI is uniquely suited to provide the services required to ensure effective implementation of this project.

- a) Co-operating country : Sri Lanka
- b) Project Name : Natural Resources & Environmental Policy Project (SCOR subproject)
- c) Project Number : 383-0109
- d) Nature of Funding : Grant
- e) Amount of Agreement : \$5,800,000
- f) Life of Project : 6 years

**JUSTIFICATION:**

The purpose of the SCOR sub-project is:

"to sustain the productivity of land and water resources within selected areas of Sri Lanka, through shared control of these resources".

The focus of the subproject will be on watershed development. Project interventions will promote sustainable development through an increasingly productive agriculture sector functioning within healthy social and natural environments. This will be

accomplished through strengthening the role of small holders within these watersheds in the management and control of natural resources, primarily land and water. The basic premise of the sub-project is that there is a real need to integrate the development efforts in different components of these watersheds, i.e. upper catchment areas, reservoirs and anicuts, command areas and highland and irrigation return flow areas downstream. At the end of the project, the following will have occurred:

- Users' share in the control of land and water resources will have increased;
- Users' capability will have been enhanced through the strengthening of user groups;
- Effective links will have been promoted between user groups, and state and private agencies; and
- The capability of government agencies to plan, coordinate and implement land and water management programs in an integrated manner will have been enhanced.

The project will work simultaneously at three levels, the national level, provincial and divisional levels and at the watershed levels.

In order to implement this type of innovative integrated approach to land and water resources management, an organization must have experience in the technical field of irrigation management as well as in extension approaches. Furthermore, the organization should have experience in dealing with provincial and divisional level authorities as well as user groups in Sri Lanka.

IIMI, an affiliate of Consultative Group for International Agricultural Research (CGIAR) (affiliated with the World Bank) is a recognized authority in the field of irrigation management. In addition, the organization has worked for many years at the local level in Sri Lanka to implement programs with similar components. In fact, the design of this project has drawn on IIMI's research and the lessons learned from other IIMI projects in order to develop an innovative approach which will work in this environment. IIMI is based in Sri Lanka and therefore has the necessary contacts in the GSL at higher levels to facilitate project implementation. IIMI also employs many Sri Lankans who will be able to work at the local level without experiencing any language or cultural differences.

RECOMMENDATION:

It is therefore recommended that, in accordance with the requirements of HB13 Ch 2B3(b) and based on IIMI's demonstrated predominant capability in the field of irrigation management and their existing relationship with the GSL and the project's anticipated beneficiaries, competition be waived and a cooperative agreement be negotiated with IIMI on a noncompetitive basis.

SCOR Sub-Project (383-0109)

ANNEX E  
**BUDGET NOTES AND ASSUMPTIONS**

ANNEX E

BUDGETARY NOTES AND ASSUMPTIONS

A. TECHNICAL ASSISTANCE AND SUPPORT<sup>1</sup>

1. US/Expatriate<sup>2</sup>

LT - 1 person: 1 x 3.75 yrs & 1 X 2.5 yrs @ \$211,000/year

ST - 12 p.m. @ \$25,000/mth. (Includes rural appraisal, law, land titling and registration, and geographic information systems etc.) (2,2,4,2,2,0)<sup>3</sup>

Environmental assessment, resource economics and resource rights and law, currently estimated at approximately 12 p.m. will be obtained from other components of NAREP. Other land use planning services will be obtained through the ADB Land Use Planning project.

2. Local

LT

7 w/ av. salary & benefits of \$17,000/yr. + \$5,000/year local travel and misc. = @ \$22,000/yr.

13 w/ av. salary & benefits of \$6,000/yr. + \$2,000/year local travel and misc. = @ \$8,000/yr.

27 w/ av. salary & benefits of \$3,500/yr. + \$1,000/year local travel and misc. = @ \$4,500/yr.

30 catalysts w/ av. salary & benefits of \$3,000/yr. + \$1,000/year local travel and misc. = @ \$4,000/yr.

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<sup>1</sup> For distribution of Long-Term TA and staff over the life of project see Table A.

<sup>2</sup> Historically, TA costs on IIMI CAs have been below those for a PSC. For budgeting purposes, however, have used the costs for a PSC (See USAID/Sri Lanka, "Estimated Standard Costs of Contracts and Participant Training" date July 10, 1992). Also assumes no direct additional home office costs. Inclusive of in-country travel costs.

<sup>3</sup> Numbers in parentheses refer to distribution over the six year LOP.

99+

Assume catalysts spend average 7.5 days per user group per year (fewer groups and more time in early years). Also assume catalysts work 240 days per year and spend half time with user groups and other half training, being trained, administrative, etc. This will require approximately 30 catalysts to serve 500 groups.

ST - 50 p.m. @ \$3,000/mth inclusive of travel and expenses. (5,10,10,10,10,5)  
Environmental assessments, resource economics, resource rights and law, currently estimated at approximately 16 p.m. will be obtained from other components of NAREP. Marketing and product assistance estimated at 10 p.m. of local TA will be obtained through AGENT.

## B. TRAINING

### 1. Workshops

For User Groups - 500 groups x 1 person/group x 8 subject workshops per group = 4,000 UG reps. trained.  
At 20 people/wkshp, 200 wkshps required.

NGO & Private Sector - 40 wkshps x 25/wkshp = 1,000 trained.

Government Support - 19 wkshps x 25/wkshp = 475 trained.

**TOTAL WORKSHOPS 259 (31,53,54,54,44,24)**

In addition to staff noted under TA and Support, each workshop requires: a) transport, maintenance & materials @ \$20/participant (\$500) (could be either staff or contractor); plus b) 1.3 specialist trainers x 5 days each x \$75/day/person, inclusive of travel and other expenses (approximately \$500). Total additional cost per workshop is, say \$1,000.

Senior Level Meetings - 19 meetings including National Seminars, //steering Committee and Working Group meetings @ \$5,000 (2,4,6,4,2,1)

2. Short-Term Training and Study Tours

These could range from 2 week study tours within the region to 2 months of formal training in the U.S. For U.S. training assume an average of \$15,000 per ST participant<sup>4</sup>. (19 training opportunities)

For regional study tours, assume a cost of \$2,500 per tour

**For User Group Associations and GSL Personnel - 65 representatives (0,15,20,20,10,0)**

C. **SPECIAL STUDIES & PILOTS**

20 studies @ \$10,000 (2,6,6,4,2,0)

1 Geographic Information System @ \$75,000 and 6 p.m. @ \$3,000 (2,2,1,0,0,1).

D. **SUB-GRANTS**

500 user group grants @ \$500 to \$1,000 are anticipated. Funding for this will be programmed through the PL480, Title III, PVO account.

(10 production group loans @ \$20,000 to be obtained through financial institutions and may be guaranteed by SCOR. No funds are budgeted for this).

E. **EQUIPMENT AND COMMODITIES**

1. Vehicles - Each province - (1 4x4 @\$20,000, 1 pickup @ \$15,000, 1 sedan @ \$12,000, & 2 motorbikes @ \$2,000) x 2 provinces + 1 sedan & 1 motorbike in Colombo. Transportation stipend of \$300 per catalyst per year to purchase and maintain bicycles. Total of \$162,000 (all major procurement in yr. 1)

2. Vehicle O&M - lump sum of \$20,000/year (.5,1,1,1,1,.5)

3. Training equipment (video, slide projector & screen, overhead, other) @ \$4,000/set X 4 sets. Total \$16,000 (all yr. 1).

4. Computer Systems - including hardware, software, UPS & airconditioning; 2 systems in each of the 3 offices @ \$8,000/system plus 6 for related GSL offices. Total

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<sup>4</sup> Based on USAID/Sri Lanka estimate.

101X

\$96,000 (yrs. 1 & 2)

5. Office equipment - (Desks, chairs, tables, file cabinets, photocopy machines, FAX machines, etc.) 3 offices at \$20,000/office. Total \$60,000 (all yr. 1)
6. Office O&M - Including rent, utilities, supplies, communications, etc. @ \$15,000/year/office. \$45,000/year (.5,1,1,1,1,1).
7. Technical information and materials - \$2,500/watershed, total \$10,000 (yrs 2 & 4).
8. Equipment for Divisional Offices (Motorbike mapping and survey equipment, etc. \$8,000 x 10 divisions = \$80,000 (1,3,3,1,0,0)

#### **F. AUDITS**

8 p.m. local auditing (Locally based CPA firm) @ \$5,000 per audit for annual audits of the program financed under the Cooperative Agreement & 4 p.m. @ \$8,000 for terminal non-federal audit.

#### **G. ADVISORY & EVALUATION**

5 p.m. U.S. @ \$25,000/mth for initial buy-in in year 1 to provide advisory and evaluation support (in Year 3 of project). A further 4 p.m. @ \$25,000/mth (+ inflation) for terminal evaluation to occur in FY 98 (may be contracted in FY 97, also via buy-in). Evaluation will address both sustainability and policy issues as well as project performance.

