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USAID/SRI LANKA

PROGRAM PAPER

NATURAL RESOURCES AND ENVIRONMENTAL PRACTICES  
PROGRAM II  
(NAREP II)

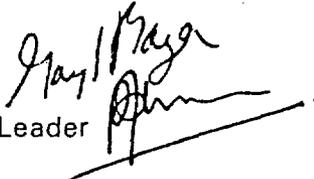
(383-0121)

SEPTEMBER 18, 1996

**ACTION MEMORANDUM FOR THE DIRECTOR**

DATE: September 17, 1996

FROM: Gary Bayer, E-Team Co-Leader  
Avanthi Jayatilake, E-Team Co-Leader



SUBJECT: Natural Resources and Environmental Practices II (NAREP II) Program  
(383-0121)

**PROBLEM**

Your approval of the attached Program Paper (PP) and the results identified therein, and your agreement that the PP includes adequate planning in accordance with FAA Section 611(a) to enable achievement of the intended results, is required for the E-Team to initiate actions to attain those results.

**BACKGROUND AND DISCUSSION**

USAID/Sri Lanka has assigned responsibility to develop natural resources management and biodiversity related results, as well as the required activities to attain those results, to Strategic Objective Team No. 2 (Environment Team or E-Team). The E-Team has prepared the attached Program documentation, which provides details on the initial Plan of Action which the E-Team will follow to attain NAREP II's contribution toward the planned main result: "Improved Environmental Practices to Support Sustainable Development." To this end, the subject Program includes a mix of activities to help Sri Lanka manage its resources in a rational way, conserve biodiversity, and undertake income-generation and job-creation activities using resources in a way that does not degrade the environment and furthers sustainable development and economic growth. The design complements and furthers other USAID-sponsored activities to attain Strategic Objective 1 (Sustainable Economic Growth) and is linked to Strategic Objective 3 (Democracy) by encouraging citizens' participation in managing the country's natural resources and its biodiversity.

The planned results envisioned under NAREP II are expected to be obtained over the time period late 1996 through 2001. The total cost of NAREP II is estimated at US\$ 12.0 million over a five year life of program. USAID plans to contribute US\$8 million. The GSL's direct contribution is estimated at US\$2.5 million, consisting of the equivalent of approximately US\$2.0 million in local currency generated under PL 480 Title III programs (from the PL 480 Title III NGO Special Account) and US\$500,000 in other cash and in-kind contributions. Local NGOs and other private sector organizations are expected to provide approximately US\$1.5 million, consisting mostly of in-kind contributions.

Design of the NAREP II Program

(Please see Annex F to the PP for a detailed description of the design process.)

Per the new ADS procedures, the planned activities are within the parameters of the Environmental Results Framework which USAID/W approved in March 1996 (STATE 54164) in conjunction with USAID/SL's Results Review and Resources Request. In this respect, reengineering transition guidance provided in STATE 223146 (September 20,

1995) states that prior to obligation of funds, the operating unit (USAID/Sri Lanka) must ensure that relevant legal, regulatory and planning requirements have been met. The guidance states that "the various analyses (social-cultural, technical, institutional, financial, economic and environmental), as well as identification of methods of implementation and disbursement, should be completed to the extent appropriate for the objective, intermediate results and illustrative of actual activity as determined by the Mission Director."

Numerous studies have been carried out since 1994 to identify the constraints which affect Sri Lanka's natural resources and the environment and the activities carried out or required to deal with them. The findings of the principal analyses, evaluations, reports, studies, etc. which were employed in preparing the attached NAREP II Program Paper are contained in the documents listed in Annex B to the PP (Bibliography), which, along with related documents, are maintained in the files of the Mission's Office of Agriculture and Natural Resources (ANR). Also, in July 1996, two biodiversity and natural resource management specialists from the USAID/W Global Bureau carried out a review of the key findings of such studies and existing and planned efforts by public and private sector organizations and the international donor community to promote improved management of natural resources and conserve Sri Lanka's biodiversity. The activities proposed in the attached Program Paper also reflect the recommendations of these studies and the related E-Team review of the studies.

In the course of designing NAREP II, the E-Team determined that the materials cited in Annex B constitute an adequate basis for planning the technical, socio-cultural and institutional aspects of the NAREP II program. Given the wealth of relevant information and experience generated in implementation of NAREP I over the past five years, the E-Team determined that economic and financial analyses specific to the NAREP II design were not necessary.

As required by State 223146, the following information is included in the attached NAREP II document, which flows from the studies, reports and evaluations cited above: (1) the anticipated results and time frames for achieving them; (2) explanation of how these results contribute to achieving the strategic objective; (3) the resources required to achieve intended results; (4) the measures to be employed to gauge progress in achieving the intended results; (5) the customers these results serve and mechanisms by which the related activities facilitate customer participation; (6) the likely partners and mechanism for procurement of goods and services to carry out activities needed to achieve intended results; (7) the environmental threshold decision; and, (8) statutory checklist. The above documentation and planning requirements are met as outlined below.

Consistent with the reengineering guidelines, the heart of the attached document is in three sections: (a) Section 3.3, which discusses the activities to be carried out, the implementing partners, and the customers who will benefit from the planned activities; (b) Section 3.5, which describes the specific results to be attained with target indicators to measure progress towards such results; and (c) Section 3.8, which discusses the inputs required to attain the planned results.

We request your agreement that the attached NAREP II Program documentation, based on the underlying analyses referenced above, represents adequate planning and coverage in accordance with FAA Section 611(a) to enable the achievement of the

intended results and that accordingly, the E-Team may proceed to prepare the obligating documents under NAREP II.

### Implementation of the NAREP II Program

USAID staff has identified the most promising NGOs which can play a significant role in dealing with the key problems affecting the environment, the natural resource base and biodiversity in Sri Lanka. These NGOs will be asked to prepare proposals which include their significant commitment to foster a better environment and measures to conserve natural resources and protect the country's biodiversity. The NAREP II design analyses and technical reports (listed in Annex B to the PP), as well as USAID/Washington policy determinations which mandate field missions to support such initiatives, provide the basis for the definition of the results and the identification of activities to achieve those results. The Program documentation includes an initial Plan of Action to initiate those activities.

To assure a central point of coordination for the activities contained in the Program Paper and the Plan of Action, the E-Team has named the Environmental Program Specialist of ANR as the Program Manager. The Program Manager will assure that other members of the Core E-Team and other Mission staff who serve as resource personnel will participate as necessary to attain the results expected from the activities included in the Plan of Action. The Program Manager, in concert with the rest of the E-Team, will keep you informed of the progress made to attain the planned results.

Following your concurrence with the NAREP II Program Paper and the results contained therein, and agreement with the level of planning indicated in the NAREP II documentation, the E-Team will initiate a number of preparatory steps necessary to implement the Plan of Action. A key initial step is the preparation of a Program Agreement to establish the inter-relationships of USAID partners in the Plan of Action and to set forth the responsibilities and resource commitments of each. The critical partners are the respective ministries in charge of the subjects of environment, agriculture, forestry, coastal resources, wildlife, irrigation, national planning and fisheries, as well as the local non-governmental organizations and community-based organizations which will play a pivotal role in dealing with environmental, natural resources management and biodiversity issues, and who are key players in attaining the planned results.

All Program components are expected to be implemented by a U.S. institutional contractor (IC) selected competitively. The contract with the selected firm will include funds for local and external technical assistance, training activities, commodities, and for possible grants to specialized NGOs which have a unique capability to carry out aspects of the Program. These arrangements will facilitate Program implementation and reduce the workload of the limited USAID/Sri Lanka staff. Accordingly, a separate action memorandum for your approval of administration of small grants by a contractor has been prepared pursuant to CIB 94-23, and is included as Annex G of the attached PP. Agreement has been reached between the E and D-Teams (with the concurrence of CTR and PPS) on allotting Rs. 100 million of the PL-480 Local Currency Special NGO account to NAREP II for the purpose of partially funding the NGO grant activities.

USAID/Washington Approvals

The Congressional Notification for NAREP II expired without objection on August 14, 1996 (STATE 169989).

On August 26, 1996, the ANE Bureau Environmental Officer approved the Negative Determination Environmental Threshold Decision which USAID/Sri Lanka recommended. A copy of this decision is attached as Annex D to the NAREP II Document.

On September 12, 1996, M/OP/P reviewed and commented on the separate action memorandum (attached as Annex G to the PP) for your approval of administration of small grants by an institutional contractor under NAREP II pursuant to Contract Information Bulletin (CIB) 94-23.

**AUTHORITY**

You have the authority to take the action requested in this action memorandum based on your authority to implement approved strategic objectives under ADS 103.5.8b and 103.5.12a.

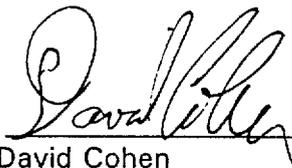
**RECOMMENDATION**

That you:

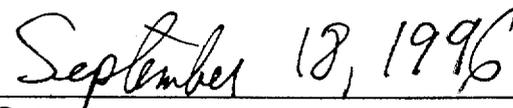
- ▶ Review and approve the separate action memorandum (attached as Annex G to the PP) for administration of small grants by an institutional contractor under the NAREP II Program; and,
- ▶ Sign below to indicate your approval of the attached NAREP II documentation and the results identified therein and your agreement that the documentation includes adequate planning in accordance with FAA 611(a) to enable achievement of the intended results; and to authorize the E-Team to initiate actions to attain those results.

The E-Team members who have signed below are hereby responsible and accountable to you for pursuing the specific results described in the attached NAREP II documentation and for keeping you fully informed of the progress made towards attaining them.

Agreement:



David Cohen  
Director  
USAID/Sri Lanka



Date

E

**NATURAL RESOURCES AND ENVIRONMENTAL  
PRACTICES PROGRAM II (NAREP II)**

**NATURAL RESOURCES AND ENVIRONMENTAL PRACTICES PROGRAM II (NAREP II)**

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H

## GLOSSARY OF ACRONYMS

ADB	Asian Development Bank
AgEnt	Agro-Enterprise Activity under AMDC of SEGP
ANR	USAID/SL Office of Agriculture and Natural Resources
APP	Annual Performance Plan
BPD	Budget Planning Document
CBO	Community Based Organization
CIPART	Citizens' Participation Project
CIPNA	CIPART - NAREP Joint Activity
CPS	USAID/SL Country Program Strategy, FY 1996 - FY 2000
CRMP	Coastal Resource Management Project
CSP	Customer Service Plan
FAA	Foreign Assistance Act of 1961, as Amended
FSN	Foreign Service National Employee (USAID/Sri Lanka)
FY	Fiscal Year
GSL	Government of Sri Lanka
IC	Institutional Contractor
IL	Implementation Letter
IMF	International Monetary Fund
IR	Intermediate Result
LOP	Life of Program
MTEWA	Ministry of Transportation, Environment and Women's Affairs
NAREP II	Natural Resources and Environmental Practices II Program
NAREP I	Natural Resources and Environmental Policy I Project
NARESA	GSL's Natural Resources, Energy and Science Authority
NEAP	National Environmental Action Plan
NGO	Sri Lankan or International Non-Governmental Organization
NPI	New Partnerships Initiative
OYB	Operational Year Budget
POA	Plan of Action
PP	Program Paper
PPI	Promotion of Private Infrastructure
PRR	Performance Review Report
RAMZAR	A wetland coastal site
SCOR	Shared Control of Natural Resources Sub-Project
SEGP	Sustainable Economic Growth Program
SO 2	Strategic Objective No. 2 ("Environment") under the USAID/SL CPS
SO	Strategic Objective under the USAID/SL CPS
TA	Technical Assistance
US-AEP	United States-Asia Environmental Partnership Program
USAID	U.S. Agency for International Development
USAID/W	USAID - Washington Headquarters
USAID/SL	USAID Mission to Sri Lanka
USDH	U.S. Direct-Hire Employee of USAID

## NATURAL RESOURCES AND ENVIRONMENTAL PRACTICES PROGRAM II (NAREP II)

### 1.0 SUMMARY

#### 1.1 The Problem

The long-term objective of fostering the sound use of natural resources is to support broad-based economic growth. Yet, if exploited spontaneously and without controls, valuable resources such as timber, gums, honey, resins, fruits, nuts, and marine and terrestrial fauna are often wasted and misused, the biodiversity is affected and sustainable development is hampered. Ultimately, unless equipped properly to participate in managing such resources soundly, the economic situation of people who depend on their use for their livelihood, generally the poorest population groups, worsens. This, in turn, leads to increased pressures on the carrying capacity of the environment in which such population groups live and to bleak prospects for sustainable economic growth and development. Thus, there is a clear need for feasible actions to empower poor people and community-based organizations to form effective partnerships with public and private sector institutions so that they can participate effectively in managing their means of economic survival, both natural resources and the ecosystems, in a sustainable way.

USAID has been supporting such actions for a number of years. As a result, the Government of Sri Lanka (GSL) now has a national framework for environmental policies and programs as part of its economic development strategy. These policies are reflected in the GSL's National Environmental Action Plan (NEAP), and in the proposed new National Environment Act. In addition, significant progress has been made in developing the critical human resource and institutional foundation for the long-term effective management of Sri Lanka's natural resources and biodiversity. The Ministry of Environment, initially established in 1991 with a skeleton staff, is now a fairly influential institution serving as the key GSL national environmental policy and program coordinator. Training programs to develop a national cadre of equipped individuals to continue dealing with the constraints affecting Sri Lanka's prospects of managing effectively its natural resources and biodiversity system have been established. Presently, over 100 persons are being trained annually.

Yet, critical constraints continue to dim the prospects of attaining broad-based sustainable growth based on the sound utilization of the country's natural resources. Deforestation, soil erosion, water and air pollution change the ecosystems, and indiscriminate use of resources to satisfy economic needs continue to be serious problems. In addition, the GSL information base on key environmental, biodiversity and natural resources aspects is still inadequate as a tool to make sound decisions. Perhaps, an even more significant constraint is the inadequacy of public and private sector efforts to develop partnerships to increase the magnitude of participation of individuals at the community level in the management and sustainable use of the country's resources. The combined mix of these constraints underscores the significant linkages that must be considered in dealing with

natural resources and biodiversity conservation issues which have cross-cutting implications with Sustainable Economic Growth (Strategic Objective No. 1) and Citizens Participation/Democracy (Strategic Objective No. 3) objectives.

Compounding these problems, large segments of Sri Lanka's population, particularly in rural areas, live in conditions of extreme poverty with incomes well below the national per capita average (less than \$600 year). This underscores the need for vigorous efforts to develop local level partnerships to carry out sustainable income-generating and job-creation opportunities for poor people who have a real, daily stake in conserving the means of their livelihood.

Presently, models of local level participation in the management of natural resources are being developed, under the USAID-sponsored Natural Resources and Environmental Project (NAREP I) and its Shared Control of Natural Resources (SCOR) Sub-Project. Also, some income-producing ventures have been conceived and used in some communities. However, the local level participation models need to be refined, tested and replicated in communities throughout the country, and vastly more environmentally sustainable income-producing ventures need to be developed and adopted in rural communities, both coastal and inland.

## **1.2 The Program**

This Program will further USAID/Sri Lanka's progress toward its environmental strategic objective by fostering effective local level partnerships and related efforts of public and private institutions to improve the management of Sri Lanka's natural resources, conserve its biodiversity, and promote environmentally-sound sustainable income-generating activities in selected areas. The target of the proposed Program activities discussed in subsequent sections are poor people who have a survival economic stake in using in a sustainable manner their natural resources and in protecting the ecosystems in which they live. The Program is intimately linked to USAID's Strategic Objective No. 1 (sustainable economic growth), as development objectives cannot be achieved unless the resources which provide the basis for economic growth are properly managed. It is also linked to Strategic Objective No. 3 (greater empowerment of people), as NAREP II objectives cannot be attained without a high level of participation by the citizens where the planned activities will be carried out.

NAREP II will build on the progress made under NAREP I and SCOR and reflects the recommendations resulting from evaluations of these programs. SCOR will run in parallel with NAREP II through the former's 1998 PACD, and lessons learned from SCOR will be adopted by NAREP II. In essence, NAREP II will provide resources to support public and private sector efforts to promote a balance between economic use and conservation of natural resources and biodiversity. This balance is crucial to attain sustainable development and to gradually increase productivity and income for poor people in selected representative ecologically critical areas of the country where the activities will be carried out. Within this context, USAID will provide funds to finance a mix of initiatives, including:

- ▶ Participatory and partnership arrangements among local governments (including provincial councils), local non-governmental organizations

(NGOs), community-based organizations (CBOs), private sector firms, and customers to develop and carry out natural resources management and biodiversity conservation approaches in the target areas described in a subsequent section of this document. Note that CBOs include women's organizations, small farmers organizations, citizens' committees, organizations participating in the USAID-sponsored Citizens' Participation Program and other local level organizations which have a stake in natural resources management and biodiversity conservation.

- ▶ Development and implementation of alternative employment and resource-friendly income-generating activities for the population in target communities.
  
- ▶ Technical assistance and training for GSL personnel, particularly at the local level; selected implementing non-governmental organizations (NGOs); community-based organizations (CBOs); and community leaders from target areas. The focus of this assistance will be on natural resources management, parks design and management, information collection, environmental monitoring, and analysis of data for decision-making, community business organization and operation; production, marketing, and micro-business ventures; and the establishment of a Secretariat to coordinate the effective implementation of the GSL's Biodiversity Action Plan.
  
- ▶ Demand-driven studies to fill information gaps about the natural and human resource base of representative areas of the country; the different factors affecting their carrying capacity and economic sustainability; the crucial role which people at the community level can play to manage natural resources to foster sound, sustainable development while meeting their economic needs; and the related policies which affect the use of natural resources and the conservation of the country's biodiversity.

These activities are necessary to attain the results described in Table 3-1 of this document to further USAID'S Strategic Objective No. 2 (SO 2) of "Improved Environmental Practices to Support Sustainable Development" and the intermediate results of "Increased Local Management and Shared Control of Natural Resources" and "Improved Environmental Institutions, Policies and Plans." The USAID SO 2 Team (E-Team), in concert with GSL, NGO, and CBO partners and customers will monitor the implementation and continued relevance of each of these activities and make any refinements that may be appropriate. Such refinements may include incorporating additional activities, in the context of implementation experience and the USAID funding situation, which may be necessary to attain the strategic objective.

In such event, the E-Team will carry out the necessary analyses to assure that any new proposed initiative to be eligible for funding under NAREP II clearly promotes the environment strategic objective and related intermediate results, and is feasible technically, financially and in other respects to satisfy Section 611(a) requirements.

### 1.3 The Implementation Approach

As implied above, the implementation approach entails fostering the economic interests of poor people so they can form effective partnerships, consistent with the USAID's New Partnerships Initiative (NPI)<sup>1</sup>, to manage and use natural resources in a sustainable manner and conserve the ecosystems in which they work and live. The aim of the approach is to induce people in selected sites to preserve the existence of the ecological conditions necessary to support their economic needs through future generations, while improving the social conditions that influence the ecological sustainability of the people-nature interaction.

The Program will do this through the activities summarized above and through a targeted mix of actions to be carried out in concert with the participatory and democracy activities of the USAID-sponsored Citizens' Participation Program (CIPART) under SO 3. Some of these local level actions include:

- ▶ Fostering community organization and participation to identify issues related to natural resources use and biodiversity conservation, through rural appraisal workshops and other participatory approaches for identifying issues at the community level.
- ▶ Collaboration between the institutional contractor selected to implement NAREP II; the recipient consortium of the Cooperative Agreement to implement the participatory development/local government activities under CIPART, and USAID/SL, through the SO 2 and SO 3 teams to identify appropriate local communities where both NAREP II and CIPART interventions can be enhanced through cooperation in such communities.
- ▶ Increasing community awareness about citizens' rights and duties relating to the environment.
- ▶ Promoting effective, actual community participation in seeking solutions to problems related to the local environment through skills training to identify solutions to environmental problems.
- ▶ Enhancing the capability of CBOs to prepare plans which include decisions regarding policies that affect peoples' lives, through citizens' committees that include local governments' participation in implementing environmental conservation policies.

The workshops that will be carried out at the outset of Program implementation (per

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<sup>1</sup> NPI is a new USAID initiative announced by Vice President Albert Gore in March 1995. The goal of NPI is "to stimulate lasting economic, social and political development by building local institutional capacity..." The NPI intent and the NAREP II participatory implementation approach, in concert with CIPART development/ local governance activities, go "hand-in-hand" as discussed in this PP.

Section 4.3, Customer Service Plan) will emphasize the focus of the Program on the people who have an economic dependence on local natural resources, and therefore a self-interest in managing well and in a sustainable manner the resources available in their local environments. This approach is expected to lead to a shift in the burden of conserving and protecting Sri Lanka's natural resource base and its biodiversity from the public sector to the private sector. In this respect, the local level partnerships mentioned above and in subsequent sections will play a vital role in facilitating the sustainability of NAREP II activities after USAID support concludes.

#### **1.4 The Expected Results**

The expected results of the Program are discussed in Section 3.5 (NAREP II Results and Outputs) of this document. Briefly, as a Program whose ultimate customers are poor people who have a survival economic stake in its success and sustainability, three of its major indicators include:

- ▶ An increase of 10,000 people employed through environmentally-sound local level enterprises.
- ▶ A cumulative increase in total direct beneficiaries of environmentally-sound practices to 750,000 by the year 2001 from a baseline figure of 126,850 in June 1996.
- ▶ A cumulative increase in targeted land with conservation practices to at least 46,244 hectares by the year 2001 from a baseline figure of 3,528 hectares in June 1996. The owners of this land are poor people who depend on its carrying capacity for their economic survival.

Section 3-5 of this document lists additional indicators and discusses the overall Program impact by its planned completion date of September 2001.

#### **1.5 Financial Plan**

The total cost of NAREP II is estimated at US\$ 12.0 million. USAID plans to contribute US\$8 million. The GSL's contribution is estimated at US\$2.5 million, consisting of the equivalent of approximately US\$2.0 million in local currency generated under PL 480 Title III programs (from the PL 480 Title III NGO Special Account) and US\$500,000 in other cash and in-kind contributions. Local NGOs and other private sector organizations are expected to provide approximately US\$1.5 million, consisting mostly of in-kind contributions. The GSL and other host-country contributions represent approximately 33 percent of the total life-of-program cost. The details of these contributions are contained in the Financial Plan, Section 5, of this document.

A yearly workplan will be prepared for each Program component. This workplan will summarize the accomplishments during the previous period and discuss the implementation actions that will be carried out in the subsequent period to attain the objective of the Program. A key factor to be considered in the allocation of funds will be implementation effectiveness and performance towards Strategic Objective 2.

## **1.6 Other Approval Factors**

### **1.6.1 USAID/W Concurrence**

In March 1996 (STATE 54164) USAID/Washington approved USAID/SL's Results Review and Resources Request (R4), which includes the environmental strategic objective results framework. This approval authorizes USAID/Sri Lanka to design and carry out activities to attain the environmental strategic objective for a period of seven years from 1994. The activities envisioned under NAREP II are designed to be implemented during a five-year period, starting in early FY 1997.

### **1.6.2 Environmental Impact**

The ANE Bureau Environmental Officer has reviewed and approved the USAID recommended Environmental Threshold Decision, per Annex D.

### **1.6.3 Analyses**

The design of the NAREP II and the selection of NAREP II activities followed a comprehensive analytical process which included:

- ▶ An intensive internal review of Sri Lanka's development situation.
- ▶ An intensive review of the USAID/SL project portfolio.
- ▶ Special evaluations, reports and studies on: biodiversity conservation, water resource management, the mid-term evaluations of the Natural Resources and Environmental Policy Project and the Shared Control of Natural Resources sub-project, a study on water user groups, and a consultant's report on farmers' organizations. The related documents are in the files of the USAID Office of Agriculture and Natural Resources (ANR).
- ▶ A USAID report entitled "Institutional Assessment-Environment Division of the Ministry of Transport, Environment, and Women's Affairs.
- ▶ Intensive discussions with public and private sector individuals concerned with Sri Lanka's environmental problems.
- ▶ Discussions with other donors.
- ▶ Recommendations made by concerned USAID direct hire and Foreign Service National personnel who have an intimate knowledge of Sri Lanka's development situation and relevant experience in the implementation of development programs.

### **1.6.4 GSL Letter of Request**

The GSL letter requesting USAID support to carry out the NAREP II activities is attached as Annex C.

## 2.0 BACKGROUND

### 2.1 Overview

People's lives depend on both the living and non-living components of the ecosystems in which they live. Yet, more than any other species in the world, people have demonstrated the greatest capacity to destabilize the ecosystems in which they live and work, through uncontrolled and unmanaged clearing of forests, over-exploitation of plants and animals, and pollution of the water, soil, and air around them. Some of the results of destabilized or unbalanced ecosystems that affect people most directly include erosion, non-potable water, depleted soils, floods and droughts, reduced agricultural yields, malnourished and diseased domestic stock, and infestations of pests and weeds. If they continue unchecked, such problems can ultimately endanger the human capacity to live healthy, productive lives, and to sustain growing economies.

The effects of natural resources mismanagement and abuse are painfully visible in Sri Lanka. Soil erosion causes an estimated loss to the economy of \$85 million annually due to reduced tea production alone. Its tropical forests, which covered 80 percent of the country in 1900, stand at only 19 percent today. The wide-scale deforestation has led to a major decline in the country's biodiversity, and causes soil erosion, flash floods and other forms of environmental damage. In addition to forest loss, inland and coastal wetlands have been filled in by land developers. Biologically rich coral reefs are being mined, and their loss is leading to accelerated beach erosion, adversely affecting coastal and marine ecosystems.

The GSL is aware of these problems and stands out among developing countries in its efforts to protect natural resources. Some of the country's natural resource legislation dates back to the middle of the last century. The very first - the Crown Lands Encroachment Ordinance - was enacted in 1840. Since then, a number of laws have been issued in attempts to preserve the biological resources of the country. However, these have not attained the intended results because such laws have not been implemented properly and the people who depend on the use of resources available within their immediate natural surroundings have not participated in programs for their rational use and management.

USAID/Sri Lanka has been cooperating with the GSL in the formulation and implementation of many of the most recent laws, legislation and procedures. The Natural Resources and Environmental Policy (NAREP I) Project and its Shared Control of Natural Resources (SCOR) Sub-Project have laid a strong foundation to help Sri Lanka build capabilities to manage its environment and natural resources. NAREP I began with a wide spectrum of activities and focused on critical areas to enable the country to develop an institutional framework and policy formulation capacity.

However, as indicated earlier, critical constraints continue to dim the prospects of attaining broad-based sustainable growth based on the sound utilization of the country's natural resources:

- ▶ Deforestation, soil erosion, water pollution, improper solid waste disposal,

changes to ecosystems, and indiscriminate use of resources continue to be serious problems;

- ▶ The GSL information base on key environmental, biodiversity and natural resources aspects is still inadequate as a tool to monitor environmental impacts and status of the natural resources base and to make sound decisions;
- ▶ Public and private sector efforts to develop partnerships to increase the magnitude of participation of individuals at the community level in the management and sustainable use of the country's resources are still inadequate; and,
- ▶ Sustainable income-generating and job-creation opportunities for poor people who have a real, daily stake in conserving the means of their livelihood have been very limited.

The Program will address these problems, as discussed in the Plan of Action, Section 3.3 of this document, as the main means that USAID will use to attain Strategic Objective No. 2, which also has direct linkages to SO 1 and SO 3, as discussed in the next section.

## **2.2 Relationship of the Program to the Sustainable Economic Growth Strategic Objective and the Democracy Strategic Objective**

The planned activities are a vital complement to the Sustainable Economic Growth Strategic Objective (SO 1). NAREP II addresses the link between poverty and environmental degradation by working to develop management practices and sustainable income generation and job-creation initiatives that will allow communities to sustain or increase economic activities without destroying the natural resource bases of their livelihoods. Indeed, community members are reluctant to change negative environmental activities unless they can see some economic benefit to it. NAREP II activities emphasize the need for a bottom-up approach to complement top-down approaches toward reaching sustainable economic growth.

NAREP II further links biodiversity with SO 1 goals by promoting food security. NAREP II will do this by promoting community-based initiatives to diversify food crops, prevent degradation of soils, and protect marine and coastal habitats for fisheries and other food species. In addition, NAREP II supports private enterprise development through activities which promote greater participation in markets, e.g., value added production, and seeking alternatives to environmentally destructive economic activities, such as coral mining.

NAREP II activities are also linked to the local level activities being carried out through the Citizens' Participation Project (CIPART) to attain the USAID's Democracy Strategic Objective No. 3 of "Greater Empowerment of People to Participate in Democracy." Per the USAID's NPI, this empowerment is brought about by encouraging and facilitating the participation of people in making public decisions that affect their lives, the common approach which the NAREP II implementing partners will coordinate with the implementing partners of the CIPART Project. At the USAID/SL level, for instance, the E-Team and the

SO 3 Team will establish a committee composed of CIPART and NAREP II participants ("CIPNA" Committee) to review, evaluate and approve for implementation community-based income generation and related partnership activities which can be financed with planned Program resources, including the GSL PL 480 Title III local currency contributions. The specific actions that NAREP II will support, in concert with CIPART SO 3 Team, are summarized in Section 1.3 above (Implementation Approach).

### **2.3 GSL Priorities and Other Donor Activities**

In 1994, Sri Lanka, with support from the World Bank and the International Monetary Fund, began implementing the sixth year of a structural adjustment program to move the country to sustained growth through free market policies to promote enterprise development and competition. The GSL's policy reform objectives, as expressed in its Policy Framework Paper (PFP), are to reduce the size and increase the efficiency of the public sector and to remove constraints on the private sector. The GSL's PFP includes budget restructuring, public enterprise reform, regulatory reform, and financial sector reform, as well as sectoral policy reforms in agriculture, infrastructure, transport, water supply and sanitation, energy, and environment. Although the speed of reform has sometimes been slow, the GSL's progress on its PFP has been generally satisfactory.

According to the economic policy statement of the GSL published in September 1994, the GSL envisaged a development strategy of sustainable human development. It promotes rapid economic growth and employment. The statement emphasizes that the GSL strategy "ensures that rapid development, far from destroying environment, protects and indeed regenerates it." The government's strategies for achieving this growth is tied to the conservation of the natural resource base. NAREP II is structured to respond to this vital requirement.

NAREP II will complement the International Monetary Fund, World Bank, and Asian Development Bank programs, especially those related to sectoral policy reforms. Under NAREP II, USAID/SL will work closely with the World Bank in coordinating the respective assistance programs to assist the GSL's economic growth and natural resources management and environmental conservation objectives.

### **2.4 Complementary "Brown" Activities**

Concurrently and as a complement to the planned NAREP II "green" activities, USAID/SL will continue to help the GSL meet its "brown" environmental protection objective related to reduced pollution and a cleaner, healthy urban and industrial environment that fosters sound, sustainable development, especially under three USAID-sponsored initiatives:

- ▶ Under the Urban and Environmental Management component of NAREP I, USAID will continue providing technical assistance and training to promote waste minimization, waste prevention and related pollution reduction approaches for a cleaner environment.
- ▶ Under the USAID's Asia Environmental Partnership (US-AEP) regional program, USAID/SL will continue financing technical assistance, exchange

programs and training to transfer U.S. environmental technologies that promote pollution abatement and energy conservation investments in Sri Lanka.

- ▶ Under the Technology Initiative for the Private Sector Activity of the Sustainable Economic Growth Program, USAID will continue to provide cost-sharing grants to help the efforts of Sri Lankan industries to reduce industrial pollution.

The E-Team will ensure the coordination of these ongoing "brown" activities with the "green" activities under NAREP II, particularly those seeking to develop income and job-creation opportunities in coastal and inland sites. The E-Team will do this through the partnership arrangements to be developed with local NGOs, CBOs and local authorities in the target sites where the NAREP II activities will be carried out, as explained in a subsequent section of this document. The E-Team will also seek to coordinate these "brown" and "green" environmental activities through the partnerships established under the USAID-sponsored Citizens Participation and Democracy Program already underway in a number of NAREP II target areas as well as in new areas appropriate as joint NAREP II/CIPART participatory development/local governance collaborative implementation sites, as discussed in the Implementation approach section.

### 3.0 NAREP II DESCRIPTION

#### 3.1 Program Purpose

To foster effective local level partnerships and related efforts of public and private institutions to improve the management of Sri Lanka's natural resources, conserve its biodiversity, and promote environmentally-sound sustainable income-generating activities in selected areas.

#### 3.2 Scope of NAREP II

NAREP II consists of four components, which will be carried out under a unified contract mechanism:

- (a) **Natural Resources Management and Biodiversity Conservation**, through which USAID will support local level partnerships and other related public and private sector efforts to develop, test and implement plans for managing natural resources and conserving the biodiversity in target sites.
- (b) **Sustainable Employment and Income-generating Activities** to show the advantages and feasibility of environmentally-sound development practices over some commonly used unsound practices in selected areas. Such efforts will focus on the development of natural resources management models of environmentally-sound and sustainable economic activities that protect and conserve Sri Lanka's critical ecosystems.

Through the participatory efforts to meet the economic needs of participants, Program activities are expected to enhance the self-interests of people at the community level in efforts to conserve natural resources and conserve the biodiversity of their environment.

- (c) **Institutional Strengthening**, consisting of:
  - (1) Short-term technical assistance and short-term training through local workshops and seminars for personnel of partner NGOs, CBOs and the GSL, to upgrade their capability to plan and carry out natural resources and biodiversity conservation activities and promote a government-wide effort to incorporate environmental considerations into the macro-economic planning process; and,
  - (2) A Biodiversity Information Monitoring Activity to foster existing GSL attempts to locate and classify available information from many sources and establish a system for its retrieval and dissemination. This will facilitate access to public and private institutions to information for making decisions related to the management of the country's natural resources and its environment.
- (d) Demand-driven studies to fill information gaps about the natural and human resource base of representative areas of the country; the factors affecting their carrying capacity and economic sustainability; the crucial role which people at the community level can play to manage natural resources to foster sound, sustainable development; and the related policies which affect the use of natural resources and the conservation of the country's biodiversity.

The underlying rationale for this component mix is that people will continue to intensify their pressures on the country's natural resources to satisfy their economic needs. Unless they adopt sustainable management practices to use those resources in a rational way, their unchecked use will not be sustainable over time and the ecosystems will be permanently damaged. Ultimately, the country's sustainable economic growth will be at stake.

Much like the links of a chain, these components are inter-connected and mutually reinforcing. Without filling the information gaps and the analysis that the studies will provide, efforts to carry out aspects of the other three components may be misdirected and resources misallocated. Unless a feasible natural resources and biodiversity management plan is developed and implemented with effective participation of people who depend on the natural resources for their livelihood, sustainable income-generating activities will be jeopardized. Unless the institutions have the required human capability and decision-making mechanisms (such as an effective system for collecting and disseminating environmental monitoring information), policies, regulations and action plans to deal with the key problems mentioned previously may be ineffective. In this context, a detailed description of these components and how each will be implemented follows.

### **3.3 Plan of Action**

#### **3.3.1 Natural Resources Management and Biodiversity Conservation Component**

The purpose of this component is to support the efforts of Sri Lankans to adopt and implement a cost-effective plan for managing natural resources and conserving the biodiversity in the target sites. As implied, the attainment of this purpose requires effective partnerships, participation and coordination by concerned national and local GSL institutions, and communities in the target sites, as discussed below. The purpose of this component is consistent with the key recommendation included in the mid-term evaluation of the SCOR Sub-Project, which strongly proposed the development and validation of a "model of land and water resource management that includes appropriate conservation technology, village organization, and government policy at a cost that is realistic and replicable in Sri Lanka."