#### **H. LOCAL CONTRIBUTIONS**

1. Time with catalysts. Each household spends \$5 worth of time each year with catalyst X av. 500 groups/yr x 25/group x 5 yrs. = \$250,000.
2. Assumes households with av. incomes @ \$2,000/yr, each invests 1% of income (\$20/yr X 5 yrs. X 1,000 groups x 25 people/ group.
3. Other local contributions: Assume \$4,000/yr in time of senior staff of ministries, \$10,000/yr. in time of other professional staff and \$25,000/yr in GSL, farmer, NGO and private sector training.

SCOR SUBPROJECT (383-0109)  
 COMMODITY PROCUREMENT PLAN  
 (AID ONLY)  
 (\$000's)

ANNEX E  
 PART B

ITEM	COST	QTY	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98	TOTAL
<b>1 VEHICLES</b>									
4x4	20.0	2.0	40.0						40.0
PICKUP	15.0	2.0	30.0						30.0
SEDAN	12.0	3.0	36.0						36.0
MOTORBIKES	2.0	7.0	14.0						14.0
TRANSPORT STIPEND	0.3	30.0	4.5	6.0	9.0	9.0	9.0	4.5	42.0
<b>SUBTOTAL VEHICLES</b>			124.5	6.0	9.0	9.0	9.0	4.5	162.0
<b>2 VEHICLE O&amp;M</b>	20.0		10.0	20.0	20.0	20.0	20.0	10.0	100.0
<b>3 TRAINING EQUIP</b>	4.0	4.0	16.0						16.0
<b>4 COMPUTER SYSTEMS</b>	8.0	12.0	48.0	48.0					96.0
<b>5 OFFICE EQUIP</b>	20.0	3.0	60.0						60.0
<b>6 OFFICE O&amp;M</b>	15.0	3.0	22.5	45.0	45.0	45.0	45.0	45.0	247.5
<b>7 TECH INFO/MATS</b>	2.5	4.0		5.0		5.0			10.0
<b>8 MISC DIV EQUIP</b>	10.0	8.0	10.0	30.0	30.0	10.0			80.0
<b>TOTAL BY FY</b>			291.0	154.0	104.0	89.0	74.0	59.5	771.5

SCOR Sub-Project (383-0109)

ANNEX F  
**611(E) CERTIFICATION**

**CERTIFICATION PURSUANT TO SECTION 611(E)  
OF THE FOREIGN ASSISTANCE ACT OF 1961 AS  
AMENDED**

I, Richard M. Brown, the principal officer of the Agency for International Development in Sri Lanka, having taken into account, among other things, the maintenance and utilization of projects in Sri Lanka previously financed or assisted by the United States, and the technical assistance to be provided under the sub-project, do hereby certify that in my judgement, Sri Lanka has both the financial capability and the human resources to maintain and utilize effectively the assistance provided in the sub-project.

This judgement is based upon the project description and analyses as detailed in the Shared Control of Resources Project Paper Supplement.



---

Richard M. Brown, Director  
USAID/Sri Lanka

---

Date

SCOR Sub-Project (383-0109)

ANNEX G  
**INITIAL ENVIRONMENTAL EXAMINATION**

FAX MESSAGE

NOV 04 1992

TO: Stan Stalla  
 Organization: USAID/Sri Lanka  
 FAX Number: 94-1-574264

OFFICIAL FILE COPY



U.S. Agency for International Development  
 Asia Bureau  
 Development Resources Office  
 Technical Resources  
 ASIA/DR/TR/ENV, Room 3214 NS, Washington, D.C.  
 20523-0021 U.S.A.

Phone: (202) 647-9841

Fax: (202) 647-1805

Number of Pages: 2

Date: November 3, 1992

From: Molly Kux, Chief, Environmental Unit, ASIA/DR/TR

Subject: Signed IEE for SCOR Project

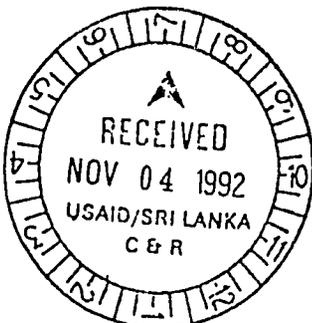
\*\*\*\*\*

Stan,

On behalf of Molly, I am faxing the signed IEE for the SCOR Project. I will send the signed original to you via pouch tomorrow.

Regards,

Jennie Bravinder



REFERENCE NO. 9212278  
 DATE RECEIVED 11.04.92  
 ACTION.....

OFFICE	ACT	INFO
DIR		✓
DD		✓
HSG		
PRM		
EXO		
CTR		
PRJ	X	W/A
ANR		
PSD		
PER		
CC		
C & R		
DUE DATE		A/AP
ACT. TAKEN		
FILE STA		
NAN		
INITIALS		

BEST AVAILABLE COPY

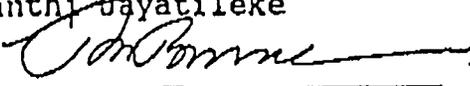
INITIAL ENVIRONMENTAL EXAMINATION CATEGORICAL EXCLUSION

- A. Country: Sri Lanka
- B. Project Name: Natural Resources and Environmental Policy (NAREP)--Amendment Number 1 Shared Control of Resources (SCOR)
- C. Project Number: 383-0109
- D. Total A.I.D. Funding: Original: \$12,000,000  
This Action: \$ 7,000,000  
Total: \$19,000,000
- E. Life of project Funding: FY91 - FY98
- F. Statement Prepared By: Stanley A. Stalla  
Mission Environmental Officer
- G. Environmental Action Recommended:

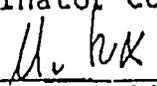
Pursuant to 22 CFR 216.2(c)2(i), USAID/Sri Lanka recommends a categorical exclusion from the Initial Environmental Examination procedures for the SCOR subproject activities incorporated into the NAREP project through this amendment. This exclusion applies to "education, technical assistance or training programs" that do not directly affect the environment. SCOR inputs will be used to: strengthen resources user groups; formalize agreements giving user groups shared control of resources; help government, NGO and private entities support user groups; and improve information linkages among all entities to promote sustainable land and water use.

A premise of SCOR is that greater control of resources by user groups will result in more sustainable management of these resources. One indicator of SCOR's achievements will be the documented evidence of a reduction in resource degradation through better resource management. Notwithstanding these expected positive environmental impacts, all subproject-supported activities identified for A.I.D. assistance will be subject to the relevant environmental review procedures of A.I.D. and the Government of Sri Lanka.

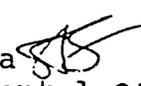
H. Clearances:

  
 \_\_\_\_\_  
 Avanthi Jayatileke  
  
 \_\_\_\_\_  
 Richard M. Brown, Director Date: Sept. 1992  
 USAID/Sri Lanka

I. Asia Bureau Environmental Coordinator Concurrence:

  
 \_\_\_\_\_  
 Molly Kux, ASIA/DR/TR

INITIAL ENVIRONMENTAL EXAMINATION CATEGORICAL EXCLUSION

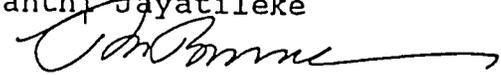
- A. Country: Sri Lanka
- B. Project Name: Natural Resources and Environmental Policy (NAREP)--Amendment Number 1 Shared Control of Resources (SCOR)
- C. Project Number: 383-0109
- D. Total A.I.D. Funding: Original: \$12,000,000  
This Action: \$ 7,000,000  
Total: \$19,000,000
- E. Life of project Funding: FY91 - FY98
- F. Statement Prepared By: Stanley A. Stalla   
Mission Environmental Officer
- G. Environmental Action Recommended:

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A premise of SCOR is that greater control of resources by user groups will result in more sustainable management of these resources. One indicator of SCOR's achievements will be the documented evidence of a reduction in resource degradation through better resource management. Notwithstanding these expected positive environmental impacts, all subproject-supported activities identified for A.I.D. assistance will be subject to the relevant environmental review procedures of A.I.D. and the Government of Sri Lanka.