Working closely in a participatory manner with local communities is a vital feature of the implementation plan. This is crucial, since after USAID's support concludes, continuation of the natural resource conservation and the conservation of the ecosystems largely depends on the inhabitants of the target and surrounding areas. Because of their location, people living in the target watershed and adjacent protected areas and coastal communities are a vital element of the participatory process during Program implementation. Accordingly, NAREP II staff, (from the USAID-funded contractor, concerned GSL agencies, and partner NGOs and CBOs, and in appropriate collaboration with the CIPART participatory development/local government Cooperative Agreement recipient) will develop and implement a plan to establish a presence in target communities; design and install effective mechanisms to enhance community participation and establish consensus; and increase the capability of communities in areas of special importance to their socio-economic development. A vital part of the mechanisms to be established consists of partnerships arrangements through which CBOs, NGOs and local authorities commit themselves to adopt and implement tailor-made natural resources management plans that consider the unique characteristics of the community and its natural resource base.

Since effective community participation is crucial to NAREP II, Program staff will develop effective approaches to influence attitudes and enhance such participation. One such approach will be participatory planning workshops. Through these workshops, Program staff, jointly with concerned communities, will assess how the area's inhabitants interact with their environment and their communities' natural resource base. The interactions that will take place through these workshops are expected to influence people to work together and participate in joint planning to introduce new technologies and implement activities that better the lives of the target communities' inhabitants. The results of these planning efforts will be incorporated, with guidance to be provided by USAID-funded specialists, in the partnership arrangements mentioned above. Note that under NAREP I some communities have begun to develop natural resources management plans. NAREP II will support such communities in actually implementing their plans.

Ultimately, through the above and other mechanisms to be designed during Program implementation, the Program staff will establish a cost-effective replicable approach for

managing natural resources and conserving the biodiversity in the target sites. Close coordination will be maintained with the companion Citizens' Participation Project, particularly the participatory development/local governance component, and other USAID-sponsored activities which may be carried out in the NAREP II areas. Under this model, the people in the communities would be expected to cease to be petty violators of the rules controlling resource extraction. Rather, they would participate in decision-making over resource allocation and in the application of those decisions in the target sites. Once this model is tested and used in the target communities, it is expected that the GSL will be able to reduce its enforcement presence and concentrate on the most serious threats to the environment and its biodiversity, while simultaneously achieving greater compliance with resource allocation policies. This should result in a cost-efficient process to conserve natural resources and protect the country's biodiversity.

Once the plan is adopted by the participating communities, arrangements will be made to develop additional local level partnerships among appropriate NGOs, CBOs and local governments to establish it in other communities. Over time, the use of the model is expected to have a long-term positive impact on Sri Lanka's natural resource base and its ecosystems.

### **3.3.2 Sustainable, Environmentally-Sound Employment and Income-Generating Opportunities Component**

The purpose of this component is to develop environmentally and economically sustainable income-producing and job securing as well as job creation opportunities for poor people in selected areas. As stated earlier, the underlying rationale for this component is that people will continue to intensify their pressures and, therefore, their dependency on the country's natural resources to satisfy their economic needs. Unless they adopt sound management practices to use those resources, their unchecked use will not be sustainable and the ecosystems will be permanently damaged or lost. The opportunities developed through this component will serve as catalysts to encourage people in target areas to adopt sustainable natural resources conservation practices or to adopt alternative income generation activities with lower impacts on the natural resources base. The rationale is that impacts due to individual and unplanned use of natural resources can be mitigated by facilitating community members to form user/producer groups that will ensure longer term sustainability. These micro groups will need to be developed into larger enterprises and linked to markets and financial services for sustainability.

This component will be gradually introduced after the initial intervention to organize the community user groups and after income-generating opportunities are identified. Activities chosen will provide poor people in target areas opportunities to generate income in environmentally enhancing ways, either through direct conservation or contribution to biodiversity, or by improving or maintaining the resource base. The development of these opportunities for the population of the target communities will follow a phased process encompassing a number of interrelated steps leading to the design and actual implementation of such opportunities. These steps include: the studies mentioned above, partnership arrangements with participating NGOs, CBOs, and interested private firms (and local governments, if appropriate), the planning and implementation of rural appraisal workshops, and the contracting of short-term specialized assistance to help design and

train community level people (individuals or groups) to implement environmentally sound and technically and financially sustainable activities; and establishing linkages with microlending programs and private enterprises which could facilitate marketing arrangements.

Particularly critical to the development of income-generating opportunities are the studies carried out on commercialization and markets of products from the target areas; the socio-economics of natural resources extraction; the biodiversity product profile of the country, consumption of fish in population centers; the feasibility of community fisheries organizations, animal husbandry and several possible income-generating projects. Yet, as many of these activities have been introduced on a trial basis already in parts of Sri Lanka by donors, NGOs, CBOs, and individuals, the lessons from those trials will be used as a point of departure. The participation of those individuals already with skills and/or experience in these activities will be enlisted to teach additional communities and individuals. This will broaden conservation efforts while educating the public on the possibility of increasing income while sustaining or improving the environment.

NAREP II will coordinate with other USAID and private sector development programs to assist interested private firms in establishing partnerships with the producer/user trade associations in the field sites. Such facilitation may involve providing some grant assistance on a cost-sharing basis to private firms in the outdoor travel, food-processing, and handicrafts industries, etc., to establish pilot programs with NGOs and CBOs on a demand-driven basis. The firms would offer valuable information on markets and technology, and would bring management expertise.

Through field activities in the dry zone and coastal sites designated for their biodiversity value and potential, NAREP II will broaden previous efforts to link economic growth and biodiversity conservation by identifying and establishing income-generating activities that explicitly maintain or enhance biodiversity and the natural resource base. The use of a management strategy that increasingly places the responsibilities of activity identification and design, organization, implementation, monitoring, and evaluation directly with community-based organizations (CBOs), NGOs, and the private sector, is expected to encourage sustainability and broader adoption of the enterprises--and thus of biodiversity conservation efforts--after NAREP II concludes.

An illustrative list of possible income-generating ventures, to be defined more precisely by contract specialists during the course of Program implementation, follows. Funds for the modest inputs that will be required to complement the resources of beneficiaries will be provided through the institutional contractor (IC), which in turn will negotiate grants to selected NGOs and CBOs for this purpose. The process of identifying, developing and implementing the planned income-generating and job-creation opportunities will build on the valuable community-level and organizational experience which the Citizens' Participation Project has gained to-date, thereby fostering the synergistic links among SOs 1, 2, and 3.

1. **Intensive Uses of Degraded Areas for Multi-Purpose Activities Using Environment-Enhancing Techniques.** This initiative will increase household income, enhance food security, improve the natural resource base by

retaining water and micronutrients and reducing soil erosion. Some of the key indicators that will be used to measure its success include: percentage increase in yields per hectare of land, post-adoption increase in average household income (disaggregated by gender); emergence or proliferation of floral and faunal species that require more moisture, shade, or richer soils (e.g., earthworms, organic materials), etc.

2. **Managed Fish Stocking and Fishing Practices of Tanks.** This initiative will increase household income, enhance the biodiversity and productivity of tank systems, increase local employment opportunities, increase local sources of protein, reduce pressure on coastal fisheries stocks, and provide a mechanism for CBOs to interact with the private sector through acquisition of fry or sale of fish. Some of the key indicators that will be used to measure its success include: percentage increase in average household consumption of fish protein, increase in average household income (disaggregated by gender) due to fish sales; increase in fish biomass production of tanks.
3. **Cultivation of Medicinal Plants in Home Gardens.** This initiative will increase household income; reduce the pressure on in-situ stocks of medicinal plants; increase the biodiversity and value of home gardens; provide a mechanism for CBOs to interact with the private sector through market linkages, and enhance CBOs' knowledge of market identification and participation. Some of the key indicators that will be used to measure its success include: the percentage increase in household income generated by the production of medicinal plants (disaggregated by gender); increased diversity of species grown in home gardens; and increased numbers of individuals or CBOs in mutually productive partnerships with the private sector.
4. **Establishment of a Financing System for Individuals/Organizations Acting in Catalytic Roles.** The purpose of this initiative is to encourage individuals and communities to work together and rely on each other rather than on outsiders to improve their environment; broaden the area improved by biodiversity-enhancing techniques or technologies; and enable participants to obtain credit to finance their own income-generating ventures. Some of the key indicators that will be used to measure its success include: the percentage increase in the number of hectares improved by conservation techniques through activities of volunteer catalysts; increase in the number of people knowledgeable about conservation techniques, etc.
5. **Development of Environment-Related Sale Items or Services for the Ecotourist Market.** This potential income-generating activity could include handicrafts, such as card paintings/calendars of wild animals and flowers, illustrated booklets describing conflicts with wildlife, tours of biodiversity-rich areas, spice gardens, tea/cashew/coffee plantations, cascading tank systems; dams, the provision of tourist-related services, such as guides, drivers, hotels, restaurants, etc. Such activities would increase household income and employment opportunities; improve communities' perception of

the value of protected habitats and species; improve outsiders' knowledge of the relationship between local people and their resource bases/protected areas. Some of the key indicators that will be used to measure its success include: the increase in the income generated by eco-tourist trade in the site; increase in the average household income related to the tourist industry (desegregated by gender); and the increase in the number of communities in the site recognizing the value of protected flora and fauna and habitats.

6. **Controlled Non-Timber Uses of Forests.** This activity would increase household income, teach smallholders the importance of forests to production ecosystems, provide opportunities for CBOs and individuals to forge production and marketing links with private industry. Some of the key indicators that will be used to measure its success include: increase in average household income (disaggregated by gender) due to sales of items such as honey; and increase in number of community organizations/individuals with direct links to private industry.

The studies to be carried out under Component 4 will provide further information on the feasibility of these illustrative income-generating activities, how they will be developed and implemented in each target community, how they will be assessed, and how they will be financed. The studies will also include additional income and job-creation opportunities targeted to the specific resource characteristics and interests of the target communities.

The final design and implementation of these income-generating activities are expected to be coordinated at the local level by NGOs and CBOs, including those participating in the Citizens' Participation Project. To assist them in these efforts, the institutional contractor will negotiate grants to cover the costs of certain inputs, such as training of participants, local organizational costs, logistic support, etc. Community participants will provide labor and local materials. They will also seek financing, as necessary, from micro-lending programs currently available in Sri Lanka, including those sponsored by USAID, the World Bank, and others.

### **3.3.3 Institutional Strengthening Component**

Despite the progress made in training people on a gamut of subjects related to natural resources management, environment and biodiversity conservation, Sri Lanka continues to face a serious shortage of trained people to plan and carry out activities in these areas. Without such vital human resource capability, the long-term prospects of managing effectively the programs needed to manage the country's natural resource base and conserve its biodiversity will be seriously jeopardized. To deal with this problem, the Program will provide funds to cover the costs of: (a) targeted short-term technical assistance and short-term training through local workshops and seminars for personnel of partner NGOs, CBOs and GSL local and national level institutions to upgrade their capability to plan and carry out natural resources and biodiversity conservation activities; and (b) the establishment of a Biodiversity Information Monitoring Activity to support existing GSL attempts to collect available information from many sources and establish a system for its retrieval and dissemination. This will facilitate access to public and private institutions to information for making decisions related to the management of the country's

natural resources and its environment. This assistance is further described below.

#### **3.3.3.1 Technical Assistance and Training**

Shortly after mobilization, the Institutional Contractor (IC) will review, in concert with GSL local and national level counterparts, participating NGOs and CBOs, their specific strengths and weaknesses as these directly affect the implementation of NAREP II to attain its intended purpose. Based on this review and using a participatory approach, the IC will develop and implement a training plan to deal with such weaknesses. Tentatively, it is expected that the institutional strengthening that will be required to deal with the identified weaknesses will be highly focused on the priority requirements to facilitate the implementation of the Plan of Action and attained through in-country workshops and seminars to be conducted or arranged by IC short-term specialists and qualified counterparts from the participating GSL institutions and NGOs. As appropriate, the IC will also provide short-term specialized assistance on an institution-by-institution basis, to deal with specific organizational, coordination or implementation bottlenecks which may affect the attainment of the NAREP II purpose.

Possible areas of training and institutional strengthening include: environmental and biodiversity management, community mobilization for environmental protection, enterprise development, role of community in protected area management and monitoring, watershed management and agroforestry, the use and maintenance of the proposed Biodiversity Information Monitoring Activity, mechanisms for interagency coordination, impact assessments, participatory techniques, zoning laws and mechanisms that will allow local communities to have a greater say in development of their area, the use of users' fees as a means to protect the environment and finance the maintenance of reserves, national parks, etc.

An important feature of the IC's scope of work will be to provide short-term assistance to the MTEWA in establishing a Secretariat to coordinate the effective implementation of the GSL's Biodiversity Action Plan (BAP). Note that USAID/SL has conducted a preliminary institutional assessment of the MTEWA, as listed in the Bibliography, Annex B. The IC will use this assessment as the starting point to determine the priority areas for assistance to the MTEWA, within the context of the focus of NAREP II, as discussed above, and the funding constraints of the Program. These priorities will be included in the yearly workplan which the IC will submit for USAID review and approval.

#### **3.3.3.2 Biodiversity Information Monitoring Activity**

The purpose of this activity is to support current efforts by the Biodiversity Secretariat of the MTEWA, in concert with the GSL's Natural Resources, Energy and Science Authority (NARESA), to: (a) complete the establishment of a biodiversity information retrieval and dissemination system, and (b) establish an information monitoring system, which includes biodiversity impact indicators. The information which these systems will provide will be used by policy and decision makers in making budgetary allocations, developing policies and implementing plans affecting Sri Lanka's biodiversity.

Specifically, the Program will support the following activities:

- ▶ Compile and organize in one place (to be recommended by the BAP) the information, studies and reports used during the preparation of the Biodiversity Action Plan (BAP), as a basis to analyze biodiversity information gaps.
- ▶ Carry out an inventory of information and data bases currently maintained in various locations and by various agencies and catalog this inventory in a central location to facilitate acquisition of such information.
- ▶ Assist the Biodiversity Secretariat in establishing a hub or central location as a referral center to facilitate retrieval and dissemination of biodiversity information from the sites where such information is stored.
- ▶ Establish an effective system to make available biodiversity and natural resources information to provincial and local governments to assist them in the decision-making process on matters related to their immediate environment.
- ▶ Short-term technical assistance and training on collection, organization, and analysis of biodiversity data to personnel of the GSL at the national and local level, concerned NGOs and CBOs.
- ▶ Short-term technical assistance and training to upgrade the capability of the Biodiversity Secretariat to: (a) collect and access the information necessary for monitoring the economic and environmental impact of development activities, and (b) prepare annual status reports on actions taken and progress made, using appropriate biodiversity indicators, by the public and private sector to conserve biodiversity.

With respect to data collection, the Biodiversity Secretariat will work closely with local governments, NGOs and CBOs to enlist their cooperation in collecting and submitting to the Secretariat or to one of the line agencies' database appropriate data for the respective areas. The analysis of the data will help the local level entities in planning their natural resources management and biodiversity conservation activities. The Biodiversity Secretariat will also use the field data to develop field environmental monitoring indicators for subsequent use in monitoring environmental impacts related to development activities.

To carry out the above activities, the Program will fund limited short-term training and technical assistance, as indicated above and some commodities, including: computers, books and biodiversity publications, basic data collection equipment such counters, binoculars, teaching materials and audiovisual aids. The Program financial plan shows the estimated cost of these inputs.

#### **3.3.4 Studies Component**

The purpose of this component is to gather and analyze information needed to complement the current information base as the basis to implement aspects of the planned

natural resources and biodiversity conservation actions.

The availability of current and reliable information is a critical element of sound decisions. The GSL, with donor support, has carried out a number of studies which have been used to conceive policies affecting the country's environment, biodiversity and natural resource base. Yet, there are serious gaps in its information base which must be filled to assure that decisions which may affect the country's natural resources, and thus its economic growth prospects, are economically, technically, socially and politically feasible.

Particularly, socio-economic, resource and ecological studies are required to precisely define, develop and implement the activities needed to attain the inter-linked objectives of conserving the natural resource base, protecting the ecosystems, and developing sustainable, and environmentally sound employment and income-generating opportunities for poor people.

Faced with acute economic needs, poor people are prone to continue degrading Sri Lanka's natural resource base and its ecosystems. The studies will fill gaps in the existing information base to develop sound income and employment-creation solutions. This will have an impact on poor people at the community level who have a stake in using and managing well the resources which support their economic well-being. In addition, some studies are necessary to support decisions and action plans related to GSL policies and strategies on protected areas, the use of the natural resource base in the target areas, and the assessment of users' fees to assure the financial sustainability of some of the biodiversity and natural resources conservation initiatives.

Based on a review of available information, there are five major areas which require analysis to help formulate effective ways to facilitate efforts to conserve the biodiversity and to enhance the health and productivity of the ecosystems in the proposed sites for NAREP II. These areas are:

1. **Broadened Applications of Conservation Techniques in Production and Conservation Areas.** The purpose of this study is to determine which combination of conservation techniques (soil conservation, improved cropping practices, wildlife management, water management, etc.) is best suited to and needed in the site, and the best strategy for its broad-based adoption by stakeholders. This study is expected to provide decision-making information regarding issues such as: what conservation techniques are currently used in the target areas and how effective are they? How widely are such techniques utilized? What are some of the constraints that prevent the adoption of additional techniques, and how might those constraints be overcome on a sustainable basis?
2. **Linked Ecosystem Analysis.** This study will determine the relationship between ecosystem elements, and in what ways and to what degree and extent degradation of one element or subelement affects another, and how negative impacts might be mitigated. Some of the linked elements to be addressed in the study include (1) watersheds and coastal areas, (2) upstream and downstream elements of the same watershed, (3) forests and watersheds, and (4) protected and unprotected areas.

The study is expected to provide answers to questions such as: What are the worst areas and types of degradation in the target site? What is the gender, occupation, and socioeconomic status of the people who are responsible for them? How and why does this degradation affect surrounding areas (other ecosystem subcomponents or components)? Are communities aware of the linked effects? How might the degradation be contained or reduced, and who will bear the cost? A critical use of the results of this study will be for the Environmental Information and Monitoring System that the GSL will be expected to establish.

3. **Conflict Resolution, Problem-Solving, and Resource Sharing.** This study will analyze the types and nature of conflicts associated with wildlife and resource use in the selected sites (e.g., human/elephant conflict, the encroachment of farmers onto protected areas, sharing limited water resources) and formulate strategies to resolve them. It will provide recommendations and decision-making answers to questions such as: What are the origins and nature of the conflicts? What attempts have been made to solve them, and how successful have they been? How might alternative strategies be identified by communities? What kind of support might they need to resolve each problem? How sustainable are the strategies proposed? Who are the winners and losers if the problems are resolved in a given way? Are women able to voice their problems and conflicts adequately?
  
4. **Institutional Strengthening and Appropriate Policy Setting.** These studies will determine which institutions need to be strengthened or supported and what policies need to be implemented at what level to facilitate the adoption and implementation of biodiversity conservation techniques. This study will provide data and analysis to answer the following questions as a basis for policy decisions: What are the institutions and organizations involved in environmental and production activities in target sites? What role will local governments play in resource management and biodiversity conservation? Are women's concerns different from men's, and have they formed independent groups to address their concerns? To what degree do men and women work together on problems? To what degree are the current organizations/institutions capable of designing, implementing, monitoring, and evaluating conservation plans? What are the best ways to strengthen their capacities (training programs, facilities, equipment, policy support)? What environmental/natural resource policies are hindering or helping conservation efforts? How might they be modified to facilitate biodiversity conservation and how might this be carried out?

In addition, the study will provide information on the implication and inter-relationships of other public policies on trade and investment promotion and natural resources and biodiversity conservation.

5. **Community-Based Environmentally Sound Income-Generation Opportunities.** The findings of this study will provide the basis for the implementation of the

component titled "Development of Sustainable, Environmentally Sound Employment and Income-Generating Opportunities," described above. It will cover topics such as commercialization and markets of products from the target areas; the socio-economics of natural resources extraction and ecotourism; consumption of fish in main cities; the feasibility of community fisheries organizations, possible income-generating projects, etc.

6. **Marketing Studies.** Marketing studies will be necessary to assess the economic and financial feasibility of some income-generation ventures. The scope and number of such studies will be determined by the IC, in concert with the participating NGOs, CBOs and individual customers, as appropriate.

The institutional contractor will carry out these studies. It is expected that most of the specialists required to conduct these studies will be available locally. To the maximum extent possible, the contractor will be expected to enlist the participation of community-based organizations and local NGOs, in concert with CIPART's participatory development/local governance initiatives, to compile and analyze the information, as a preparatory step to enlist their participation in the community level activities discussed below.

The contractor will coordinate the planning and the actual work to complete these studies with concerned GSL agencies, other relevant USAID-funded programs (such as CIPART), other donors and NGOs/CBOs. The GSL agencies will provide counterpart personnel and logistic support, as required. The key concerned agencies include: The Ministry of Transport, Environment, and Women Affairs; the National Planning Department of the Ministry of Finance; the Coast Conservation Department of the Ministry of Fisheries and Aquatic Resources; the Department of Wildlife Conservation of the Ministry of Public Administration, Plantations and Parliamentary Affairs; the Ministry of Agriculture; and the Ministry of Provincial Councils. The initiation of each study will be preceded by the signing of a memorandum of understanding with the GSL regarding its commitment to plan and execute the recommendations of the study.

Once the studies are completed, the contractor, in concert with the concerned GSL agency and other concerned organizations, will prepare a plan to implement the studies' relevant recommendations and findings. For instance, regarding policy concerns, the plan should describe the process that the GSL will follow to incorporate environmental concerns into its macro-economic policies and programs. The studies will also provide the basis for the GSL to prepare proposals to obtain funding from other donors to carry out specific environmental protection and biodiversity conservation activities which are beyond the funding capability of NAREP II and other USAID-sponsored activities in Sri Lanka.

### 3.4 The Target Areas

By their nature, some of the activities under the above components will have a national focus, while others will have specific geographic, community-based orientation, at least initially. The components which include some activities with a national focus are the Studies and the Institutional Strengthening components. The other two components --

Natural Resources Management and Biodiversity Conservation, and the Sustainable Income-generating Opportunities components – will have a precisely defined geographic focus, which will include sites and communities in Sri Lanka's two major ecosystems: Coastal and Inland.

Within these regions (Coastal and Inland) sites will be selected by GSL counterparts, the IC, participating NGOs and CBOs, and members of the USAID E-Team based on specific criteria and the results of the studies discussed under Component 1. The criteria are listed below. In general, there will be two categories of sites:

1. Sites with emphasis on production and conservation objectives, and
2. Sites with emphasis on natural resources and biodiversity conservation objectives.

### **3.4.1 The Selection Criteria**

The criteria to be used in the final selection of the target sites and the specific participating communities include:

- ▶ Availability of local community organizations and NGOs with a social commitment consistent with the purpose of NAREP II and a minimum staff to carry out the planned activities. (An initial step would include an assessment of NGO and community capacity and awareness to identify local partners in developing natural resource and biodiversity conservation management plans, the presence of CIPART sponsored groups, etc.);
- ▶ Magnitude of the social, economic, and environmental issues;
- ▶ The number of people who will benefit from Program activities in the site and the extent of the economic impact on them;
- ▶ Degree of biodiversity;
- ▶ Viability -- the social, technical, economic and political feasibility of carrying out the planned activities;
- ▶ Existing or potential value of economic activity and associated development impacts;
- ▶ Proximity of the community to a protected area;
- ▶ Current USAID activities which could be optimized with NAREP II inputs; and,
- ▶ Potential for donor collaboration.

Tentatively, and subject to further analysis and decision by the Program participants during

the early implementation stages of the Plan of Action (following mobilization of the IC), the illustrative target sites are expected to be chosen from the following:

### **3.4.2 Coastal Areas**

#### **3.4.2.1 Hikkaduwa**

The economic importance of tourism to Sri Lanka and the concentration of tourism on the coasts underscore the need to protect Sri Lanka's fragile coastal resources as tourist facilities multiply and as coastal populations increase. The environmental impacts of rapid change with very little planning or regard for natural resources are profound and potentially devastating to the local economy. A site such as Hikkaduwa, once a fishing community, is now dependent upon tourism and, therefore, on sustainable management of natural resources and biodiversity upon which tourism is founded.

The main environmental concerns in Hikkaduwa include conservation of the marine sanctuary, coral mining, untreated waste dumped into the sea, decline in fish yields, and unplanned tourism facilities. This community was a participant under NAREP I's Coastal Resources Management Program (CRMP). This community has developed a strong awareness of the importance of organizing to address specific problems associated with tourism. Specifically, the groups are small businesses who are aware of their dependence on sound natural resource management. Many are able to make small financial contributions to their projects, though assistance is still needed. Examples of activities suggested by the community: formation of an umbrella NGO composed of various trade associations including glass-bottom boat owners, fisheries, small hoteliers; policies such as limiting the number of glass-bottomed boats in the sanctuary; and development of a visitor information center to better direct tourist activities.

#### **3.4.2.2 Rekawa**

Rekawa is a rural fishing community. Small-scale, domestic production and yield are no less critical than tourism for Sri Lanka's rural population. Negative environmental impacts in rural communities will be greater for a larger number of people because they have no "buffer" or "cushion" of support, unlike many of the wealthier stakeholders in Hikkaduwa and other tourist areas. Thus, it is critical to maintain the integrity of ecosystems for rural economic activities and communities.

The main environmental concerns in Rekawa, also a CRMP site, include: destruction of mangroves for fuelwood, coral mining for lime kilns, overfishing, and collection of turtle eggs without regard for sustaining the population. Based on a preliminary survey, the degree of organization of members indicates a strong willingness and capacity to begin to implement activities. There are two different groups to consider in Rekawa: older, more traditional members, and young, more educated members. Older members want to continue, in traditional ways, to promote microenterprises that will allow them to continue in a sustainable manner. The younger generation want to know what else is out there that can be done in Rekawa and may not necessarily be interested in continuing with traditional forms of economic activity.

### **3.4.2.3 Bundala National Park**

Bundala has been designated a wetland (or Ramzar) site, and is protected under the Fauna and Flora Ordinance. The area, which has two major lagoons within the park, is popular as a bird sanctuary. The lagoon is used by villagers living along the border of the park for fishing extensively while the beach front provides temporary shelter for migrating fishermen. The fishermen leave garbage and their shelters in the park and often cause damage to the area's ecosystem by removing corals and seaweeds. Tourist activities are not well organized and the guides provided by the GSL Wildlife Department need to be trained.

The water released to the lagoon by the Lunugamwehera reservoir located upstream causes serious ecological changes to this ecosystem. The water that accumulates in the lagoon needs to be regulated, both for economic and ecological reasons. Water levels need to ensure the farming upstream of the lagoon is not flooded while fishing in the lagoon is not affected by too much freshwater coming into the lagoon.

The communities adjacent to the park are concerned about the potential increase in tourism and potential damage to the ecosystem, if the flow of people to the area is not managed properly.

The coastal area of the National Park is crucial to the health and conservation of the reserve. This is an opportunity to integrate inland biodiversity conservation activities with coastal; to increase involvement and ownership in a national park by the surrounding communities; and to increase economic activities through long-term planning and management of the National Reserve resources, e.g., ecotourism, etc. This activity will further provide an important link with institutional policy because it will strengthen the institutionalization the National Nature Reserve System.

### **3.4.2.4 Mundal Lake**

Located on the north western coast of the island, this brackish water lagoon is a critical ecological system that supports many economic activities for the inhabitants of the area. The Central Environmental Authority (CEA), under its Wetland Project, has studied the lagoon and its surrounding area and has classified it as moderate to high in biological resources.

The ecosystem of the lagoon is affected by uncontrolled fishing and aquaculture activities. Also, the three rivers which flow into the lagoon pose the risk of altering the level of its salinity -- an important factor affecting its ecosystem. For this reason, economic activities which affect the unregulated flow of water into the lagoon must be carefully monitored and managed.

Extensive land use activities and expanding immigration to the area due to increased economic activities also affect the mangrove vegetation around the lagoon. Thus, there is a need to identify production and protection zones and to involve the community in efforts to use the lagoon's resources in a sustainable manner that conserves its ecosystem.

### **3.4.3 Inland Sites**

The selection of inland sites will take into account the need to balance conservation and economic development activities in the dry zone of the country. This is important because present land use activities are intensive and pose particular threats to the sustainability of the tank-based ecosystems in the dry zone. In this context, the possible inland sites include the following.

#### **3.4.3.1 Mee Oya Basin**

The Mee Oya Basin is in the northwestern province of the country, upstream from the Puttalam Lagoon. The basin is small but generates a fair number of cascading tanks. The key biodiversity problems include a decline in fish production and volume of water in tanks, agrochemical pollution and increased turbidity of water released downstream and ultimately into the Puttalam Lagoon.

There is a one larger tank, Ingimitiya in the river basin system that is the basis of economic activities for residents of nearby communities. The water in the tank is used for Maha and Yala cultivation purposes. Standing water is used by the villages surrounding the tank for their daily needs. Several villagers use the tank for fishing. However, fishermen claim that the catch is significantly less now compared to earlier times when the Government had an inland fishing development program. This has affected the protein content of their diet.

Wildlife, such as many mammal species, birds and reptiles in the small forest area adjacent to the tank also depend on the tank for their water needs, while several aquatic plants grow well in the water.

This river basin is representative of several useful ecosystems of manageable size, where catchment is being encroached upon for various destructive uses. As a result, the water flow and the capacity of the tank is affected. The biodiversity of the water body is affected and the tank may run dry, as the primary objective of the tank is to provide water to village agricultural lands. Therefore, water management and conservation farming techniques will help the tank to retain more water, raise the fish population, and provide adequate water for biological balance in the site.

A sound natural resources and biodiversity management plan, which would enlist the participation of people living in the area, is necessary to balance production and conservation of ecosystems objectives.

#### **3.4.3.2 Minneriya Giritale Nature Reserve**

This reserve, under the jurisdiction of Wildlife Department, was established in the North Central Province as a result of the USAID-sponsored Mahaweli Environmental Project. The large tank and its catchment is a habitat for many floral and faunal species. The fauna include large herds of elephants, spotted deer and samba, bear, wild boar, barking deer, many small mammals and various types of birds. There are many instances of human-elephant conflicts due to elephants' encroachment on neighboring paddy fields,

which has led to loss of elephant and human lives. The staff of the Wildlife Department responsible for the management of the reserve has limited capability to deal with this problem. The staff is ill-trained and not even basic wildlife management activities are carried out. The potential of the park is largely unused and as a result many unscrupulous practices detrimental to the habitat take place. It is unlikely that the Department will be able to devote any significant efforts to manage the reserve's resources. For this reason, a well conceived biodiversity and natural resources management plan which could be implemented with heavy participation by local communities is of paramount importance.

#### **3.4.3.3 Ritigala Strict Nature Reserve and Environs (a current CBRM site)**

This site (currently part of NAREP 1's Community-Based Resources Management Component - CBRM) includes cascading tank systems and protected areas. Presently, the site faces problems of deforestation, poaching of protected fauna, and over-exploitation of medicinal plants in forested areas. A natural resources management and biodiversity conservation plan with community participation is needed to reconcile conservation and economic production purposes in a sustainable manner.

Other sites which show similar characteristics and concerns as Ritigala include: Kahalle Pallekelle (a current CBRM site); and Minniyera and Giritale Nature Reserve (Mahaweli Development Area). Likewise, a sound natural resources management and biodiversity conservation plan would help to balance conservation and economic production objectives.

### **3.5 Program Results and Outputs**

NAREP II will be USAID/SL's principal vehicle for achievement of its environment strategic objective of improving environmental practices to support sustainable development in Sri Lanka. NAREP II has been designed to be fully consistent with USAID's strategic framework, including the Agency's emphasis on "management for results." For this reason, particular attention has been given to devising the means for judging the results of NAREP II in four fundamental aspects:

- ▶ To ensure that all NAREP II activities optimally address the established SO and intermediate results (IRs);
- ▶ To assure accountability by verifying that the Mission's environment protection resources are being well-spent and that NAREP II is achieving expected sustainable improvements in the lives of our customers;
- ▶ To constantly improve management of NAREP II by identifying: progress in achieving expected results, problems (and successes) as a basis for strategic and tactical decision making, and information gaps where additional knowledge and attention is needed; and,
- ▶ To improve USAID/SL's understanding of the role of environmental protection in Sri Lanka's overall development by assessing NAREP II's impact and identifying lessons learned.

### 3.5.1 Strategic Objective, Intermediate Results and Performance Indicators

A summary of the environmental protection SO, IR indicators and targets is presented in Table 3-1. Detailed information on the following aspects of the indicators is available in Annex 1 of the USAID/SL's FY 1996 - FY 2000 Country Program Strategy:

- ▶ Precise definition and units of measurement;
- ▶ Specific source of data;
- ▶ Methods and approaches to data collection;
- ▶ Timing and frequency of data collection;
- ▶ Baseline data; and,
- ▶ Intermediate benchmarks.

Table 3-1. NAREP II Performance Indicators By the End of the Program

Result Level	Performance Indicator*
<p><b>SO 1:</b> Improved Private Sector Employment and Income.</p> <p><b>SO 2:</b> Improved Environmental Practices to Support Sustainable Development.</p>	<p>1. An increase of 10,000 people employed through environmentally-sound local level enterprises.</p> <p>1. Cumulative increase in total direct beneficiaries of environmentally-sound practices to 750,000. (Baseline 302,862)</p> <p>2. Cumulative increase in targeted land with conservation practices to a minimum of 15,000 hectares(Baseline 3,528) .</p>
<p><b>Intermediate Level Result 1</b> Improved Environmental Institutions, Policies and Plans.</p>	<p>1. 10 natural resource management and biodiversity conservation plans developed and implemented by NGOs, CBOs, and local government agencies.</p> <p>2. 60% implementation of coastal management plan. (Baseline N/A)</p> <p>3. Financial and programming commitments by GSL &amp; NGOs to biodiversity conservation (to be determined once the final BAP is available).</p>

Result Level	Performance Indicator*
<b>Intermediate Level Result 1</b> (continuation)	<ol style="list-style-type: none"> <li>4. 10 NGOs strengthened with increased capability to carry out natural resources management and biodiversity conservation.</li> <li>5. The GSL Biodiversity Secretariat strengthened as evidenced by staff and equipment in place.</li> <li>6. Local governments in target sites strengthened as evidenced by staff and equipment in place.</li> <li>7. 10 Environmental Policy studies completed and approved.</li> </ol> <p>(Note: approximately 2,000 persons from the above entities will be trained as part of the institutional strengthening effort).</p>
<b>Intermediate Level Result 2</b>  Increased Local Management & Shared Control of Natural Resources.	<ol style="list-style-type: none"> <li>1. Cumulative increase in total number of user groups (each with a minimum of 10 members) with joint responsibility of management of natural resources to 3,600 by the year 2001. (Baseline 1,066)</li> <li>2. 30 new partnerships ratified through agreements on conservation of biodiversity.</li> <li>3. 50 CBOs legally registered and with authority to carry out natural resources management and biodiversity conservation plans, as well as to raise funds from multiple sources for such purpose. (Baseline N/A)</li> </ol>

\* Baseline is as of June 1996

In addition to the above quantifiable indicators, NAREP II activities, if carried out as planned, will have a vital impact on the ability of Sri Lanka to reduce poverty, use its natural resources and its rich biodiversity in a way that will allow the economic sustenance of future generations. Specifically, it is expected that by the Program Assistance Completion Date (PACD) of September 30, 2001, the following conditions will exist:

- ▶ **Enhanced poverty reduction and job-creation alternatives.** Practical, cost-effective and environmentally-sustainable approaches for poor people to use the natural and ecosystem resources will have been developed, tested and adopted in the target sites. It is expected that the demonstration impact of these approaches will prompt people in additional communities to adopt similar approaches. In addition to the 10,000 community-level jobs expected to be created during the life of the program,

the spread effect of the implementation approaches will continue to create jobs, and to have a continuing impact on Sri Lanka's ability to conserve the resources that it needs for sustained development. In sum, the planned natural resources management and biodiversity conservation efforts not only create but save jobs that otherwise would be lost due to declining carrying capacity of the land and its resources.