H. Clearances:

  
Avanthi Jayatileke

  
Richard M. Brown, Director Date: Sept. 30,  
USAID/Sri Lanka 1992

I. Asia Bureau Environmental Coordinator Concurrence:

Molly Kux, ASIA/DR/TR

SCOR Sub-Project (383-0109)

ANNEX H  
**IIMI DESIGN REPORT**  
  
AND  
  
**ANALYSES**

(Available for review in the Office of Agriculture and Natural Resources, USAID/Sri Lanka)

SCOR Sub-Project (383-0109)

ANNEX I  
**GSL LETTER OF REQUEST**  
**FOR**  
**ASSISTANCE**

දුරකථනය } 24183  
 தொலைபேசி }  
 Telephone }

විදුලි පණිවුඩ } විද්‍යාදේ  
 தந்தி }  
 Telegrams } FORAID

වෙලෙන්ස් } FORAID  
 செல்கள் }  
 Telex } Colombo  
 21232

පැක්ස් } 447633  
 பெக்ஸ் }  
 Fax }



මගේ අංකය }  
 எனது இல. } CA 9/91/86  
 My No. }

ඔබේ අංකය }  
 உமது இல. }  
 Your No. }

මහලේකම් ගොඩනැගිල්ල (3 වැනි මහල)  
 செயலகம், (3ம் மாடி)

The Secretariat, (3rd Floor)

න. ප. 277, කොළඹ 1  
 அ. பெ. இல. 277, கொழும்பு 1  
 P. O. Box 277, Colombo 1.

1993.01.06.....

විදේශ සම්පත් දෙපාර්තමේන්තුව

විදුලි අමාත්‍යාංශය,

வெளிநாட்டு வள நினைக்களம்

நீதி அமைச்சு

DEPARTMENT OF EXTERNAL RESOURCES

Ministry of Finance

Mr. Richard Brown,  
 Director,  
 USAID.

JAN 07 1993

OFFICIAL FILE COPY

Dear Mr. Brown,

On behalf of the Government of Sri Lanka, I wish to submit a formal request for USAID grant assistance in a sum of US \$ 7.0 million for the sub project on Shared Control of Resources (SCOR) which would be added to the Natural Resources and Environmental Policy Project.

The project envisages to introduce new methods for improving the resource management capabilities of the Government, while encouraging sustainable development through people's participation. It would provide a basis for increased share of control by the users over the natural resources particularly of land and water which has been considered vital means for guaranteeing profitable, equitable, sustainable and increased agricultural production in the country.

The project purpose is to enhance the share of user control over natural resources through state - user partnerships that contribute to intensified and sustainable agricultural production while protecting the physical biological and social environments.

The areas of operation of the project would be limited to several selected districts in the Southern and North Central Provinces covering a total area of 30,000 Ha.

We would be most grateful if the above request for assistance is recommended to your authorities at your earliest convenience.

Yours sincerely,

*S. Kuruppu*

Mrs. S.L. Kuruppu  
 Director General

OFFICE	ACT	INFO
DIR		✓
DD		✓
HSG		
PRM		
EXO		
CTR		
PRJ		✓
ANR	X	
PSD		
PER		
CC		
C & K		
DUE DATE 1/31		
ACT. TAKEN		
FILE STA		
INITIALS		

REFERENCE NO. 93/48  
 DATE RECEIVED 01.07.93

SCOR Sub-Project (383-0109)

ANNEX J  
**STATUTORY CHECKLIST**

SCOR PP Supplement: Annex M  
Statutory Checklist: Page 1

5C(1) - COUNTRY CHECKLIST

Listed below are statutory criteria applicable to the eligibility of countries to receive the following categories of assistance: (A) both Development Assistance and Economic Support Funds; (B) Development Assistance funds only; or (C) Economic Support Funds only.

A. COUNTRY ELIGIBILITY CRITERIA APPLICABLE TO BOTH DEVELOPMENT ASSISTANCE AND ECONOMIC SUPPORT FUND ASSISTANCE

1. Narcotics

a. Negative Certification (FY1991 Appropriations Act Sec. 559(b)):

Has the President certified to the Congress that the government of the recipient country is failing to take adequate measures to prevent narcotic drugs or other controlled substances which are cultivated, produced or processed illicitly, in whole or in part, in such country or transported through such country, from being sold illegally within the jurisdiction of such country to United States Government personnel or their dependents or from entering the United States unlawfully?

No

b. Positive Certification (FAA Sec. 481(h)): (This provision applies to assistance of any kind provided by grant, sale, loan, lease, credit, guaranty, or insurance, except assistance from the Child Survival Fund or relating to international narcotics control, disaster and refugee relief, narcotics education and awareness, or the provision of food or medicine.) If the recipient is a "major illicit drug producing country" (defined as a country producing during a fiscal year at least five metric tons of opium or 500 metric tons of coca or marijuana) or a "major drug-transit country" (defined as a country that is a significant direct source of illicit drugs significantly affecting the United States, through which such drugs are transported, or through which significant sums of drug-related profits are laundered with the knowledge or complicity of the government):

(1) Does the country have in place a bilateral narcotics agreement with the United States, or a multilateral narcotics agreement?

(2) Has the President in the March 1 International Narcotics Control Strategy Report (INSCR) determined and certified to the Congress (without Congressional enactment, within 45 days of continuous session, of a resolution disapproving such a certification), or has the President determined and certified to the Congress on any other date (with enactment by Congress of a resolution approving such certification), that (a) during the previous year the country has cooperated fully with the United States or taken adequate steps on its own to satisfy the goals agreed to in a bilateral narcotics agreement with the United States or in a multilateral agreement, to prevent illicit drugs produced or processed in or transported through such country from being transported into the United States, to prevent and punish drug profit laundering in the country, and to prevent and punish bribery and other forms of public corruption which facilitate

production or shipment of illicit drugs or discourage prosecution of such acts, or that (b) the vital national interests of the United States require the provision of such assistance?

*Not Applicable*

c. Government Policy (1986 Anti-Drug Abuse Act Sec. 2013(b)):

(This section applies to the same categories of assistance subject to the restrictions in FAA Sec. 481(h), above.)

If recipient country is a "major illicit drug producing country" or "major drug-transit country" (as defined for the purpose of FAA Sec. 481(h)), has the President submitted a report to Congress listing such country as one: (a) which, as a matter of government policy, encourages or facilitates the production or distribution of illicit drugs; (b) in which any senior official of the government engages in, encourages, or facilitates the production or distribution of illegal drugs; (c) in which any member of a U.S. Government agency has suffered or been threatened with violence inflicted by or with the complicity of any government officer; or (d) which fails to provide reasonable cooperation to lawful activities of U.S. drug enforcement agents, unless the President has provided the required certification to Congress pertaining to U.S. national interests and the drug control and criminal prosecution efforts of that country?

*Not Applicable*

2. Indebtedness to U.S. Citizens (FAA Sec. 620(c)): If assistance is to a government, is the government indebted to any U.S. citizen for goods or services furnished or ordered where: (a) such citizen has exhausted available legal remedies; (b) the debt is not denied or contested by such government; or (c) the indebtedness arises under an unconditional guaranty of payment given by such government or controlled entity?

No

3. Seizure of U.S. Property (FAA Sec. 620(e)(1)): If assistance is to a government, has it (including any government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities?

No

4. Communist Countries (FAA Secs. 620(a), 620(f), 620D; FY 1991 Appropriations Act Secs. 512, 545): Is recipient country a Communist country? If so, has the President: (a) determined that assistance to the country is vital to the security of the United States, that the recipient country is not controlled by the international Communist conspiracy, and that such assistance will further promote the independence of the recipient country from international communism, or (b) removed a country from applicable restriction on assistance to Communist countries upon a

114x

**SCOR PP Supplement: Annex M  
Statutory Checklist: Page 2**

determination and report to Congress that such action is important to the national interest of the United States? Will assistance be provided either directly or indirectly to Angola, Cambodia, Cuba, Iraq, Libya, Vietnam, Iran or Syria? Will assistance be provided to Afghanistan without a certification, or will assistance be provided inside Afghanistan through the Soviet-controlled government of Afghanistan?

*(a) Not Applicable  
(b) Not Applicable*

5. Mob Action 385X(FAA Sec. 620(j)): Has the country permitted or failed to take adequate measures to prevent damage or destruction by mob action of U.S. property?

*No*

6. OPIC Investment Guaranty (FAA Sec. 620(l)): Has the country failed to enter into an investment guaranty agreement with OPIC?

*No*

7. Seizure of U.S. Fishing Vessels (FAA Sec. 620(o); Fishermen's Protective Act of 1967, as amended, Sec. 5): (a) Has the country seized, or imposed any penalty or sanction against, any U.S. fishing vessel because of fishing activities in international waters? (b) If so, has any deduction required by the Fishermen's Protective Act been made?

*No*

8. Loan Default (FAA Sec. 620(q); FY 1991 Appropriations Act Sec. 518 (Brooke Amendment)): (a) Has the government of the recipient country been in default for more than six months on interest or principal of any loan to the country under FAA? (b) Has the country been in default for more than one year on interest or principal on any U.S. loan under a program for which the FY 1991 Appropriations Act appropriates funds?