- ▶ **Enhanced local level institutional capability.** The 60 NGOs and CBOs that will be strengthened in areas such as community organization, participatory approaches, income and job-creation alternatives, ways to influence policy, etc. will continue to carry out in additional communities the types of activities developed and tested in the Program's initial target areas. This spread effect and the coalitions they will have developed with community groups, local governments and private enterprises will continue to influence policy and to have a long-lasting impact on the economic sustainability of Sri Lanka's resources.
- ▶ **Enhanced Policy Framework.** Perhaps the most convincing argument that can be used to influence the design and implementation of sound policies is the actual demonstration of successful experiences. During the course of Program implementation the E-Team and the partner NGOs, CBOs, and local governments will feed information to the GSL Biodiversity Secretariat as a means to facilitate the development of policies that shift increasing responsibility for natural resource management and biodiversity conservation to the community level. This will complement the local level efforts of NGOs and CBOs, which will be working to assure the sustainable economic well-being of citizens within their immediate environments.
- ▶ **Enhanced Capability to Conserve Sri Lanka's Biodiversity.** Because of its many unique and globally significant ecosystems and species, USAID has designated Sri Lanka as a "key" biodiversity country in the Agency's recently adopted Biodiversity Conservation Strategy. The Program will support the efforts of the GSL Biodiversity Secretariat in coordinating and advancing the implementation of the Biodiversity Action Plan, thus furthering the Agency's biodiversity conservation objectives. Both through the community-based biodiversity conservation activities, the planned Biodiversity Information Monitoring Activity and the related training and technical assistance to the Biodiversity Secretariat, by its PACD the Program is expected to have sufficiently enhanced the Secretariat's capability to continue monitoring and promoting effective actions to conserve for future generations Sri Lanka's biodiversity. The Program will also have a significant impact in the maintenance of protected areas and buffer zones through the assistance to be provided to improve the implementation of users' fees mechanisms and related biodiversity conservation plans.
- ▶ **Increased Food Security.** By its conclusion, the planned Program activities at the community level will have developed a greater capability among participants to meet their food production needs, both for self-consumption and as a source of

income to improve their quality of life. The Program will do this through the planned community-based and environmentally-sound initiatives to diversify food crops, prevent degradation of soils, and protect marine and coastal habitats for fisheries and other food species.

### **3.6 Assumptions**

Attainment of the results shown in the table assumes that:

- ▶ The private sector, including NGOs and CBOs, will remain highly committed to promote the self-interest of poor people in sustainable income-generation and job-creation initiatives.
- ▶ The GSL will assign high priority to develop and implement necessary policies, and participate in local level partnerships to promote sound management conservation practices and protect the country's ecosystems.
- ▶ The GSL remains committed to implementation of its 1995-98 National Environmental Action Plan (NEAP).
- ▶ GSL attention to environmental considerations in national and sectoral economic policies will continue.
- ▶ Concerned GSL institutions, advocacy private sector groups and non-governmental organizations will support the development and implementation of such policies;
- ▶ The US Congress makes available funds to USAID to finance the activities described in the Plan of Action.

### **3.7 Performance Monitoring**

Performance monitoring at the strategic objective, intermediate results, and NAREP II activity levels will be employed to document progress toward reaching established targets; and, to identify problem areas where results are not being achieved, where changes in strategy and tactics may be necessary, and where more management attention may be needed. Performance monitoring will be documented in the Mission's R4 Report and the Mission's quarterly Performance Review Reports (PRR) or its successor.

### **3.8 The Resources Required to Attain the Results**

#### **3.8.1 Technical Assistance**

All Program components are expected to be implemented by a U.S. institutional contractor (IC) selected competitively. The contract with the selected firm will include funds for local

and external technical assistance, training activities, commodities, and for possible grants or subcontracts with specialized NGOs which have a unique capability to carry out aspects of the Program. In turn, the participating NGOs will form partnerships with local authorities and CBOs to prepare resource inventories, and carry out natural resources planning and management, biodiversity conservation, and income-generating activities in selected communities in the target areas. These arrangements will facilitate Program implementation and reduce the workload of the limited USAID/Sri Lanka staff.

The tentative mix of the technical assistance to be provided is planned as follows:

Position	Source	Duration	Professional Skills
Chief of Party (COP)	Expatriate	3 years	Natural Resources Management, Policy Analysis and Project Management, relevant field experience.
Deputy COP	Local	5 years	Policy development and implementation, and skills on project management in natural resources and training.
Biodiversity Expert	Local	5 years	Environmental management, and experience on biodiversity, land use planning and related subjects.
Field Managers (2)	Local	5 years	Community Development, NGO program management and land use planning experience
Administrative Accountant	Local	5 years	Project Accounting
Policy Analyst	Local	4 years	Agricultural Economist needed from second year
Information Manag. Specialist	Local	4 years	Computer programming, Environmental Information Management (GIS).
Small Enterprise Development Specialist	Local	3 years	Enterprise development, microlending, - initially (for 18 months) and then on short-term contracts on as needed basis.
Short-term expertise Conservation Farming	Local	1 year	Total duration split as required.
Protected area Management	Expatriate	4 months	Agronomy, Environmental Management.

Eco-Tourism Specialist	Expatriate	2 months	Biology, Environmental Management.
Biodiversity Valuation	Expatriate	2 months	Biology, Environmental Management.
Legal Consultant	Local	6 months	Law
Institutional Expert	Local	6 months	Public Administration
Environmental Monitoring	Expatriate	3 months	Biology, Agronomy, Environmental Management.
Information Management	Expatriate	3 months	Computer programming, Management Information Systems.
Biodiversity Expert	Expatriate	3 months	Biology, Environmental Management

### 3.8.2 Studies

The budget provides a tentative amount to contract for specialized and related information gathering services to carry out the studies mentioned under Component 4. The estimated amount, however, will be revised based on actual costs once the contract for such services has been negotiated.

### 3.8.3 Training

The Training Plan which the IC will develop may be carried out through the local training organizations such as the Center for Environmental Studies (CES), the Computer Center at Colombo University (CINTEC), the Open University, etc. Among other training activities, the Plan will include a Biodiversity Skill Enhancement Program to provide specialized training on the following topics to GSL and NGO/CBO personnel, as needed:

For National and Provincial level personnel:

- ▶ Environmental Management and Monitoring 4 Courses (Annually)
- ▶ Mapping of biodiversity and natural resources - 2 courses
- ▶ Biodiversity valuation techniques - 2 courses
- ▶ Biodiversity Conservation: Protected area management planning
- ▶ Research techniques, Interpretation programs development, CITIES and its applications - 2 courses
- ▶ Biodiversity convention and its option - 2 courses
- ▶ Eco tourism and Environmental Management - 2 courses
- ▶ EIA course focus biodiversity conservation - 1 course

For Provincial and Local Level Personnel:

- ▶ Environmental and Biodiversity Management - 3 courses
- ▶ Community mobilization for environmental protection

- ▶ Enterprise development - 4 courses
- ▶ Role of community in protected area management and monitoring - 2 courses
- ▶ Watershed management and agroforestry -2 courses
- ▶ Several other programs for the CBOs.

#### **3.8.4 Commodities**

Commodities required to implement some aspects of the Program include:

- ▶ Four four-wheel drive vehicles to be used by IC personnel in carrying out field activities.
- ▶ Ten motorcycles and ten bicycles to be used for NGOs' and CBOs' field staff.
- ▶ Approximately 30 personal computers to be used by IC personnel, NGOs, participating GSL agencies, and training centers.
- ▶ Equipment for protected area management planning workshops/training, office equipment for the office of the IC, for field offices and the NGO's local level coordinating offices, and for the Biodiversity Information Monitoring Activity.

#### **3.8.5 Grants to Participating NGOs/CBOs**

These grants will be negotiated between the IC and the partner NGOs/CBOs which will work at the community level. A vital feature of these grants will be the partnership arrangement developed in a participatory manner among NGOs, CBOs, and local authorities. The IC, in concert with the concerned GSL agency and local authorities, will select the NGOs/CBOs for these grants on the basis of proposals which such NGOs/CBOs will submit. The IC, however, will submit the draft grants with the selected NGOs/CBOs to the USAID E-Team for review and concurrence.

A key budget item to be included in the grants with the NGOs/CBOs will be the inputs for the community-based income-generating activities to be developed with customers' participation in the target sites.

#### **3.8.6 The Biodiversity Information Monitoring Activity**

The Program will fund limited short-term training and technical assistance, and some commodities, including: computers, books and biodiversity publications; and basic data collection equipment, such as counters, binoculars, teaching materials and audiovisual aids.

### 3.8.7 Program Coordination and Monitoring Costs

These costs will include the IC's home office and field administrative and implementation costs, such as office expenses, equipment, travel, etc., in addition to USAID's personnel who will monitor and coordinate Program activities.

## 4.0 IMPLEMENTATION PLAN

### 4.1 Arrangements with the GSL

USAID/Sri Lanka will sign a Program Grant Agreement with the GSL Ministry of Finance (MOF). The Agreement will obligate the initial USAID contribution for the Program and establish the basis for incremental obligations up to the LOP USAID contribution of \$8 million. The Agreement will also establish the specific GSL policy and counterpart commitments, as negotiated between the USAID and the GSL.

The MOF will assign coordinating and monitoring responsibility to the Ministry of Transportation, Environment, and Women Affairs (MTEWA), which will be the main GSL liaison office with USAID/Sri Lanka. MTEWA will establish a Steering Committee to coordinate and resolve policy issues as these affect the implementation of NAREP II.

During the Program implementation process, the technical assistance and training to be provided through the IC, discussed below, will continue to build-up the MTEWA's capability, to assure its strengthening in those areas in which the MTEWA may be weak. In this respect, the specialists to be provided through the IC will be expected to help the MTEWA in performing its coordinating, financial control and monitoring responsibilities, in addition to providing technical assistance and help to local level organizations -- through MTEWA's Field Offices -- to local government agencies, such as provincial councils, community groups, NGOs, etc.

The workshop and workplan preparation process described in Section 4.3 below is expected to assure the continued relevance of the planned activities based on a realistic implementation plan that reflects the best, up-to-date implementation experience in the field that considers the latest, prevailing conditions in the target areas.

The IC will sign, on a case-by-case basis after obtaining USAID/Sri Lanka concurrence, Memoranda of Understanding (MOU) or other appropriate documents (such as contracts or grants) with selected implementing institutions, which have capability to carry out effectively activities in the target areas. Specifically, the IC may enter into such agreements with the following organizations:

- ▶ An NGO or NGOs to work with communities in planning and carrying out natural resources management and biodiversity conservation activities, including soils conservation, reforestation and environmental protection programs;
- ▶ An NGO or NGOs to work with community groups and women's

organizations in promoting environmentally sound income-producing and job-creation activities; and

- ▶ An NGO or NGOs to work with target communities, producer groups, farmers, fishermen, etc. in developing financing schemes for income-producing and job-creation ventures as well as in establishing links with those groups and credit institutions.

The selected IC would negotiate the scope of work with each participating NGO, and sign an appropriate document, following USAID/Sri Lanka concurrence.

#### **4.2 USAID/Sri Lanka**

A team approach will be used to monitor and coordinate the implementation of the activities described in Section 3.0. The E-Team will ensure that all the actions necessary to attain the planned results are carried out. Essentially, the key responsibility of the Team will be to maintain the focus of the NAREP II Program and the people associated with it towards achievement of the identified results; to allocate available resources in accordance with performance; and to facilitate actions which are essential to progress, but outside the control of the local implementing organizations.

The Team will name a Program Leader, who will be a Foreign Service National (FSN) Officer who will work under the supervision of the Chief of the USAID/Sri Lanka Agricultural and Natural Resources Office, who is also the E-Team Co-Leader. This person will be the principal contact with the MTEWA on day-to-day implementation matters and will assure that other USAID-sponsored activities in Sri Lanka and other donor activities complement and reinforce the planned activities discussed in this document. Particularly, the Program Leader will follow the implementation of the Agro-Enterprise and Agricultural Microenterprises Support Activities of the Sustainable Economic Growth Program (SEGP) to find ways to use these SEGP activities to complement the planned activities under NAREP II and CIPART, especially the participatory development/local governance activities.

Key tasks of the USAID personnel involved in the day-to-day management of the NAREP II Program include:

- ▶ Monitor implementation of activities in protected areas, and in the watersheds or coastal areas where the Program will be implemented.
- ▶ Monitor individual agreements signed between the IC and NGOs and between NGOs and CBOs at the community level.
- ▶ Review each implementing institution's annual workplan and budget requirements for each target area and certify its acceptability when sent to the USAID E-Team for review.
- ▶ Verify information submitted by implementing organizations in their reports.

- ▶ Visit Program sites to physically verify implementation progress and completion.

In addition, the E-Team and the SO 3 Team will establish a committee composed of CIPART and NAREP II participants (CIPNA Committee) to review, evaluate and approve for implementation community-based income generation and related partnership activities which can be financed with planned Program resources, including the GSL PL 480 Title III local currency contributions. The Committee will ensure that the use of PL 480 local currency resources is consistent with USAID policy and PL 480 legal provisions regarding such generations and with the terms of the related GSL-USAID Trust Fund Agreement.

Also, as stated earlier, USAID/Sri Lanka will enter into a direct contract with a U.S. firm selected competitively to provide technical assistance and training in areas in which the required expertise may not be available through local participating entities. The IC will also make the necessary arrangements with local NGOs which will participate in the implementation of activities in the target areas. The IC will provide the personnel listed in Section 3.4 of this document. The Chief of Party of the IC will be a technical counterpart to the MTEWA and will play a primary role in determining, in consultation with the E-Team, the need for external experts to complement the resources available in Sri Lanka. The other external advisors will:

- ▶ Work closely with the rest of staff and locally-hired specialists to help and train them in overall Program coordination and monitoring activities;
- ▶ Help and train personnel in establishing systems and processes (including data analysis and evaluation) necessary for effective implementation of the Program;
- ▶ Help in identifying short-term technical assistance needs, writing the corresponding scopes of work, and scheduling the provision of such assistance.

The combination of the USAID E-Team, the USAID locally-hired Field Specialists, the personnel of the IC, and the concerned personnel of the MTEWA will represent an excellent combination to enhance Program coordination, monitoring, reporting and overall management of the Program.

#### **4.3 Customer Service Plan (CSP)**

The CSP consists of : (a) a participatory approach in the design stage which led to the preparation of the Plan of Action described in this document, and (b) various inter-related elements during the subsequent stage conceived to attain the effective and meaningful collaboration of all partners and customers in the implementation of the POA in all stages of the process towards the expected results.

The partners and customers include:

1. Counterparts of the MTEWA and other concerned GSL agencies.

2. The implementing NGOs and CBO partners.
3. The second level "Customer CBOs" through which the main NGO partners will channel resources to carry out aspects of the Plan of Action.
4. The main "Ultimate Customers," which include Sri Lanka's general population, particularly low-income groups in target areas who will benefit from improved natural resources management practices, the planned income-generating initiatives and the other activities discussed in the Plan of Action.

During the design stage, the CSP included the studies, evaluations, and analyses which led to the preparation of the Plan of Action (POA) to attain the identified results described earlier in this document. The studies carried out included numerous interviews with GSL personnel, and with personnel of the NGOs, other donors, and participants from the target areas.

During the implementation stage of the POA, the USAID E-Team will ensure that its activities maintain a customer focus in order to address end-user faithfully, and thus deliver the expected results. During this stage, the key elements of the CSP will include:

1. **Workshops.** After the signing of the Agreement with the GSL, the IC (in concert with the USAID/Sri Lanka and the concerned GSL agencies) will organize and carry out a workshop to discuss the Plan of Action and the expected results, and assure that all those who will participate in its implementation have a common understanding of its objectives and implementation aspects. These workshops will involve the participation of the Partner NGOs, CBOs, and ultimate customers. The cost of these workshops has been included as part of the budget.
2. **Workplans.** A key result of the workshop will be a detailed workplan (for each Partner NGO and the IC) that includes actions, target dates for their completion and the assignment of responsibilities to specific offices and/or individuals. The workplan will be refined at least annually based on the implementation experience of the preceding period and the results of the periodic reviews to be carried throughout the implementation period. The process of preparing the workplan will also be used to review the appropriateness of the NAREP II indicators discussed above and to establish realistic periodic benchmarks towards their accomplishment.
3. **The Monitoring Process.** The monitoring process consists of the above workshops and annual workplan preparation events, field visits, and evaluations which the E-Team may schedule, in concert with the GSL and Partner NGOs. In addition to regular contact with Partner NGOs and CBO customers, feedback sessions with ultimate customers (i.e. focus groups) will be scheduled within the workplan preparation process for each Partner NGO/CBO. All participants (Partner NGOs, Customer CBOs and ultimate customers) will be involved in the various aspects of these events. The E-

Team will assure that any recommendations resulting from the monitoring process to maintain and sustain the customer focus are incorporated in the Plan of Action, as it may be revised periodically.

#### 4.4 Procurement Plan

The key inputs discussed in the Description section to carry out the Program include technical assistance, training, commodities, local operational costs, grants to NGOs, and specialized services for the Biodiversity Information Monitoring Activity, audits and evaluations. These inputs will be procured and financed as indicated below and in Section 5.3 and the budget tables.

The major initial procurement action will be the USAID/Sri Lanka direct contract with the IC, which will be selected competitively. The contract with the selected firm will include funds for local and external technical assistance, training activities, commodities, and for possible subagreements or subcontracts with specialized NGOs which have unique capability to carry out aspects of the Program, i.e. natural resources management, biodiversity conservation activities, income-generation ventures, information system, etc. This arrangement will facilitate implementation and reduce the workload of the limited USAID/Sri Lanka staff.

The mix of specialists listed earlier in this document is expected to satisfy the Program requirement for possible external assistance while maintaining flexibility on the provision of technical assistance, keeping costs down and reducing to the absolute minimum the presence of external advisors in the target areas. It will also facilitate implementation and lighten the load of the USAID direct hire staff as once the IC is selected, the long-term advisor with the firm's home office support, or local organization, will handle the writing of scopes of work and the selection of the most competent individual for each specific short-term assignment.

#### 4.5 Implementation Schedule

The Plan of Action to attain the results described in Section 3 will be carried out during a five-year period starting in early FY 1997. The tentative implementation schedule for the initial stages of the Plan of Action is shown in the following Gantt chart based on the expected date when funds will be available. The schedule will be adjusted based on the workplans to be prepared annually by the IC, as described in Section 4.3 (Customer Service Plan).