*(a) No  
(b) No*

9. Military Equipment (FAA Sec. 620(e)): If contemplated assistance is development loan or to come from Economic Support Fund, has the Administrator taken into account the percent of the country's budget and amount of the country's foreign exchange or other resources spent on military equipment? (Reference may be made to the annual "Taking Into Consideration" memo: "Yes, taken into account by the Administrator at time of approval of Agency OYB." This approval by the Administrator of the Operational Year Budget can be the basis for an affirmative answer during the fiscal year unless significant changes in circumstances occur.)

*Not Applicable*

10. Diplomatic Relations with U.S. (FAA Sec. 620(t)): Has the country severed diplomatic relations with the United States? If so, have relations been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption?

*No*

11. U.N. Obligations (FAA Sec. 620(u)): What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearages taken into account by the AID Administrator in determining the current AID Operational Year Budget? (Reference may be made to the "Taking into Consideration" memo.)

*Sri Lanka is in arrears; however, this has been taken into account by the Administrator at time of approval of Agency OYB.*

12. International Terrorism

- a. Sanctuary and Support (FY 1991 Appropriations Act Sec. 556; FAA Sec. 620A): Has the country been determined by the President to: (a) grant sanctuary from prosecution to any individual or group which has committed an act of international terrorism, or (b) otherwise supports international terrorism, unless the President has waived this restriction on grounds of national security or for humanitarian reasons?

*No*

- b. Airport Security (ISDCA of 1985 Sec. 552(b)): Has the Secretary of State determined that the country is a high terrorist threat country after the Secretary of Transportation has determined, pursuant to section 1115(e)(2) of the Federal Aviation Act of 1958, that an airport in the country does not maintain and administer effective security measures?

*No*

13. Discrimination (FAA Sec. 666(b)): Does the country object, on the basis of race, religion, national origin or sex, to the presence of any officer or employee of the U.S. who is present in such country to carry out economic development programs under the FAA?

*No*

14. Nuclear Technology (FAA Secs. 669, 670): Has the country, after August 3, 1977, delivered to any other country received nuclear enrichment or reprocessing equipment, materials or technology, without specified arrangements or safeguards, and without special certification by the President? Has it transferred a nuclear explosive device to a non-nuclear weapon state, or if such a state, either received or detonated a nuclear explosive device? If the country is a non-nuclear weapon state, has it, on or after August 8, 1985, exported (or attempted to export) illegally from the United States any material, equipment, or technology which would contribute

**SCOR PP Supplement: Annex M  
Statutory Checklist: Page 3**

significantly to the ability of a country to manufacture a nuclear explosive device? (FAA Section 620E permits a special waiver of Section 669 for Pakistan.)

*No*

15. Algiers Meeting (ISDCA of 1981 Sec. 720): Was the country represented at the Meeting of Ministers of Foreign Affairs and Heads of Delegations of the Non-Aligned Countries to the 36th General Assembly of the U.N. on September 25 and 28, 1981, and did it fail to disassociate itself from the communique issued? If so, has the President taken it into account? (Reference may be made to the "Taking into Consideration" memo.)

*Sri Lanka was not represented at the meeting and entered a written reservation subsequently.*

16. Military Coup (FY 1991 Appropriations Act Sec. 513): Has the duly elected Head of Government of the country been deposed by military coup or decree? If assistance has been terminated, has the President notified Congress that a democratically elected government has taken office prior to the resumption of assistance?

*No*

17. Refugee Cooperation (FY 1991 Appropriations Act Sec. 539): Does the recipient country fully cooperate with the international refugee assistance organizations, the United States, and other governments in facilitating lasting solutions to refugee situations, including resettlement without respect to race, sex, religion, or national origin?

*No*

18. Exploitation of Children (FY 1991 Appropriations Act Sec. 599D, amending FAA Sec. 116): Does the recipient government fail to take appropriate and adequate measures, within its means, to protect children from exploitation, abuse or forced conscription into military or paramilitary services?

*No*

**B. COUNTRY ELIGIBILITY CRITERIA APPLICABLE ONLY TO DEVELOPMENT ASSISTANCE ("DA")**

1. Human Rights Violations (FAA Sec. 116): Has the Department of State determined that this government has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, can it be demonstrated that contemplated assistance will directly benefit the needy?

*No*

2. Abortions (FY 1991 Appropriations Act Sec. 535): Has

the President certified that use of DA funds by this country would violate any of the prohibitions against use of funds to pay for the performance of abortions as a method of family planning, to motivate or coerce any person to practice abortions, to pay for the performance of involuntary sterilization as a method of family planning, to coerce or provide any financial incentive to any person to undergo sterilizations, to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning?

*No*

**C. COUNTRY ELIGIBILITY CRITERIA APPLICABLE ONLY TO ECONOMIC SUPPORT FUNDS ("ESF")**

1. Human Rights Violations (FAA Sec. 502B): Has it been determined that the country has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, has the President found that the country made such significant improvement in its human rights record that furnishing such assistance is in the U.S. national interest?

*Not Applicable*

116X

SCOR PP Supplement: Annex M  
Statutory Checklist: Page 4

Yes

5C(2) ASSISTANCE CHECKLIST

Listed below are statutory criteria applicable to the assistance resources themselves, rather than to the eligibility of a country to receive assistance. This section is divided into three parts. Part A includes criteria applicable to both Development Assistance and Economic Support Fund resources. Part B includes criteria applicable only to Development Assistance resources. Part C includes criteria applicable only to Economic Support Funds.

CROSS REFERENCE: IS COUNTRY CHECKLIST UP-TO-DATE?

YES

A. CRITERIA APPLICABLE TO BOTH DEVELOPMENT ASSISTANCE AND ECONOMIC SUPPORT FUNDS

1. Host Country Development Efforts (FAA Sec. 601(a)): Information and conclusions on whether assistance will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry agriculture, and commerce; and (f) strengthen free labor unions.

b, c, d

*Project activities, through support to local level user groups, will stimulate cooperative management of land and water resources leading to improved sustainability of agriculture. Project will support devolution of control of natural resources from central government to the local level.*

a, f - No

2. U.S. Private Trade and Investment (FAA Sec. 610(b)): Information and conclusions on how assistance will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

*Project will be implemented through a Cooperative Agreement with an International organization. Commodities will be of U.S. source and origin, where possible.*

3. Congressional Notification

a. General Requirement (FY 1991 Appropriations Act Secs. 523 and 591; FAA Sec. 634A): If money is to be obligated for an activity not previously justified to Congress, or for an amount in excess of amount previously justified to Congress, has Congress been properly notified (unless the notification requirement has been waived because of substantial risk to human health or welfare)?

b. Notice of New Account Obligation (FY 1991 Appropriations Act Sec.514): If funds are being obligated under an appropriation account to which they were not appropriated, has the President consulted with and provided a written justification to the House and Senate Appropriations Committees and has such obligation been subject to regular notification procedures?

*Not Applicable*

c. Cash Transfers and Nonproject Sector Assistance (FY 1991 Appropriations Act Sec. 575(b)(3)): If funds are to be made available in the form of cash transfer or nonproject sector assistance, has the Congressional notice included a detailed description of how the funds will be used, with a discussion of U.S. interests to be served and a description of any economic policy reforms to be promoted?

*Not Applicable*

4. Engineering and Financial Plans FAA Sec. 611(a): Prior to an obligation in excess of \$500,000, will there be: (a) engineering, financial or other plans necessary to carry out the assistance; and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?

Yes

5. Legislative Action (FAA Sec.611(a)(2)): If legislative action is required within recipient country with respect to an obligation in excess of \$500,000, what is the basis for a reasonable expectation that such action will be completed in time to permit orderly accomplishment of the purpose of the assistance?

*Not Applicable*

6. Water Resources (FAA Sec. 611(b); FY 1991 Appropriations Act Sec. 501): If project is for water or water related land resource construction, have benefits and costs been computed to the extent practicable in accordance with the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U.S.C. 1962, et seq.)? (See A.I.D. Handbook 3 for guidelines.)

*Project will improve the use of water at the local level in selected watershed and benefits and costs computation demonstrates that the project will be beneficial to users.*

7. Cash Transfer and Sector Assistance (FY 1991 Appropriations Act Sec. 575(b)): Will cash transfer or nonproject sector assistance be maintained in a separate account and not commingled with other funds (unless such requirements are waived by Congressional notice for nonproject sector assistance)?

**SCOR PP Supplement: Annex M  
Statutory Checklist: Page 5**

*Not Applicable*

8. **Capital Assistance (FAA Sec.611(e)):** If project is capital assistance (e.g., construction), and total U.S. assistance for it will exceed \$1 million, has the Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability to maintain and utilize the project effectively?

*Yes*

9. **Multiple Country Objectives (FAA Sec. 601(g)):** Information and conclusions whether project will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of, industry, agriculture and commerce; and (f) strengthen free labor unions.

b, c, d

*Project activities, through support to local level user groups, will stimulate cooperative management of land and water resources leading to improved sustainability of agriculture. Project will support devolution of control of natural resources from central government to the local level.*

a, f - No

10. **U.S. Private Trade (FAA Sec.601(b)):** Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

*Project will be implemented through a Cooperative Agreement with an international organization. Commodities will be of U.S. source and origin, where possible.*

11. **Local Currencies**

- a. **Recipient Contributions (FAA Secs. 612(b), 636(h)):** Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars.

*The GSL is contributing approximately 30% of the cost of project implementation.*

- b. **U.S.-Owned Currency (FAA Sec. 612(d)):** Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?

*No*

- c. **Separate Account (FY 1991 Appropriations Act Sec. 575):** If assistance is furnished to a foreign government under arrangements which result in the generation of local currencies:

*Not Applicable*

(1) Has A.I.D. (a) required that local currencies be deposited in a separate account established by the recipient government, (b) entered into an agreement with that government providing the amount of local currencies to be generated and the terms and conditions under which the currencies so deposited may be utilized, and (c) established by agreement the responsibilities of A.I.D. and that government to monitor and account for deposits into and disbursements from the separate account?

(2) Will such local currencies, or an equivalent amount of local currencies, be used only to carry out the purposes of the DA or ESF chapters of the FAA (depending on which chapter is the source of the assistance) or for the administrative requirements of the United States Government?

(3) Has A.I.D. taken all appropriate steps to ensure that the equivalent of local currencies disbursed from the separate account are used for the agreed purposes?

(4) If assistance is terminated to a country, will any unencumbered balances of funds remaining in a separate account be disposed of for purposes agreed to by the recipient government and the United States Government?

12. **Trade Restrictions**

- a. **Surplus Commodities (FY 1991 Appropriations Act Sec. 521(a)):** If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity?

*Not Applicable*

- b. **Textiles (Lautenberg Amendment) (FY 1991 Appropriations Act Sec.521(c)):** Will the assistance (except for programs in Caribbean Basin Initiative countries under U.S. Tariff Schedule "Section 807", which allows reduced tariffs on articles assembled abroad from U.S.-made components) be used directly to procure feasibility studies, prefeasibility studies, or project profiles of potential investment in, or to assist the establishment of facilities specifically designed for, the manufacture for export to the United States or to third country markets indirect competition with U.S. exports, of textiles, apparel, footwear, handbags, flat goods (such as wallets or coin purses worn on the person), work gloves or leather wearing apparel?

*Not Applicable*

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measurements length, area, volume, capacity, mass and weight), through the implementation stage?

*Yes*

13. Tropical Forests (FY 1991 Appropriations Act Sec. 533(c)(3)): Will funds be used for any program, projector activity which would (a) result in any significant loss of tropical forests, or (b) involve industrial timber extraction in primary tropical forest areas?

*No*

14. PVO Assistance

a. Auditing and Registration (FY 1991 Appropriations Act Sec. 537): If assistance is being made available to a PVO, has that organization provided upon timely request any document, file, or record necessary to the auditing requirements of A.I.D., and is the PVO registered with A.I.D.?

*Not Applicable*

b. Funding Sources (FY 1991 Appropriations Act, Title II, under heading "Private and Voluntary Organizations"): If assistance is to be made to a United States PVO (other than a cooperative development organization), does it obtain at least 20 percent of its total annual funding for international activities from sources other than the United States Government?

*Not Applicable*

15. Project Agreement Documentation (State Authorization Sec. 139 (as interpreted by conference report)): Has confirmation of the date of signing of the project agreement, including the amount involved, been cabled to State L/T and A.I.D. LEG within 60 days of the agreement's entry into force with respect to the United States, and has the full text of the agreement been pouched to those same offices? (See Handbook 3, Appendix 6G for agreements covered by this provision.)

*Not Applicable*

16. Metric System (Omnibus Trade and Competitiveness Act of 1988 Sec. 5164, as interpreted by conference report, amending Metric Conversion Act of 1975 Sec. 2, and as implemented through A.I.D. policy): Does the assistance activity use the metric system of measurement in its procurements, grants, and other business-related activities, except to the extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric and are components, sub-assemblies, and semifabricated materials to be specified in metric units when economically available and technically adequate? Will A.I.D. specifications use metric units of measure from the earliest programmatic stages, and from the earliest documentation of the assistance processes (for example, project papers) involving quantifiable

17. Women in Development (FY 1991 Appropriations Act, Title II under heading "Women in Development"): Will assistance be designed so that the percentage of women participants will be demonstrably increased?

*The project will specifically work with Women's groups to increase their participation in management of natural resources.*

18. Regional and Multilateral Assistance (FAA Sec. 209): Is assistance more efficiently and effectively provided through regional or multilateral organizations? If so, why is assistance not so provided? Information and conclusions on whether assistance will encourage developing countries to cooperate in regional development programs.

*No*

19. Abortions (FY 1991 Appropriations Act, Title II, under heading "Population, DA," and Sec. 525):

a. Will assistance be made available to any organization or program which, as determined by the President, supports or participates in the management of a program of coercive abortion or involuntary sterilization?

*No*

b. Will any funds be used to lobby for abortion?

*No*

20. Cooperatives (FAA Sec. 111): Will assistance help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward a better life?

*No, but user groups will be supported.*

21. U.S.-Owned Foreign Currencies

a. Use of Currencies (FAA Secs. 612(b), 636(h); FY 1991 Appropriations Act Secs. 507, 509): Describe steps taken to assure that, to the maximum extent possible, foreign currencies owned by the U.S. are utilized in lieu of dollars to meet the cost of contractual and other services.

*Not Applicable*

b. Release of Currencies (FAA Sec. 612(d)): Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?

*No*

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*Not Applicable*

**22. Procurement**

a. Small Business (FAA Sec.602(a)): Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed?

*Yes. Project will utilize standard A.I.D. procurement processes, which provide for adequate participation of small business in the competitive process.*

b. U.S. Procurement (FAA Sec.604(a)): Will all procurement be from the U.S. except as otherwise determined by the President or determined under delegation from him?

*Yes*

c. Marine Insurance (FAA Sec.604(d)): If the cooperating country discriminates against marine insurance companies authorized to do business in the U.S., will commodities be insured in the United States against marine risk with such a company?

*Not Applicable*

d. Non-U.S. Agricultural Procurement (FAA Sec. 604(e)): If non U.S.procurement of agricultural commodity or product thereof is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? (Exception where commodity financed could not reasonably be procured in U.S.)

*Not Applicable*

e. Construction or Engineering Services (FAA Sec. 604(g)): Will construction or engineering services be procured from firms of advanced developing countries which are otherwise eligible under Code 941 and which have attained a competitive capability in international markets in one of these areas? (Exception for those countries which receive direct economic assistance under the FAA and permit United States firms to compete for construction or engineering services financed from assistance programs of these countries.)

*No*

f. Cargo Preference Shipping(FAA Sec. 603): Is the shipping excluded from compliance with the requirement in section 901(b) of the Merchant Marine Act of 1936, as amended,that at least 50 percent of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S. flag commercial vessels to the extent such vessels are available at fair and reasonable rates?

g. Technical Assistance (FAA Sec. 621(a)): If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? Will the facilities and resources of other Federal agencies be utilized, when they are particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs?

*No project will be implemented through a Cooperative Agreement.*

h. U.S. Air Carriers (Inter-national Air Transportation Fair Competitive Practices Act, 1974): If air transportation of persons or property is financed on grant basis, will U.S.carriers be used to the extent such service is available?

*Yes*

i. Termination for Convenience of U.S. Government (FY 1991 Appropriations Act Sec. 504): If the U.S.Government is a party to a contract for procurement, does the contract contain a provision authorizing termination of such contract for the convenience of the United States?

*Yes*

j. Consulting Services (FY1991 Appropriations Act Sec. 524): If assistance is for consulting service through procurement contract pursuant to 5 U.S.C. 3109, are contract expenditures a matter of public record and available for public inspection (unless otherwise provided by law or Executive order)?

*Yes*

k. Metric Conversion (Omnibus Trade and Competitiveness Act of 1988,as interpreted by conference report,amending Metric Conversion Act of 1975 Sec. 2, and as implemented through A.I.D.policy): Does the assistance program use the metric system of measurement in its procurements, grants, and other business related activities, except to the extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric, and are components,subassemblies, and semifabricated materials to be specified in metric units when economically available and technically adequate? Will A.I.D. specifications use metric units of measure from the earliest programmatic stages, and from the earliest documentation of the assistance processes (for example, project papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation stage?

*Yes*

l. Competitive Selection Procedures (FAA Sec. 601(e)): Will the assistance utilize competitive selection procedures for the awarding of contracts, except where applicable

*DOX*

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procurement rules allow otherwise?