Gantt Chart: NAREP II Implementation Schedule

Action	Estimated Target Date
1. USAID/Sri Lanka authorizes the E-Team to implement the POA.	Sept. 1996
2. The E-Team develops internal documentation for agreements with the GSL.	Sept. 1996

3.	The E-Team completes PIO/T to select the IC firm.	Oct. 1996
4.	The IC is selected	May 1997
5.	Technical assistance and other support activities to GSL begins.	July 1997
6.	IC selects and signs agreements with local NGOs and NGOs sign agreements with CBOs	Oct. 1997
7.	IC, USAID, GSL, NGOs, CBOs hold coordination workshop	Nov. 1997
8.	IC and NGOs develop first workplans for carrying out their respective activities. (Workplans will be prepared yearly and will provide the basis for the disbursement of the USAID contribution)	Dec. 1997
9.	USAID E-Team reviews and approves workplans.	Dec. 1997
10.	First workshop with Focus Groups (described in Section 4.3- Customer Service Plan) carried out.	April 1998
11.	Implementing NGOs continue with full implementation of activities contained in approved workplans	April 1998

#### 4.6 Evaluations

While performance monitoring of NAREP II will focus on whether expected results are being achieved, periodic evaluation of NAREP II's activities will provide a more detailed examination of what these results embody, how they are or are not being achieved, and, to the extent possible, why. During the first year of the program, the Mission Evaluation Officer in cooperation with the E-Team Leader will devise an evaluation plan drawing on a mix of methodologies, including formal periodic activity evaluations, routine checks in data sources, and ad hoc assessments. The decision to evaluate or not, and which evaluation methodology to use, will be made by the E-Team, with the concurrence of the USAID Director.

In any event, on a semi-annual basis the full E-Team will:

- ▶ Assess whether program process and mechanisms are valid;
- ▶ Identify the major problems impeding progress;
- ▶ Identify modifications to be made to make program implementation more effective and efficient; and,
- ▶ Suggest other corrective actions, including special evaluations of individual NAREP II activities or a group of activities.

It is expected that these reviews will result in appointing teams to assess specific aspects of Program operations, as focused in-house evaluations or analyses of Program

implementation and impact.

## **5.0 COST ESTIMATE AND FINANCIAL PLAN**

### **5.1 The Financial Plan**

Table 5-1 summarizes the estimated costs of the inputs required to implement the Program, as well as the expected source of funds for such inputs. Briefly, the total cost of the NAREP II is estimated at US\$ 12.0 million. USAID plans to contribute US\$8 million. The GSL's contribution is estimated at US\$2.5 million, consisting of the equivalent of approximately US\$2.0 million in local currency generated under PL 480 Title III programs (from the PL 480 Title III NGO Special Account) and US\$500,000 in other cash and in-kind contributions. Local NGOs and other private sector organizations are expected to provide approximately US\$1.5 million, consisting mostly of in-kind contributions. The combined GSL and other local contributions represent approximately 33 percent of the total cost of the Program.

The costs shown in Table 5-1 flow from the details provided in Table 5-2, which breaks down the cost estimates by Program component and planned activities. Table 5-3 projects the rate of expenditures based on the expected availability of resources from each source. Likewise, Table 5-4 shows an illustrative cash flow analysis of USAID funds, by Program input, assuming projected levels of obligations. These projections are illustrative at this stage and will be revised and refined by the E-Team based on the actual funding availability, the budget negotiated with the IC, and the actual implementation experience, as reviewed during the yearly workplan preparation process described earlier in this document.

### **5.2 Methods of Implementation and Financing**

Table 5-6 shows how the various inputs required to implement the Program will be obtained and financed.

### **5.3 Audits**

The program budget includes US\$150,000 for audits, voucher reviews and financial management systems reviews of the Program.

## **6.0 SUSTAINABILITY AND EXIT STRATEGY**

The exit strategy is built into the Plan of Action from the outset of Program implementation. The elements of this strategy include the training to GSL and local organizations so they can use their limited resources more effectively, the assistance to develop self-sustaining activities at the local level, the participation of local level organizations in the management of natural resources to complement the GSL's limited capability, and the assistance to better manage national parks, national reserves and the collection of users' fees to maintain and improve the management of natural resources.

A vital aspect of the sustainability strategy is the catalytic effect which the planned income- and job-creation activities will have on private sector customers, including farmers, fishermen, people engaged in ecotourism ventures, etc. It is expected that as these customers realize the importance of sound natural resources management and biodiversity conservation for their continuing economic well-being, their interest in conserving the environment will further contribute to ensure the sustainability of the Program after USAID support concludes. In this respect, the strengthened local level NGOs and CBOs, in concert with local governments and private sector entities, will be expected to continue replicating activities to further reinforce the catalytic effect of the planned activities.

As indicated earlier, the implementation plan will place special emphasis on developing strong local level partnerships, in concert with CIPART activities, in order to shift the burden of sustaining Program activities to the local level. Since such partnerships consist mostly of private sector organizations and individuals who have a day-to-day economic stake in managing well the available resources in their immediate surroundings, the prospects of attaining sustainability of Program activities after USAID support concludes will be greatly enhanced.

In addition, the IC will provide assistance to support the efforts of CBOs and NGOs in attaining legal status and in forging strong links with private sector enterprises through mutually beneficial arrangements which may include production and marketing linkages entailing the use of natural resources, coalitions to influence policies, and other initiatives to be conceived during Program implementation.

TABLE 5-1

## NAREP II

## SUMMARY COST ESTIMATE AND FINANCIAL PLAN

(US \$ 000)

Source Inputs	USAID		Host Country				Sub Total		TOTAL
	FX	LC	GSL		Other		FX	LC	
			FX	LC	FX	LC			
Technical Assistance	1,500	600	0	50	0	100	1,500	750	2,250
Training	1,000	600	0	100	0	200	1,000	900	1,900
Commodities	350	250	0	700	0	100	350	1,050	1,400
Studies	450	400	0	200	0	100	450	700	1,150
Biodiversity Information Monitoring Activity	100	200	0	100	0	0	100	300	400
Special Projects	500	1,000	0	1,000	0	900	500	2,900	3,400
Workshops	400	350	0	350	0	100	400	800	1,200
Evaluations & Audits	150	150	0	0	0	0	150	150	300
<b>TOTAL PROJECT COST</b>	<b>4,450</b>	<b>3,550</b>	<b>0</b>	<b>2,500</b>	<b>0</b>	<b>1,500</b>	<b>4,450</b>	<b>7,550</b>	<b>12,000</b>
<b>TOTAL USAID CONTRIBUTION</b>	<b>8,000</b>								

SUMMARY

		<u>US\$</u>
Total Project Cost	=	12,000
Less: Counterpart contribution	=	<u>4,000</u>
USAID Contribution	=	<u>8,000</u>

## Note

1. Implementation Costs are included in Special Projects line.
2. GSL contribution includes Dollar equivalent of Rs. 100,000,000 allotted from PL 480 Title III NGO Special Account.
3. The L.O.P. of NAREP II Program is 5 years from September 1996 to September 2001. Activities planned may commence at any time during this period.

**Table 5-2**  
**NAREP II**  
**Estimated Expenditures by Component - USAID Funds**

Element	1996	1997	1998	1999	2000	2001	TOTAL
<b>1. Natural Resources Management and Biodiversity Protection</b>							
TA - Development of Biodiversity Model		100	300	300	300	100	1,100
Agreements with NGOs/CBOs			200	200	200		600
Sub Total							1,700
<b>2. Community-based and Sustainable Income-generating Activities</b>							
TA - Income Generating Activities		100	200	250	250	200	1,000
Agreements with NGOs/CBOs			100	150	150	100	500
Sub Total							1,500
<b>3. Institutional Strengthening</b>							
1. Workshops							
a. Environmental Practices		10	50	50	50		160
b. Microenterprises			50	50	50		150
c. Biodiversity			50	50	40		140
2. Training			700	500	400		1,600
3. Biodiversity Information Monitoring Activity			250	50	0		300
4. Commodities			200	200	200		600
Sub Total							2,950
<b>4. Studies</b>							
a. Policy Studies			50	50	100		200
b. Institutional Studies		10	50	50	40		150
c. Enterprise Development			100				100
d. Project Appraisal & Valuation				100			100
e. Field Studies			130	170			300
Sub Total							850
<b>5. Implementation Costs</b>							
General Implementation Costs		10	100	60	70	0	240
Administrative Costs			70	50	40	0	160
Sub Total							400
<b>6. Annual Customised Workshops</b>			100	100	50	50	300
<b>7. Evaluations</b>			50	50	50		150
<b>8. Audits</b>			50	50	50		150
<b>TOTAL</b>	<b>0</b>	<b>230</b>	<b>2,800</b>	<b>2,480</b>	<b>2,040</b>	<b>450</b>	<b>8,000</b>

**Table 5-2 a**  
**NAREP II**  
**Estimated GSL Expenditures by Component**  
**(\$'000)**

Element	1996	1997	1998	1999	2000	2001	TOTAL
<b>1. Natural Resources Management and Biodiversity Protection</b>							
TA - Development of Biodiversity Model							0
Agreements with NGOs/CBOs		100	100	100	100		400
Sub Total							400
<b>2. Community-based and Sustainable Income-generating Activities</b>							
TA - Income Generating Activities			25	25			50
Agreements with NGOs/CBOs		100	150	150	150	50	600
Sub Total							650
<b>3. Institutional Strengthening</b>							
1. Workshops							
a. Environmental Practices			25	25			50
b. Microenterprises			50	50	50	50	200
c. Biodiversity			20	25	30	25	100
2. Training			20	30	25	25	100
3. Biodiversity Information Monitoring Activity			50	25	25		100
4. Commodities		50	200	200	200	50	700
Sub Total							1,250
<b>4. Studies</b>							
a. Policy Studies			20	20	10		50
b. Institutional Studies		10	20	20			50
c. Enterprise Development		20	20	10			50
d. Project Appraisal & Valuation			10		10		20
e. Field Studies			10	20			30
Sub Total							200
<b>5. Implementation Costs</b>							
General Implementation Costs							0
Administrative Costs							0
Sub Total							0
<b>6. Annual Customized Workshops</b>							0
<b>7. Evaluations</b>							0
<b>8. Audits</b>							0
<b>TOTAL</b>	<b>0</b>	<b>280</b>	<b>720</b>	<b>700</b>	<b>600</b>	<b>200</b>	<b>2,500</b>

Note

1. The total includes Dollar equivalent of Rs. 100,000,000 allotted from PL 480 Title III NGO Special Account.

**Table 5-2 b**  
**NAREP II**  
**Estimated Private Sector Expenditures by Component**  
\$'000

Element	1996	1997	1998	1999	2000	2001	TOTAL
<b>1. Natural Resources Management and Biodiversity Protection</b>							
TA - Development of Biodiversity Model		10	10	10	10	10	50
Agreements with NGOs/CBOs			100	100	100	100	400
Sub Total							450
<b>2. Community-based and Sustainable Income-generating Activities</b>							
TA - Income Generating Activities		10	10	10	10	10	50
Agreements with NGOs/CBOs			120	120	120	140	500
Sub Total							550
<b>3. Institutional Strengthening</b>							
1. Workshops							
a. Environmental Practices			20	20			40
b. Microenterprises			10	20			30
c. Biodiversity			10	20			30
2. Training			50	100	50		200
3. Biodiversity Information Monitoring Activity							0
4. Commodities			20	30	30	20	100
Sub Total							400
<b>4. Studies</b>							
a. Policy Studies			10	10	10		30
b. Institutional Studies		10	10				20
c. Enterprise Development			10				10
d. Project Appraisal & Valuation				20			20
e. Field Studies			10	10			20
Sub Total							100
<b>5. Implementation Costs</b>							
General Implementation Costs							0
Administrative Costs							0
Sub Total							0
<b>6. Annual Customised Workshops</b>							0
<b>7. Evaluations</b>							0
<b>8. Audits</b>							0
<b>TOTAL</b>	<b>0</b>	<b>30</b>	<b>390</b>	<b>470</b>	<b>330</b>	<b>280</b>	<b>1,500</b>

TABLE 5-3

## PROJECTION OF EXPENDITURES BY FISCAL YEAR

(US \$ '000)

Fiscal Year	AID	Host Country	Other(s)	Total
FY 1996	0	0	0	0
FY 1997	230	280	30	540
FY 1998	2,800	720	390	3,910
FY 1999	2,480	700	470	3,650
FY 2000	2,040	600	330	2,970
FY 2001	450	200	280	930
<b>TOTAL</b>	<b>8,000</b>	<b>2,500</b>	<b>1,500</b>	<b>12,000</b>

**TABLE 5-4**

**CASH FLOW ANALYSIS - USAID FUNDS**

(US \$ '000)

	1996	1997	1998	1999	2000	2001
<b>BALANCE</b>	<b>0</b>	<b>230</b>	<b>2,800</b>	<b>2,300</b>	<b>1,920</b>	<b>450</b>
<b>OBLIGATIONS</b>						
Technical Assistance	200	500	600	500	300	0
Training		500	700	400	0	0
Commodities		200	200	100	100	0
Studies	10	400	200	220	20	0
Biodiversity Information Monitoring Activity		200	100	0	0	0
Special Projects	10	650	200	640	0	0
Workshops	10	250	200	140	150	0
Evaluations & Audits		100	100	100	0	0
						0
<b>Total Obligations</b>	<b>230</b>	<b>2,800</b>	<b>2,300</b>	<b>2,100</b>	<b>570</b>	<b>0</b>
<b>EXPENDITURE</b>						
Technical Assistance		200	500	550	550	300
Training			700	500	400	0
Commodities			200	200	200	0
Studies		10	330	370	140	0
Biodiversity Information Monitoring Activity			250	50	0	0
Special Projects		10	470	460	460	100
Workshops		10	250	250	190	50
Evaluations & Audits			100	100	100	0
<b>Total Expenditure</b>	<b>0</b>	<b>230</b>	<b>2,800</b>	<b>2,480</b>	<b>2,040</b>	<b>450</b>
<b>BALANCE</b>	<b>230</b>	<b>2,800</b>	<b>2,300</b>	<b>1,920</b>	<b>450</b>	<b>0</b>

Table 5-5

## Costing of NAREP II Outputs/Inputs

(US \$ '000)

INPUTS	OUTPUTS								TOTAL
	Element	Element	Element	Element	Element	Element	Element	Element	
	1	2	3	4	5	6	7	8	
<b>USAID</b>									
Technical Assistance	1,100	1,000							2,100
Training			1,600						1,600
Commodities			600						600
Studies				850					850
Biodiversity Information Monitoring Activity			300						300
Special Projects	600	500			400				1,500
Workshops			450			300			750
Evaluations							150		150
Audits								150	150
<b>Sub Total</b>	<b>1,700</b>	<b>1,500</b>	<b>2,950</b>	<b>850</b>	<b>400</b>	<b>300</b>	<b>150</b>	<b>150</b>	<b>8,000</b>
<b>GSL</b>									
Technical Assistance		50							50
Training			100						100
Commodities			700						700
Studies				200					200
Biodiversity Information Monitoring Activity			100						100
Special Projects	400	600							1,000
Workshops			350						350
Evaluations									0
Audits									0
<b>Sub Total</b>	<b>400</b>	<b>650</b>	<b>1,250</b>	<b>200</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,500</b>
<b>OTHER</b>									
Technical Assistance	50	50							100
Training			200						200
Commodities			100						100
Studies				100					100
Biodiversity Information Monitoring Activity									0
Special Projects	400	500							900
Workshops			100						100
Evaluations									0
Audits									0
<b>Sub Total</b>	<b>450</b>	<b>550</b>	<b>400</b>	<b>100</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,500</b>
<b>TOTAL</b>	<b>2,550</b>	<b>2,700</b>	<b>4,600</b>	<b>1,150</b>	<b>400</b>	<b>300</b>	<b>150</b>	<b>150</b>	<b>12,000</b>

Note:

Element 1: Natural Resources Management and Biodiversity Protection

Element 2: Community-based and Sustainable Income Generating Activities

Element 3: Institutional Strengthening

Element 4: Studies

Element 5: Implementation Costs

Element 6: Annual Customized Workshops

Element 7: Evaluations

Element 8: Audits

**Table 5-6  
Methods of Implementation and Financing**

<b>Project Requirements</b>	<b>Methods of Implementation</b>	<b>Methods of Financing</b>	<b>Approx. Amount (\$'000)</b>
US Technical Assistance	AID Direct Contract with US Firm (IC)	Direct Reimbursement	1,500
SL Technical Assistance	Through Institutional Contract	Direct Reimbursement	600
Support to NGOs and CBOs	Through Institutional Contract	Direct Reimbursement	1,500
Commodities: Foreign	Through AID Direct Contract	Direct Reimbursement	350
Local	Through Institutional Contract	Direct Reimbursement	250
Training	Through Institutional Contract	Direct Reimbursement	1,600
Workshops	Through Institutional Contract	Direct Reimbursement	750
Studies	Through Institutional Contract	Direct Reimbursement	850
Biodiversity Information Monitoring Activity	Through Institutional Contract	Direct Reimbursement	300
Evaluation	Direct AID Contract, Buy into Centrally Funded Project, or PSC	Direct Reimbursement	150
Audit	Direct AID Contract, Buy into Centrally Funded Project, or PSC	Direct Reimbursement	150

**Environmental Results Framework**

**RESULTS**

**Strategic Objective 2  
Improved Environmental Practices to  
Support Sustainable Development**

USAID T/F 7 yrs.

1. 1 million people directly benefited from adoption of environmentally sound practices\*
2. 57,700 hectares of targeted land with conservation practices
3. 70% of municipal solid waste disposal through environmentally sound practices
4. 70% of industries implementing pollution prevention control measures

**ASSUMPTIONS**

1. The private sector, including NGO and CBOs, will remain highly committed to promote the self-interest of poor people in sustainable income-generation and job creation initiatives.
2. The GSL will assign high priority to develop and implement necessary policies, and participate in local level partnerships to promote sound management conservation practices and protect the country's ecosystems.
3. The GSL remains committed to implementation of its 1995-98 National Environmental Action Plan (NEAP).
4. GSL attention to environmental considerations in national and sectoral economic policies will continue and concerned GSL institutions, advocacy private sector groups and NGOs will support the development and implementation of such policies.
5. USAEP resources will be available to support selected activities related to industrial environmental management and energy efficiency and conservation.