**Yes**

**23. Construction**

**a. Capital Project (FAA Sec.601(d)):** If capital (e.g., construction) project, will U.S. engineering and professional services be used?

**Not Applicable**

**b. Construction Contract (FAA Sec. 611(c)):** If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable?

**Not Applicable**

**c. Large Projects, Congressional Approval (FAA Sec. 620(k)):** If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed \$100 million (except for productive enterprises in Egypt that were described in the Congressional Presentation), or does assistance have the express approval of Congress?

**Not Applicable**

**24. U.S. Audit Rights (FAA Sec.301(d)):** If fund is established solely by U.S. contributions and administered by an international organization, does Controller General have audit rights?

**Not Applicable**

**25. Communist Assistance (FAA Sec.620(h)):** Do arrangements exist to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist bloc countries?

**Yes**

**26. Narcotics**

**a. Cash Reimbursements (FAA Sec. 483):** Will arrangements preclude use of financing to make reimbursements, in the form of cash payments, to persons whose illicit drug crops are eradicated?

**Yes**

**b. Assistance to Narcotics Traffickers (FAA Section 487):** Will arrangements take "all reasonable steps" to preclude use of financing to or through individuals or entities which we know or have reason to believe have either: (1) been convicted of a violation of any law or regulation of the United States or a foreign country relating to narcotics (or other controlled substances); or (2) been an illicit trafficker in, or otherwise involved in the "" controlled substance?

**Yes**

**27. Expropriation and Land Reform(FAA Sec. 620(g)):** Will assistance preclude use of financing to compensate owners for expropriated or nationalized property, except to compensate foreign nationals in accordance with a land reform program certified by the President?

**Yes**

**28. Police and Prisons (FAA Sec.660):** Will assistance preclude use of financing to provide training, advice, or any financial support for police, prisons, or other law enforcement forces, except for narcotics programs?

**Yes**

**29. CIA Activities (FAA Sec. 662):** Will assistance preclude use of financing for CIA activities?

**Yes**

**30. Motor Vehicles (FAA Sec.636(i)):** Will assistance preclude use of financing to provide for purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained?

**Yes**

**31. Military Personnel (FY 1991 Appropriations Act Sec. 503):** Will assistance preclude use of financing to pay pensions, annuities, retirement pay, or adjusted service compensation for prior or current military personnel?

**Yes**

**32. Payment of U.N. Assessments(FY 1991 Appropriations Act Sec. 505):** Will assistance preclude use of financing to pay U.N. assessments, arrearages or dues?

**Yes**

**33. Multilateral Organization Lending (FY 1991 Appropriations Act Sec.506):** Will arrangements preclude use of financing to carry out provisions of FAA section 209(d) (transfer of FAA funds to multilateral organizations for lending)?

**Yes**

**34. Export of Nuclear Resources(FY 1991 Appropriations Act Sec. 510):** Will assistance preclude use of financing to finance the export of nuclear equipment, fuel, or technology?

**Yes**

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35. Repression of Population (FY1991 Appropriations Act Sec. 511): Will assistance preclude use of financing for the purpose of aiding the efforts of the government of such country to repress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights?

Yes

36. Publicity or Propaganda (FY1991 Appropriations Act Sec. 516): Will assistance be used for publicity or propaganda purposes designed to support or defeat legislation pending before Congress, to influence in any way the outcome of a political election in the United States, or for any publicity or propaganda purposes not authorized by Congress?

No

37. Marine Insurance (FY 1991 Appropriations Act Sec. 563): Will any A.I.D. contract and solicitation, and subcontract entered into under such contract, include a clause requiring that U.S. marine insurance companies have a fair opportunity to bid for marine insurance when such insurance is necessary or appropriate?

Yes

38. Exchange for Prohibited Act (FY 1991 Appropriations Act Sec. 569): Will any assistance be provided to any foreign government (including any instrumentality or agency thereof), foreign person, or United States person in exchange for that foreign government or person undertaking any action which is, if carried out by the United States Government, a United States official or employee, expressly prohibited by a provision of United States law?

No

**B. CRITERIA APPLICABLE TO DEVELOPMENT ASSISTANCE ONLY**

1. Agricultural Exports (Bumpers Amendment) (FY 1991 Appropriations Act Sec. 521(b), as interpreted by conference report for original enactment): If assistance is for agricultural development activities (specifically, any testing or breeding feasibility study, variety improvement or introduction, consultancy, publication, conference, or training), are such activities: (1) specifically and principally designed to increase agricultural exports by the host country to a country other than the United States, where the export would lead to direct competition in that third country with exports of a similar commodity grown or produced in the United States, and can the activities reasonably be expected to cause substantial injury to U.S. exporters of a similar agricultural commodity; or (2) in support of research that is intended primarily to benefit U.S. producers?

No

2. Tied Aid Credits (FY 1991 Appropriations Act, Title II, under heading "Economic Support Fund"): Will DA funds be used for tied aid credits?

*Not Applicable*

3. Appropriate Technology (FAA Sec. 107): Is special emphasis placed on use of appropriate technology (defined as relatively smaller, cost saving, labor using technologies that are generally most appropriate for the small farms, small business, and small incomes of the poor)?

Yes

4. Indigenous Needs and Resources (FAA Sec. 281(b)): Describe extent to which the activity recognizes the particular needs, desires and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civic education and training in skills required for effective participation in governmental processes essential to self government.

*The Project is designed to support existing and create new locally based user groups which will improve local participatory management of natural resources. Local technical assistance will be used to facilitate this process.*

5. Economic Development (FAA Sec. 101(a)): Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth?

Yes

6. Special Development Emphasis (FAA Secs. 102(b), 113, 281(a)): Describe extent to which activity will: (a) effectively involve the poor in development by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, dispersing investment from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using appropriate U.S. institutions; (b) encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries.

*The project will involve small farmers in the management of local natural resources. The project will thus increase farmer participation at the local level by supporting user groups, including women's groups, in rural areas.*

7. Recipient Country Contribution (FAA Sec. 110, 124(d)): Will the recipient country provide at least 25 percent of

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the costs of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed" country)?

**Yes**

8. **Benefit to Poor Majority (FAA Sec. 128(b)):** If the activity attempts to increase the institutional capabilities of private organizations or the government of the country, or if it attempts to stimulate scientific and technological research, has it been designed and will it be monitored to ensure that the ultimate beneficiaries are the poor majority?

*The project is specifically aimed at involving small farmers in decisions which will maintain agricultural productivity and thus farm incomes.*

9. **Abortions (FAA Section 104(f); FY 1991 Appropriations Act, Title II under heading "Population, DA," and Sec. 535):**

a. Are any of the funds to be used for the performance of abortions as a method of family planning or to motivate or coerce any person to practice abortions?

**No**

b. Are any of the funds to be used to pay for the performance of involuntary sterilization as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations?

**No**

c. Are any of the funds to be made available to any organization or program which, as determined by the President, supports or participates in the management of a program of coercive abortion or involuntary sterilization?

**No**

d. Will funds be made available only to voluntary family planning projects which offer, either directly or through referral to, or information about access to, a broad range of family planning methods and services?

**Not Applicable**

e. In awarding grants for natural family planning, will any applicant be discriminated against because of such applicant's religious or conscientious commitment to offer only natural family planning?

**Not Applicable**

f. Are any of the funds to be used to pay for any bio medical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning?

**No**

g. Are any of the funds to be made available to any organization if the President certifies that the use of these funds by such organization would violate any of the above provisions related to abortions and involuntary sterilization?

**No**

10. **Contract Awards (FAA Sec. 601(e)):** Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?

**Yes**

11. **Disadvantaged Enterprise (FY 1991 Appropriations Act Sec. 567):** What portion of the funds will be available only for activities of economically and socially disadvantaged enterprises, historically black colleges and universities, colleges and universities having a student body in which more than 40 percent of the students are Hispanic Americans, and private and voluntary organizations which are controlled by individuals who are black Americans, Hispanic Americans, or Native Americans, or who are economically or socially disadvantaged (including women)?

*Technical assistance and training will be provided by HBCUs, and other disadvantaged enterprises in accordance with AID procurement regulations.*

12. **Biological Diversity (FAA Sec. 119(g)):** Will the assistance: (a) support training and education efforts which improve the capacity of recipient countries to prevent loss of biological diversity; (b) be provided under a long-term agreement in which the recipient country agrees to protect ecosystems or other wildlife habitats; (c) support efforts to identify and survey ecosystems in recipient countries worthy of protection; or (d) by any direct or indirect means significantly degrade national parks or similar protected areas or introduce exotic plants or animals into such areas?

**(a) No**

**(b) No**

**(c) No**

**(d) No**

13. **Tropical Forests (FAA Sec. 118; FY 1991 Appropriations Act Sec. 533(c)-(e) and (g)):**

a. **A.I.D. Regulation 16:** Does the assistance comply with the environmental procedures set forth in A.I.D. Regulation 16?