**Increased Local Management &  
Shared Control of Natural Resources  
USAID/NGO**

1. 6 100 user groups with joint responsibility for management of natural resources.
2. 240,000 households with secure land tenure/natural resource rights

**Increased Investment in Environmentally  
Sound Technologies  
USAID/HIG/SID T/F**

1. 5Mn. worth loans under Pollution Control Abatement Fund
2. .625Mn. worth of U.S. environmental protection goods & services purchased from U.S. sources

**Improved Environmental Institutions,  
Policies & Plans  
USAID/WB/Min. of Env.**

1. 80% of the National Environmental Action Plan implemented
2. 50% implementation of Bio-diversity action plan
3. 60% implementation of coastal management plan

**Land, Watershed & Coastal Conservation  
Management  
USAID/MMI/IRI/TAF**

1. 50 CBOs legally registered with authority to carry out NRM and biodiversity conservation plans, as well as to raise funds from multiple sources for such purpose
2. Representatives from NGOs trained in participatory natural resource management
3. User organizations conferred with legal status and power
4. 30 new partnerships ratified through agreements on conservation of biodiversity

**Environmental Policies & Plans Implemented  
USAID/WB**

1. 60% of EIAs accepted/approved
2. 100 environmental audits performed on polluting industries
3. 10 Environmental Policy studies completed and approved
4. 10 natural resource management (NRM) & biodiversity conservation plans developed and implemented by NGOs, CBOs, & LG agencies

**Strengthened Environmental Institutions  
USAID/IRG/Min. of Env.**

1. 10 NGOs strengthened with increased capability to carry out NRM and biodiversity conservation
2. 25 private firms providing environmental services
3. 14 operations environmental "cells" in selected public sector organizations.
4. 5000 recipients of certificates in environmental studies\*
5. Financial & programming commitments by GSL & NGOs to biodiversity conservation
6. The GSL Biodiversity Secretariat strengthened as evidenced by staff and equipment in place
7. Local governments in target sites strengthened as by staff and equipment in place

**RESOURCES**

**RESOURCE PACKAGE 2  
NAREP/SCOR**

	\$	FTE
Bilateral DA	8700 US DH	1
Regional	FSN DH	1
Global	FSN PSC	2
HCC		
Local Currency		

**RESOURCE PACKAGE 3  
USAEP/HIG**

	\$	FTE
Bilateral DA	US DH	2
Regional	600 US PSC	1
Global	FSN DH	1
HCC	FSN PSC	2
Local Currency		

**RESOURCE PACKAGE 1  
NAREP**

	\$	FTE
Bilateral DA	5,900 US DH	1
Regional	FSN DH	1
Global	FSN PSC	1
HCC		
Local Currency		

\* Data will be Gender Disaggregated

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**GSL Letter of Request**



UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT  
MISSION TO SRI LANKA.

Tel No. (94-1) 574333, Fax No. (94-1) 574264/574500

P.O. Box 106,  
356, Galle Road  
Colombo 3, Sri Lanka.

USAID/Colombo  
Department of State  
Washington D.C. 20521-6100

August 10, 1996

Mr. Faiz Mohideen  
Director-General  
External Resources Department  
Ministry of Finance, Planning, Ethnic Affairs, and National Integration  
Galle Face Secretariat  
Colombo 1

Subject: Natural Resources and Environmental Practices Program II (NAREP II)

Dear Mr. Mohideen:

As you know, USAID/Sri Lanka and personnel from the Ministry of Transport, Environment and Women's Affairs, other concerned Government of Sri Lanka (GSL) personnel, and private sector organizations have been discussing, as an informal working group, the design of a follow-on program to the on-going Natural Resources and Environmental Policy Project (NAREP I) which concludes in 1998. As a result of these discussions, numerous studies and evaluations of the experience under NAREP I, the working group has completed the design of the follow-on program which carries the title NAREP II.

On August 14, 1996, the Ministry of Environment hosted a half-day workshop attended by USAID personnel, representatives of all concerned GSL agencies, and the NGO and academic communities to reach final agreement on the design of the NAREP II Program. The final design of NAREP II reflects the recommendations and consensus reached in that workshop. The essence of NAREP II is provided below.

NAREP II will build on the progress made under NAREP I and its sub-project Shared Control of Natural Resources, and reflects the recommendations resulting from evaluations of these programs. In essence, NAREP II will provide resources to support public and private sector efforts to promote a balance between economic use and conservation of natural resources and biodiversity. This balance is crucial to attain sustainable development and gradually increase productivity and income for poor people in selected representative ecologically critical areas of the country where the activities will be carried out. Within this context, the Program will support a mix of initiatives, including:

- ▶ Participatory and partnership arrangements among local governments (including provincial councils), local non-governmental organizations (NGOs), community-based organizations (CBOs) and private sector firms to develop and carry out natural resources management and biodiversity conservation approaches in selected inland and coastal sites.

- ▶ Development and implementation of alternative employment and resource-friendly income-generating activities for the population in target communities.
- ▶ Technical assistance and training for GSL personnel, particularly at the local level; selected implementing non-governmental organizations (NGOs); community-based organizations (CBOs); and community leaders in target areas. The focus of this assistance will be on natural resources management, parks design and management, information collection, environmental monitoring, and analysis of data for decision-making, community business organization and operation; production, marketing, and micro-business ventures; and the establishment of a Secretariat to coordinate the effective implementation of the GSL's Biodiversity Action Plan.
- ▶ Demand-driven studies to fill information gaps about the natural and human resource base of representative areas of the country; the different factors affecting their carrying capacity and economic sustainability; the crucial role which people at the community level can play to manage natural resources to foster sound, sustainable development while meeting their economic needs; and the related policies which affect the use of natural resources and the conservation of the country's biodiversity.

With regard to the continued assistance in the urban/industrial environmental protection sector ("brown" activities), please note that USAID/SL will continue its support to help the GSL meet its "brown" environmental protection objective, especially under the USAID-sponsored initiatives:

- ▶ Under the Urban and Environmental Management component of NAREP I, USAID will continue providing technical assistance and training to promote waste minimization, waste prevention and related pollution reduction approaches for a cleaner environment.
- ▶ Under the USAID's Asia Environmental Partnership (US-AEP) regional program, USAID/SL will continue financing technical assistance, exchange programs and training to transfer U.S. environmental technologies that promote pollution abatement and energy conservation investments in Sri Lanka.
- ▶ Under the Technology Initiative for the Private Sector Activity of the Sustainable Economic Growth Program, USAID will continue to provide cost-sharing grants to help the efforts of Sri Lankan industries to reduce industrial pollution.

We will continue to work closely with your Government to ensure the coordination of these ongoing "brown" activities with the "green" activities under NAREP II, particularly those seeking to develop income and job-creation opportunities in coastal and inland sites.

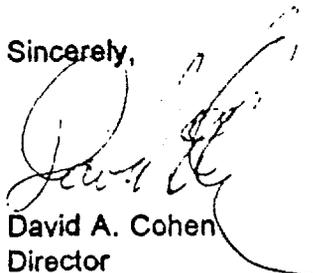
The next step in the process leading to the implementation of NAREP II is the signing of a Program Grant Agreement between the Government of Sri Lanka and USAID/SL. With your signature below, we will treat this letter as your official request for assistance and begin preparing the Agreement that will launch NAREP II and provide first funding. The attached draft Amplified Program Description, which would be used as Annex 1 to the Agreement,

provides additional details about the Program.

I would request you to kindly return one original signed copy of this letter to my office.

All of us in USAID look forward to working with you, your staff and other concerned parties in the Government of Sri Lanka on this exciting new program.

Sincerely,

  
David A. Cohen  
Director

Concur:

  
F. Mohideen  
Director-General  
External Resources Department  
Ministry of Finance, Planning, Ethnic Affairs,  
and National Integration

Date:

03/10/96

**Environmental Threshold Decision**

AUG 30 1996

# facsimile

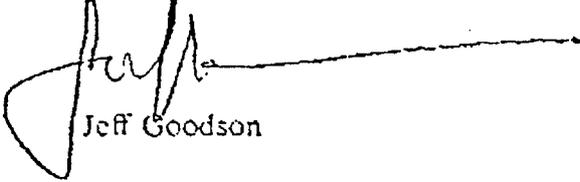
## TRANSMITTAL

to: Glenn Whaley, USAID/Sri Lanka  
fax #: 9-011-94-1-574-264 or 574-500  
re: Clearance, NAREP II IEE  
date: 26 August 1996  
pages: 2 page(s) total, including this cover sheet

Glenn:

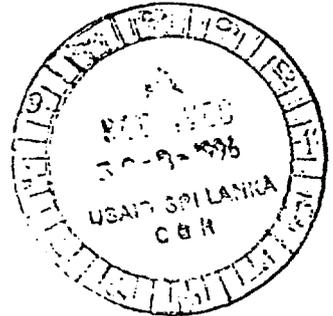
Pursuant to our e-mails of the last ten days, attached is the fully executed signature sheet for the NAREP II project. Good job.

Best regards,



Jeff Goodson

OFFICE	ACT	INITIALS
DIR		///
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From the desk of...

Jeffrey W. Goodson  
Bureau Environmental Officer, ANE  
USAID/W/ANE/ORR  
320 21st Street, NW  
Washington DC, 20520

REFERENCE NO. FAX 94 604  
DATE RECEIVED 08 28 96  
ACTION .....

tel: 202/647-9639  
fax: 202/736-4921

UNDER SECRETARY'S OFFICE, BUREAU OF ENVIRONMENTAL AFFAIRS

Activity Category:

Activity Code:

Program Title/ID:

Natural Resources and Environment  
(383-0121)

Funding (Fiscal Year and Amount):

FY 98 - FY 01, \$8 million

Prepared By:

Date:

Glenn Rutanen-Whaley  
Glenn Rutanen-Whaley, PPS  
Project Development Officer

8/26/98

Environmental Action Recommended:

Negative Determination as per 22 CFR  
216.3(a)(2)(iii)

Mission Environmental Officer Concurrence:

Date:

Glenn Rutanen-Whaley  
Glenn Rutanen-Whaley, PPS

8/26/98

Acting Mission Director's Concurrence:

Date:

Louis Kuhn  
Louis Kuhn, DIR(A)

8/26/98

Decision of Environmental Officer,  
Bureau for Asia and the Near East:

Approved:

Date:

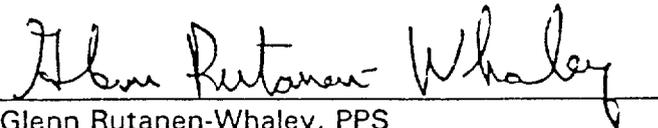
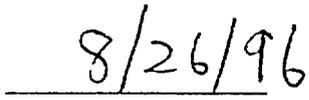
Jaff W. G. [Signature]  
26 August 1998

Clearances:

AJayatilake, ANR

[Signature] Date: 8/26/98

THRESHOLD DECISION BASED ON  
INITIAL ENVIRONMENTAL EXAMINATION  
UNDER USAID ENVIRONMENTAL PROCEDURES

1. Activity Location: Sri Lanka
2. Program Title/ID: Natural Resources and Environmental Practices II Program  
(383-0121)
3. Funding (Fiscal Year and Amount): FY 96 - FY 00, \$8 million
4. Prepared By: Date:  
  
Glenn Rutanen-Whaley, PPS  
Project Development Officer  

5. Environmental Action Recommended: Negative Determination as per 22 CFR  
216.3(a)(2)(iii)
6. Discussion of Environmental Aspects of Activity:

Background

The NAREP II Program will further USAID/Sri Lanka's progress toward its environmental strategic objective by fostering effective local level partnerships and related efforts of public and private institutions to improve the management of Sri Lanka's natural resources, conserve its biodiversity, and promote environmentally-sound sustainable income-generating activities in selected areas. The target of the proposed Program activities are poor people who have a survival economic stake in using in a sustainable manner their natural resources and in protecting the ecosystems in which they live. The Program is intimately linked to USAID/Sri Lanka's Strategic Objective No. 1 (increased private sector employment and income), as development objectives cannot be achieved unless the resources which provide the basis for economic growth are properly managed. It is also linked to Strategic Objective No. 3 (greater empowerment of people to participate in democracy), as NAREP II objectives cannot be attained without a high level of participation by the citizens where the planned activities will be carried out.

NAREP II will build on the progress made under NAREP I and reflects the recommendations resulting from evaluations of this program. In essence, NAREP II will provide resources to support public and private sector efforts to promote a balance between economic use and conservation of natural resources and biodiversity. This balance is crucial to attain sustainable development and gradually increase productivity and income for poor people in selected representative ecologically critical areas of the country where the activities will be carried out.

NAREP II consists of four components, which will be carried out under a unified contract mechanism. A summary of each component together with its projected environmental impacts is presented below. The underlying rationale for this component mix is that people will continue to intensify their pressures on the

country's natural resources to satisfy their economic needs. Unless they adopt sustainable management practices to use those resources in a rational way, their unchecked use will not be sustainable over time and the ecosystems will be permanently damaged. Ultimately, the country's sustainable economic growth will be at stake.

1. **Natural Resources Management and Biodiversity Conservation**, through which USAID will support local level partnerships and other related public and private sector efforts to develop, test and implement plans for managing natural resources and conserving the biodiversity in target sites.

**Description:** This component will develop and support participatory and partnership arrangements among local governments (including provincial councils), local non-governmental organizations (NGOs), community-based organizations (CBOs), and customers to develop and carry out natural resources management and biodiversity conservation approaches in target areas. Note that CBOs include women's organizations, small farmers organizations, citizens' committees, organizations participating in the USAID-sponsored Citizens' Participation Program, and other local level organizations which have a stake in natural resources management and biodiversity conservation.

**Environmental Impact:** The activities to be implemented under this component will be carried out primarily by local NGOs and CBOs working at the community level to develop partnerships between and among community groups and local government designed to conserve and enhance the natural resource base of targeted communities. Community organization techniques such as joint planning workshops and other consensus-building exercises will be employed, backed up by analyses of the principal threats to the local ecosystem. These technical assistance/training-type activities will not, in and of themselves, have any effect on the physical environment, but over time the outcome of these efforts is expected to result in a measurable improvement in the biodiversity of the ecosystems in which the target communities are situated.

2. **Sustainable Employment and Income-Generating Activities** to show the advantages and feasibility of environmentally-sound development practices over commonly used environmentally damaging practices in selected areas.

**Description:** These efforts will focus on the development of natural resources management models of environmentally-sound and sustainable economic activities that protect and conserve Sri Lanka's critical ecosystems. The purpose of this component is to develop environmentally and economically sustainable income-producing and job-creation opportunities for poor people in selected areas. Through participatory efforts to meet the economic needs of participants, Program activities are expected to enhance the self-interests of people at the community level in efforts to conserve natural resources and conserve the biodiversity of their environment. The opportunities developed through this component will serve as catalysts to encourage people in target areas to adopt sustainable natural resources conservation practices.

Activities chosen will provide poor people in target areas opportunities to generate income in environmentally enhancing ways, either through direct conservation or contribution to biodiversity, or by improving or maintaining the resource base. An illustrative list of possible income-generating ventures, to be defined more precisely by contract specialists during the course of Program implementation, follows. Funds for

the modest inputs that will be required to complement the resources of beneficiaries will be provided through the institutional contractor (IC), which in turn will negotiate grants to selected NGOs and CBOs for this purpose.

- a. **Intensive Uses of Degraded Areas for Multi-Purpose Activities Using Environment-Enhancing Techniques.** This initiative will increase household income, enhance food security, improve the natural resource base by retaining water and micronutrients and reducing soil erosion. Some of the key indicators that will be used to measure its success include: percentage increase in yields per hectare of land, post-adoption increase in average household income (desegregated by gender); emergence or proliferation of floral and faunal species that require more moisture, shade, or richer soils (e.g., earthworms, organic materials), etc.
- b. **Managed Fish Stocking and Fishing Practices of Irrigation Reservoirs.** This initiative will increase household income, enhance the biodiversity and productivity of reservoir systems, increase local employment opportunities, increase local sources of protein, reduce pressure on coastal fisheries stocks, and provide a mechanism for CBOs to interact with the private sector through acquisition of fry or sale of fish. Some of the key indicators that will be used to measure its success include: percentage increase in average household consumption of fish protein, increase in average household income (desegregated by gender) due to fish sales; increase in fish biomass production of reservoirs.
- c. **Cultivation of Medicinal Plants in Home Gardens.** This initiative will increase household income; reduce the pressure on in-situ stocks of medicinal plants; increase the biodiversity and value of home gardens; provide a mechanism for CBOs to interact with the private sector through market linkages, and enhance CBOs' knowledge of market identification and participation. Some of the key indicators that will be used to measure its success include: the percentage increase in household income generated by the production of medicinal plants (desegregated by gender); increased diversity of species grown in home gardens; and increased numbers of individuals or CBOs in mutually productive partnerships with the private sector.
- d. **Establishment of a Credit Voucher System for Individuals/Organizations Acting in Catalytic Roles.** The purpose of this initiative is to encourage individuals and communities to work together and rely on each other rather than on outsiders to improve their environment; broaden the area improved by biodiversity-enhancing techniques or technologies; and enable participants to expand obtain credit to finance their own income-generating ventures. Some of the key indicators that will be used to measure its success include: the percentage increase in the number of hectares improved by conservation techniques through activities of volunteer catalysts; increase in the number of people knowledgeable about conservation techniques, etc.
- e. **Development of Environment-Related Sale Items or Services for the Ecotourist Market.** This potential income-generating activity could include handicrafts, such as card paintings/calendars of wild animals and flowers, illustrated booklets describing conflicts with wildlife, tours of biodiversity-

rich areas, spice gardens, tea/cashew/coffee plantations, cascading reservoir systems; dams, the provision of tourist-related services, such as guides, drivers, hotels, restaurants, etc. Such activities would increase household income and employment opportunities; improve communities' perception of the value of protected habitats and species; improve outsiders' knowledge of the relationship between local people and their resource bases/protected areas. Some of the key indicators that will be used to measure its success include: the increase in the income generated by eco-tourist trade in the site; increase in the average household income related to the tourist industry (desegregated by gender); and the increase in the number of communities in the site recognizing the value of protected flora and fauna and habitats.