**Yes**

b. **Conservation:** Does the assistance place a high

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priority on conservation and sustainable management of tropical forests? Specifically, does the assistance, to the fullest extent feasible: (1) stress the importance of conserving and sustainably managing forest resources; (2) support activities which offer employment and income alternatives to those who otherwise would cause destruction and loss of forests, and help countries identify and implement alternatives to colonizing forested areas; (3) support training programs, educational efforts, and the establishment or strengthening of institutions to improve forest management; (4) help end destructive slash-and-burn agriculture by supporting stable and productive farming practices; (5) help conserve forests which have not yet been degraded by helping to increase production on lands already cleared or degraded; (6) conserve forested watersheds and rehabilitate those which have been deforested; (7) support training, research, and other actions which lead to sustainable and more environmentally sound practices for timber harvesting, removal and processing; (8) support research to expand knowledge of tropical forests and identify alternatives which will prevent forest destruction, loss, or degradation; (9) conserve biological diversity in forest areas by supporting efforts to identify, establish, and maintain a representative network of protected tropical forest eco-systems on a worldwide basis, by making the establishment of protected areas a condition of support for activities involving forest clearance or degradation, and by helping to identify tropical forest ecosystems and species in need of protection and establish and maintain appropriate protected areas; (10) seek to increase the awareness of U.S. government agencies and other donors of the immediate and long-term value of tropical forests; (11) utilize the resources and abilities of all relevant U.S. government agencies; (12) be based upon careful analysis of the alternatives available to achieve the best sustainable use of land; and (13) take full account of the environmental impacts of the proposed activities on biological diversity. The project will implement programs leading to sustainable agricultural production through better management of natural resources, including land, water and forests.

*Yes, the project will implement programs leading to sustainable agricultural production through better management of natural resources, including land, water and forests.*

c. Forest Degradation: Will assistance be used for: (1) the procurement or use of logging equipment, unless an environmental assessment indicates that all timber harvesting operations involved will be conducted in an environmentally sound manner and that the proposed activity will produce positive economic benefits and sustainable forest management systems; (2) actions which will significantly degrade national parks or similar protected areas which contain tropical forests, or introduce exotic plants or animals in to such areas; (3) activities which would result in the conversion of forest lands to the rearing of livestock; (4) the construction, upgrading, or maintenance of roads (including temporary haul roads for logging or other extractive industries) which pass through relatively undegraded forest lands; (5) the colonization of forest lands; or (6) the construction of dams or other

water control structures which flood relatively undegraded forest lands, unless with respect to each such activity an environmental assessment indicates that the activity will contribute significantly and directly to improving the livelihood of the rural poor and will be conducted in an environmentally sound manner which supports sustainable development?

(1) No

(2) No

(3) No

(4) No

(5) No

(6) No. However, the project will improve the management of existing irrigation works, aiming towards sustainable natural resource management.

d. Sustainable Forestry: If assistance relates to tropical forests, will project assist countries in developing a systematic analysis of the appropriate use of their total tropical forest resources, with the goal of developing a national program for sustainable forestry?

*Not Applicable*

e. Environmental Impact Statements: Will funds be made available in accordance with provisions of FAA Section 117(c) and applicable A.I.D. regulations requiring an environmental impact statement for activities significantly affecting the environment?

*Project has received a categorical exclusion.*

14. Energy (FY 1991 Appropriations Act Sec. 533(c)): If assistance relates to energy, will such assistance focus on: (a) end-use energy efficiency, least-cost energy planning, and renewable energy resources, and (b) the key countries where assistance would have the greatest impact on reducing emissions from greenhouse gases?

*Not Applicable*

15. Sub-Saharan Africa Assistance (FY 1991 Appropriations Act Sec. 562, adding a new FAA chapter 10 (FAA Sec. 496)): If assistance will come from the Sub-Saharan Africa DA account, is it: (a) to be used to help the poor majority in Sub-Saharan Africa through a process of long-term development and economic growth that is equitable, participatory, environmentally sustainable, and self-reliant; (b) to be used to promote sustained economic growth, encourage private sector development, promote individual initiatives, and help to reduce the role of central governments in areas more appropriate for the private sector; (c) to be provided in a manner that takes into account, during the planning process the local-level perspectives of the rural and urban poor, including women, through close consultation with African, United States and other PVOs that have demonstrated effectiveness in the promotion of local grassroots activities on behalf of long-term development in Sub-Saharan Africa; (d) to be implemented in a manner that requires local people, including women, to be closely consulted and involved, if the assistance has a local focus; (e) being used primarily to promote reform

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of critical sectoral economic policies, or to support the critical sector priorities of agricultural production and natural resources, health, voluntary family planning services, education, and income generating opportunities; and (f) to be provided in a manner that, if policy reforms are to be effected, contains provisions to protect vulnerable groups and the environment from possible negative consequences of the reforms?

*Not Applicable*

requirement to enter into such an agreement been waived by the President because of a national security interest?

*Not Applicable*

16. Debt-for-Nature Exchange (FAA Sec. 463): If project will finance a debt-for-nature exchange, describe how the exchange will support protection of: (a) the world's oceans and atmosphere, (b) animal and plant species, and (c) parks and reserves; or describe how the exchange will promote: (d) natural resource management, (e) local conservation programs, (f) conservation training programs, (g) public commitment to conservation, (h) land and ecosystem management, and (i) regenerative approaches in farming, forestry, fishing and watershed management.

*Not Applicable*

17. Deobligation/Reobligation (FY1991 Appropriations Act Sec. 515): If deob/reob authority is sought to be exercised in the provision of DA assistance, are the funds being obligated for the same general purpose, and for countries within the same region as originally obligated, and have the House and Senate Appropriations Committees been properly notified?

*No*

18. Loans

a. Repayment Capacity (FAA Sec. 122(b)): Information and conclusion on capacity of the country to repay the loan at a reasonable rate of interest.

*Sri Lanka maintains a good debt repayment record.*

b. Long-range Plans (FAA Sec. 122(b)): Does the activity give reasonable promise of assisting long-range plans and programs designed to develop economic resources and increase productive capacities?

*Yes*

c. Interest Rate (FAA Sec. 122(b)): If development loan is repay-able in dollars, is interest rate at least 2 percent per annum during a grace period which is not to exceed ten years, and at least 3 percent per annum thereafter?

*Not Applicable*

d. Exports to United States (FAA Sec. 620(d)): If assistance is for any productive enterprise which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S. of more than 20 percent of the enterprise's annual production during the life of the loan or has the

19. Development Objectives (FAA Secs. 102(a), 111, 113, 281(a)): Extent to which activity will: (1) effectively involve the poor in development, by expanding access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (2) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions; (3) support the self-help efforts of developing countries; (4) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (5) utilize and encourage regional cooperation by developing countries?

*The project will involve small farmers in the management of local natural resources. The project will thus increase farmer participation at the local level by supporting user groups, including women's groups, in rural areas.*

20. Agriculture, Rural Development and Nutrition, and Agricultural Research (FAA Secs. 103 and 103A):

a. Rural Poor and Small Farmers: If assistance is being made available for agriculture, rural development or nutrition, describe extent to which activity is specifically designed to increase productivity and income of rural poor; or if assistance is being made available for agricultural research, has account been taken of the needs of small farmers, and extensive use of field testing to adapt basic research of local conditions shall be made.

*The project is designed to involve small farmers in the effective management of local resources leading to sustainable increases in agricultural productivity.*

b. Nutrition: Describe extent to which assistance is used in coordination with efforts carried out under FAA Section 104 (Population and Health) to help improve nutrition of the people of developing countries through encouragement of increased production of crops with greater nutritional value; improvement of planning, research, and education with respect to nutrition, particularly with reference to improvement and expanded use of indigenously produced foodstuffs; and the undertaking of pilot or demonstration programs explicitly addressing the problem of malnutrition of poor and vulnerable people.

*The project by improving management of land and water resources will lead to sustainable agricultural production and therefore improve nutritional standards.*

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c. **Food Security:** Describe extent to which activity increases national food security by improving food policies and management and by strengthening national food reserves, with particular concern for the needs of the poor, through measures encouraging domestic production, building national food reserves, expanding available storage facilities, reducing post harvest food losses, and improving food distribution.

*Not Applicable*

21. Population and Health (FAA Secs. 104(b) and (c)): If assistance is being made available for population or health activities, describe extent to which activity emphasizes low-cost, integrated delivery systems for health, nutrition and family planning for the poorest people, with particular attention to the needs of mothers and children, using paramedics and auxiliary medical personnel, clinics and health posts, commercial distribution systems, and other modes of community outreach.

*Not Applicable*

22. Education and Human Resources Development (FAA Sec. 105): If assistance is being made available for education, public administration, or human resource development, describe (a) extent to which activity strengthens non formal education, makes formal education more relevant, especially for rural families and urban poor, and strengthens management capability of institutions enabling the poor to participate in development; and (b) extent to which assistance provides advanced education and training of people of developing countries in such disciplines as are required for planning and implementation of public and private development activities.

*The project will provide short-term training to improve the management of natural resources.*

23. Energy, Private Voluntary Organizations, and Selected Development Activities (FAA Sec. 106): If assistance is being made available for energy, private voluntary organizations, and selected development problems, describe extent to which activity is:

*Not Applicable*

a. concerned with data collection and analysis, the training of skilled personnel, research on and development of suitable energy sources, and pilot projects to test new methods of energy production; and facilitative of research on and development and use of small-scale, decentralized, renewable energy sources for rural areas, emphasizing development of energy resources which are environmentally acceptable and require minimum capital investment;

*Not Applicable*

b. concerned with technical cooperation and development, especially with U.S. private and voluntary, or regional and international development organizations;

*Not Applicable*

c. research into, and evaluation of, economic development processes and techniques;

*Not Applicable*

d. reconstruction after natural or man made disaster and programs of disaster preparedness;

*Not Applicable*

e. for special development problems, and to enable proper utilization of infrastructure and related projects funded with earlier U.S. assistance;

*Not Applicable*

f. for urban development, especially small, labor-intensive enterprises, marketing systems for small producers, and financial or other institutions to help urban poor participate in economic and social development.

*Not Applicable*

**C. CRITERIA APPLICABLE TO ECONOMIC SUPPORT FUNDS ONLY**

*Not Applicable*

1. **Economic and Political Stability (FAA Sec. 531(e)):** Will this assistance promote economic and political stability? To the maximum extent feasible, is this assistance consistent with the policy directions, purposes, and programs of Part I of the FAA?

2. **Military Purposes (FAA Sec. 531(e)):** Will this assistance be used for military or paramilitary purposes?

3. **Commodity Grants/Separate Accounts (FAA Sec. 609):** If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counter-part) arrangements been made? (For FY1991, this provision is superseded by the separate account requirements of FY1991 Appropriations Act Sec. 575(a), see 575(e)(5).)

4. **Generation and Use of Local Currencies (FAA Sec. 531(d)):** Will ESF funds made available for commodity import programs or other program assistance be used to generate local currencies? If so, will at least 50 percent of such local currencies be available to support activities consistent with the objectives of FAA sections 103 through 106? (For FY 1991, this provision is superseded by the separate account requirement of FY 1991 Appropriations Act Sec. 575(a), see Sec. 575(a)(5).)

5. **Cash Transfer Requirements (FY1991 Appropriations Act,**

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Title II, under heading "Economic Support Fund," and Sec. 575 (b)): If assistance is in the form of a cash transfer:

- a. Separate Account: Are all such cash payments to be maintained by the country in a separate account and not to be commingled with any other funds?
- b. Local Currencies: Will all local currencies that may be generated with funds provided as a cash transfer to such a country also be deposited in a special account, and has A.I.D. entered into an agreement with that government setting forth the amount of the local currencies to be generated, the terms and conditions under which they are to be used, and the responsibilities of A.I.D. and that government to monitor and account for deposits and disbursements?
- c. U.S. Government Use of Local Currencies: Will all such local currencies also be used in accordance with FAA Section 609, which requires such local currencies to be made available to the U.S. Government as the U.S. determines necessary for the requirements of the U.S. Government, and which requires the remainder to be used for programs agreed to by the U.S. Government to carry out the purposes for which new funds authorized by the FAA would themselves be available?
- d. Congressional Notice: Has Congress received prior notification providing in detail how the funds will be used, including the U.S. interests that will be served by the assistance, and, as appropriate, the economic policy reforms that will be promoted by the cash transfer assistance?

SCOR Sub-Project (383-0109)

ANNEX K

**SUGGESTED MANAGEMENT SYSTEM FOR  
SUB-GRANTS**

ANNEX K

SUGGESTED MANAGEMENT SYSTEM FOR SUB-GRANTS  
UNDER THE SCOR PROJECT

(383-0109)

BACKGROUND:

The SCOR sub-project has, as an important element, a component of small sub-grants which will be given to User Groups in the targeted watersheds to enable them to make small improvements in their areas. It is not anticipated that the grants will be used for major construction or procurement but will merely be a facilitating mechanism for organizing the groups and providing some capitalization.

The total amount of USG funds allocated to the sub-grant component of SCOR will not exceed \$500,000. These funds will be drawn from the PL480 PVO Co-Financing Project. However, the sub-grant fund will be administered by the recipient of the Cooperative Agreement.

ISSUES:

The major issue has been defining how exactly the system of sub-grant will work. Falling out of this, the principal concerns have been:

--**Mission Workload** These sub-grants are anticipated to be small amounts and so, if USAID had to track a program of this size, it would create a tremendous workload within the mission.

--**Accountability** USAID must have confidence that USAID regulations and procedures are being followed.

--**Control** USAID must have enough information to be sure that the program is working as envisioned in the PPS and in accordance with regulations.

--**Capability** Will the CA recipient have the capacity to administer the sub-grant program and provide adequate information and accountability for USAID's purposes?

SUGGESTED MANAGEMENT SYSTEM:

In discussions with the Project Managers of the PVO Co-Financing project and other mission project officers with experience in running sub-grant programs, the following system was developed.

The criteria for making sub-grants and all the procedures to be followed for preparing applications, including all forms etc, will

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be developed jointly by the CA recipient and USAID during project start-up. This will provide an opportunity for USAID to have substantial input, making sure that the CA recipient fully understands all the applicable regulations from the USAID point of view. Further, USAID will be able to evaluate if the CA recipient has the capability to administer the program as it is jointly designed and USAID can assess what additional resources (personnel, equipment and training) might be required. Provision has been made in the PPS for additional administrative personnel devoted to implementation of SCOR. The criteria and procedures developed at this stage must be clear and simple so that project personnel involved in the grant-making process understand the process and to ensure that the process is standardized in all areas of project activity.

At the local level, project personnel will identify user groups who can make use of a grant and who will have the capacity to account for the money. In other words, local level project personnel must ensure that the user groups applying for loans have at least a rudimentary accounting system which would allow them to track the funds. Further, project personnel at the local level will be able to track usage of grant funds and will be able to see that funds have been used for their intended purposes.

Once user groups have been identified, they will be assisted to complete applications and these will be forward to the headquarters of the CA recipient. The CA recipient will evaluate the applications based on the criteria developed by them and USAID and will approve or disapprove the grant. The CA recipient will disburse the funds to the User Group. Once the program is well established, the CA recipient will be able to estimate cash needs for sub-grants based on rates of approval and/or applications pending. In the program's initial stages, the CA recipient will have to estimate cash needs based on likely sub-grant requests. In the advance request (and subsequent liquidation), the CA recipient will specify the source of funding for the sub-grants, i.e. PL480 funded PVO Co-Financing project. In order to liquidate the portion of the CA recipient's advance devoted to sub-grants, the CA recipient will have to account for the sub-grants made in the previous quarter and must be able to make available to USAID records to substantiate their reports.

The CA recipient will be responsible for tracking and monitoring the sub-grant program. They will have to maintain records in sufficient detail so that the sub-grant fund can be tracked and to allow for audit. The CA recipient will report quarterly on usage of the sub-grant fund and will provide such information as may be required by USAID to satisfy its oversight responsibilities. This information might include, for example:

- User Group location;
- Consecutive Number of sub-grant;
- Date of application;
- Date of sub-grant approval;

- Amount of sub-grant;
- Reason for sub-grant (purpose);
- Success of each sub-grant (end-use monitoring);
- Balance of sub-grant fund.

In addition, USAID may decide to require some evaluation of the effectiveness of the sub-grant program on a periodic basis. USAID will perform periodic spot checks on the program and will track progress on making sub-grants (for example, the rate at which grants are made and the time taken to process and approve applications).

In this proposed system, USAID will maintain an acceptable level of control. USAID will work closely with the CA recipient to define the criteria for the sub-grants and all the practical procedures. USAID will spot check the program once it is underway to ensure that it is being implemented in accordance with the jointly developed procedures and USAID will have audit rights. Furthermore, the CA recipient is required by regulations to conduct an external audit annually of the sub-project and the sub-grant component will be included in this audit. The CA recipient will track the implementation of the program at the local level and will thus be able to ensure that the sub-grants are being used for agreed upon purposes. In the CA recipient's quarterly reports, special note will be taken of the progress of the sub-grant program. In the workplans to be submitted by the CA recipient, targets can be set for numbers of sub-grants to be made within a specified period, if USAID decides this is necessary.