- f. **Controlled Non-Timber Uses of Forests.** This activity would increase household income, teach smallholders the importance of forests to production ecosystems, provide opportunities for CBOs and individuals to forge production and marketing links with private industry. Some of the key indicators that will be used to measure its success include: increase in average household income (desegregated by gender) due to sales of items such as honey; and increase in number of community organizations/individuals with direct links to private industry.

**Environmental Impact:** The final design and implementation of these income-generating activities are expected to be coordinated at the local level by NGOs and CBOs. To assist them in these efforts, the NAREP II institutional contractor will negotiate grants to cover the costs of certain inputs, such as training of participants, local organizational costs, logistic support, etc. USAID will review each proposed grant, which will be made by the IC only upon USAID approval. Community participants will provide labor and local materials. They will also seek financing, as necessary, from microlending programs currently available in Sri Lanka, including those sponsored by USAID, the World Bank, and others.

None of the income-generating activities to be assisted by the Program are expected to have a negative impact on the environment. Indeed, the key feasibility factor and USAID approval criterion for any proposed income-generating activity is that it will result in a measurable improvement in environmental quality. Nevertheless, USAID will require the NAREP II contractor to develop and use an environmental impact screening procedure for all income-generating activity grants proposed under the program so that any potential adverse impact will be identified and considered in the course of USAID's grant review and approval process.

3. **Institutional Strengthening**, consisting of (i) short-term technical assistance and short-term training through local workshops and seminars for personnel of partner NGOs, CBOs and the GSL; and, (ii) a Biodiversity Information Monitoring Activity .

**Description:** Activities under this component will upgrade partner and customer capabilities to plan and carry out natural resources and biodiversity conservation activities and promote a government-wide effort to incorporate environmental considerations into the macro-economic planning process. This component will provide technical assistance for natural resources management, parks design and management, information collection, environmental monitoring, and data analysis for decision-making related to community business organization and operation including

production, marketing, and micro-business ventures. Assistance will also be provided for the establishment of a Secretariat to coordinate the effective implementation of the GSL's Biodiversity Action Plan.

This component will also foster existing GSL attempts to locate and classify available information from many sources and to establish a system for its retrieval and dissemination. This will facilitate access to public and private institutions for information required to make decisions related to the management of the country's natural resources and its environment.

**Environmental Impact:** None. In fact, this component is fully within the following class of actions:

Education, technical assistance, or training programs [22 CFR 216.2(c)(2)(i)], which, pursuant to 22 CFR 216.2(c)(2), qualifies this component to be categorically excluded from further environmental review.

#### 4. Demand-Driven Studies.

**Description:** This component will support the execution of demand-driven studies to fill information gaps about the natural and human resource base of representative areas of the country; the factors affecting their carrying capacity and economic sustainability; the crucial role which people at the community level can play to manage natural resources to foster sound, sustainable development; and the related policies which affect the use of natural resources and the conservation of the country's biodiversity.

**Environmental Impact:** None. In fact, this component is fully within the following class of actions:

Analyses, studies, academic or research workshops and meetings [22 CFR 216.2(c)(2)(iii)], which, pursuant to 22 CFR 216.2(c)(2), qualifies this component to be categorically excluded from further environmental review.

#### Discussion and Recommendation

Pursuant to 22 CFR 216.3(a)(2)(iii), the originator of the proposed action has reviewed the potential environmental impacts of the action summarized in the foregoing IEE, and has determined that the proposed activity, if implemented as designed, will not have a significant effect on the environment. The environmental status of the activity will be reviewed periodically during implementation by means of routine site visits by USAID/SL technical staff. Any required adjustments in implementation will be made on the basis of these findings.

Pursuant to 22 CFR 216.3(a)(2)(iii), the originator of the proposed action recommends a negative determination of significant environment effect for the activity, and requests ANE Bureau approval of a negative threshold decision.

**Statutory Checklist**

FY 1996 COUNTRY CHECKLIST  
SRI LANKA

I. COUNTRY CHECKLIST

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

A. DEVELOPMENT ASSISTANCE AND ECONOMIC SUPPORT FUND

1. Narcotics Certification (PAA Sec. 490): If the recipient is a "major illicit drug producing country" (defined as a country in which during a year at least 1,000 hectares of illicit opium poppy is cultivated or harvested, or at least 1,000 hectares of illicit coca is cultivated or harvested, or at least 5,000 hectares of illicit cannabis is cultivated or harvested) 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):

a. Has the President in the March 1 International Narcotics Control Strategy Report (INCSR) determined and certified to the Congress (without Congressional enactment, within 30 calendar days, of a resolution disapproving such a certification), that (1) during the previous year the country has cooperated fully with the United States or taken adequate steps on its own to satisfy the goals and objectives established by the U.N. Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, or that (2) the vital national interests of the United States require the provision of such assistance? **Not applicable.**

b. With regard to a major illicit drug producing or drug-transit country for which the President has not certified on March 1, has the President determined and certified to Congress on any other date (with enactment by Congress of a resolution approving such certification) that the vital national interests of the United States require the provision of assistance, and has also certified that (a) the country has undergone a fundamental change in government, or (b) there has been a fundamental change in the conditions that were the reason why the President had not made a "fully cooperating" certification. **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 (Foreign Relations Authorization Act, Fiscal Years 1994 and 1995, Sec. 527):** If assistance is to a government, has it (including any government agencies or instrumentalities) taken any action on or after January 1, 1956 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 (during the period specified in subsection (c) of this section) either returning the property, providing adequate and effective compensation for the property, offering a domestic procedure providing prompt, adequate, and effective compensation for the property, or submitting the dispute to international arbitration? If the actions of the government would otherwise prohibit assistance, has the President waived this prohibition and so notified Congress that it was in the national interest to do so? No.

4. **Communist and Other Countries (FAA Secs. 620(a), 620(f), 620D; FY 1996 Appropriations Act Secs. 507, 523):** 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 restrictions on assistance to communist countries upon a determination and report to Congress that such action is important to the national interest of the United States? Will assistance be provided directly to Cuba, Iraq, Libya, North Korea, Iran, Serbia, Sudan or Syria? Will assistance be provided indirectly to Cuba, Iraq, Libya, Iran, Syria, North Korea, or the People's Republic of China? Will assistance be provided to Afghanistan without a certification, or will assistance be provided inside Afghanistan through the Soviet-controlled government of Afghanistan? No.

5. Mob Action (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? [Reference may be made to the "Taking into Consideration" memo.] No.

6. OPIC Investment Guaranty (FAA Sec. 620(l)): Has the country failed to enter into an investment guaranty agreement with OPIC? [Reference may be made to the annual "Taking into Consideration" memo.] 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? No. (b) If so, has any deduction required by the Fishermen's Protective Act been made? [Reference may be made to the annual "Taking into Consideration" memo.] Not applicable.

8. Loan Default (FAA Sec. 620(q); FY 1996 Appropriations Act Sec. 512 (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 the FAA? No. (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 1995 Appropriations Act appropriates funds? No.

9. Military Equipment (FAA Sec. 620(s)): If contemplated assistance is development loan or to come from Economic Support Fund, has the Administrator taken into account the percentage 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.] Not applicable.

10. Diplomatic Relations with U.S. (FAA Sec. 620(t)): Has the country severed diplomatic relations with the United States? No. If so, have relations been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption? Not applicable.

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 A.I.D. Administrator in determining the current A.I.D. Operational Year Budget? [Reference

may be made to the annual "Taking into Consideration" memo.) Sri Lanka is current on regular budget assessments.

12. International Terrorism

a. Sanctuary and Support (FY 1996 Appropriations Act Sec. 527A; 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, No. or (b) otherwise support international terrorism, unless the President has waived this restriction on grounds of national security or for humanitarian reasons? No.

b. Compliance with UN Sanctions (FY 1996 Appropriations Act Sec. 534): Is assistance being provided to a country not in compliance with UN sanctions against Iraq, Serbia, or Montenegro No. and, if so, has the President made the necessary determinations to allow assistance to be provided? Not applicable.

13. Export of Lethal Military Equipment (FY 1996 Appropriations Act Sec. 552): Is assistance being made available to a government which provides lethal military equipment to a country the government of which the Secretary of State has determined is a terrorist government for purposes of section 40(d) of the Arms Export Control Act? No. If so, has the President made the necessary determinations to allow assistance to be provided? Not applicable.

14. 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.

15. Nuclear Technology (Arms Export Control Act Secs. 101, 102): Has the country, after August 3, 1977, delivered to any other country or received nuclear enrichment or reprocessing equipment, materials, or technology, without specified arrangements or safeguards, and without special certification by the President? No. 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 significantly to the ability of a country to manufacture a nuclear explosive device? [FAA Sec. 620E(d) permits a special waiver of Sec. 101 for Pakistan.] No.

16. **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 Sept. 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 has subsequently entered a written reservation.

17. **Military Coup (FY 1996 Appropriations Act Sec. 508):** Has the duly elected Head of Government of the country been deposed by military coup or decree? No. If assistance has been terminated, has the President notified Congress that a democratically elected government has taken office prior to the resumption of assistance? Not applicable.

18. **Exploitation of Children (FAA Sec. 116(b)):** 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.

19. **Parking Fines (FY 1996 Appropriations Act Sec. 553):** Has the overall assistance allocation of funds for a country taken into account the requirements of this section to reduce assistance by 110 percent of the amount of unpaid parking fines owed to the District of Columbia as of the date of enactment of the FY 1996 Appropriations Act? Yes.

20. **Delivery of Humanitarian Assistance ((FY 1996 Appropriations Act Sec. 562):** Has the government prohibited or otherwise restricted, directly or indirectly the transport or delivery of United States humanitarian assistance? No. If so, has the President made the necessary determination to allow assistance to be provided?

21. **Nuclear Power Plant in Cuba (FY 1996 Appropriations Act Sec. 563):** Has the country or any entity in the country provided on after the date of

enactment of the FY 1996 Appropriations Act, January 27, 1996, assistance or credits in support of the Cuban nuclear facility at Juragua, near Cienfuegos, Cuba and, if so, has the overall assistance allocation of funds for that country taken into account the requirements of this section to withhold assistance equal to the sum of any such assistance or credits? No.

22. **Harboring War Criminals** (FY 1996 Appropriations Act Sec. 582): Has the government knowingly granted sanctuary to persons in its territory for the purpose of evading prosecution, where such persons--

a. have been indicted by the International Criminal Tribunal for the former Yugoslavia, the International Criminal Tribunal for Rwanda, or any other international tribunal with similar standing under international law, or

b. have been indicted for war crimes or crimes against humanity committed during the period beginning March 23, 1933, and ending on May 8, 1945 under the direction of, or in association with (1) the Nazi government of Germany; (2) any government in any area occupied by the military forces of the Nazi government of Germany; (3) any government which was established with the assistance or cooperation of the Nazi government; or (4) any government which was an ally of the Nazi government of Germany? No.

**B. DEVELOPMENT ASSISTANCE ONLY**

**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? Human rights concerns have been noted, but have not reached the level where FAA section 116 restrictions are triggered. If so, can it be demonstrated that contemplated assistance will directly benefit the needy? Not applicable.

**C. ECONOMIC SUPPORT FUND ONLY**

**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? Not applicable. 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?

SRI LANKA COUNTRY CHECKLIST - FY96

Clearances:

State/INS:DLawton OK for Date 5/2/96  
State/INL:KFordyce-App for Date 5/8/96  
State/OES/OMC:STinkham NGA Date 5/8/96  
State/DRL:CRich OK for Date 5/2/96  
ANE/ORA:RWhitaker SCG Date 5/8/96  
LPA/CL:CKiranbay OK for Date 5/8/96  
GC/ANE:JGroarke J. Groarke Date 8 May 96  
State/IO/S/SE:DLeis SA for Date 5/8/96

**Natural Resources and Environmental Practices Program II (NAREP II)****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. Congressional Notification**

a. **General requirement (FY 1996 Appropriations Act Sec. 515; FAA Sec. 634A):** If money is to be obligated for an activity or strategic objective not previously justified to Congress, or for an amount in excess of amount previously justified to Congress, has Congress been properly notified (unless the Appropriations Act notification requirement has been waived because of substantial risk to human health or welfare)? **Yes.**

b. **Special notification requirement (FY 1996 Appropriations Act Sec. 520):** Are all activities proposed for obligation subject to prior congressional notification? **Not Applicable.**

c. **Notice of account transfer (FY 1996 Appropriations Act Sec. 509):** 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.**

d. **Cash transfers and nonproject sector assistance (FY 1996 Appropriations Act Sec. 532(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.**

**2. 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.**

3. **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.**

4. **Water Resources** (FAA Sec. 611(b)): If the assistance 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.)? **Not Applicable.**

5. **Cash Transfer/Nonproject Sector Assistance Requirements** (FY 1996 Appropriations Act Sec. 536 532). If assistance is in the form of a cash transfer or nonproject sector assistance: **Not Applicable.**

a. **Separate account:** Are all such cash payments to be maintained by the country in a separate account and not commingled with any other funds (unless such requirements are waived by Congressional notice for nonproject sector assistance)? **Not Applicable.**

b. **Local currencies:** 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?

6. **Capital Assistance** (FAA Sec. 611(e)): If capital assistance is proposed (e.g., construction), and total U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability to maintain and utilize the assistance effectively? **Not Applicable.**

7. **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 Host Country is contributing at least 25% of the cost of program implementation. The USG does not own any Sri Lankan currency.

b. **US-Owned Foreign Currencies**

(1) **Use of currencies** (FAA Secs. 612(b), 636(h)): Are steps being 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.**

(2) **Release of currencies** (FAA Sec. 612(d)): Does the U.S. own non-PL 480 excess foreign currency of the country and, if so, has the agency endeavored to obtain agreement for its release in an amount equivalent to the dollar amount of the assistance? **No.**

8. **Trade Restrictions - Surplus Commodities** (FY 1996 Appropriations Act Sec. 513(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.**

9. **Environmental Considerations** (FAA Sec. 117; FY 1991 Appropriations Act Sec. 533(c)(3) (as referenced in section 532(d) of the FY 1993 Appropriations Act); USAID Regulation 16, 22 CFR Part 216):

a. **Regulation 16.** Have the environmental procedures of USAID Regulation 16 been met? **Yes.**

b. **Tropical Forests.** Will funds be used for any activity which would (a) result in any significant loss of tropical forests, or (b) involve commercial timber extraction in primary tropical forest areas unless an environmental assessment identifies potential impacts on biological diversity; demonstrates that all timber extraction will be conducted according to an environmentally sound management system which maintains the ecological of the natural forest and minimizes impacts on biological differences; and demonstrates the activity will contribute to reducing reforestation? **No.**

**PVO ASSISTANCE**

a. **Auditing** (FY 1996 Appropriations Act Sec. 551): 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 USAID? **Yes.**

b. **Funding sources** (FY 1996 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? **Yes.**

11. **Agreement Documentation** (State Authorization Sec. 139 (as interpreted by conference report)): For any bilateral agreement over \$25 million, has the date of signing the amount involved been cabled to State L/T immediately upon signing and has the full text of the agreement been pouched to State/L within 20 days of signing? **Yes.**

12. **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, subassemblies, and semi-fabricated 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.**

13. **Abortions** (FAA Sec. 104(f); FY 1996 Appropriations Act, Title II, under heading "Development Assistance" and Sec. 518):

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? (Note that the term "motivate" does not include the provision, consistent with local law, of information or counseling about all pregnancy options including abortion.) **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? (As a legal matter, DA only.) **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? (As a legal matter, DA only.) **Not Applicable.**

f. Are any of the funds to be used 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.**

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.**

#### **14. 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.**

b. **U.S. procurement** (FAA Sec. 604(a)): Will all procurement be from the U.S., the recipient country, or developing countries except as otherwise determined in accordance with the criteria of this section? **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. **Insurance** (FY 1996 Appropriations Act Sec. 531 A): Will any A.I.D. contract and solicitation, and subcontract entered into under such contract, include a clause requiring that U.S. insurance companies have a fair opportunity to bid for insurance when such insurance is necessary or appropriate? **Yes.**

e. **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.**

f. **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.**

g. **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? **No.**

h. **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? **Yes.**

i. **U.S. air carriers** (International 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.**

j. **Consulting services** (FY 1996 Appropriations Act Sec. 559 550): 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. **Competitive Selection Procedures** (FAA Sec. 601(e)): Will the assistance utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise? **Yes.**

l. **Notice Requirement** (FY 1996 Appropriations Act Sec. 568 565): Will agreements or contracts contain notice consistent with FAA section 604(a) and with the sense of Congress that to the greatest extent practicable equipment and products purchased with appropriated funds should be American-made? **Yes.**

#### 15. **Construction**

a. **Capital Assistance** (FAA Sec. 601(d)): If capital (e.g., construction) assistance, 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.**

16. **U.S. Audit Rights** (FAA Sec. 301(d)): If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights? **Not Applicable.**

17. **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.**

**18. 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 Sec. 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 illicit trafficking of, any such controlled substance? **Yes.**

**19. 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.**

**20. 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.**

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

**22. Motor Vehicles (FAA Sec. 636(i)):** Will assistance preclude use of financing 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.**

**23. Export of Nuclear Resources (FY 1995 Appropriations Act Sec. 506):** Will assistance preclude use of financing to finance--except for purposes of nuclear safety--the export of nuclear equipment, fuel, or technology? **Yes.**

**24. Publicity, Propaganda and Lobbying (FY 1996 Appropriations Act Sec. 547; Anti-Lobbying Act, 18 U.S.C. § 1913; Sec. 109(1) of the Foreign Relations Authorization Act, Fiscal Years 1988 and 1989, P.L. 100-204):** Will assistance be used 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.**

**25. Commitment of Funds (FAA Sec. 635(h)):** Does a contract or agreement entail a commitment for the expenditure of funds during a period in excess of 5 years from the date of the contract or agreement? **No.**

**26. Impact on U.S. Jobs (FY 1996 Appropriations Act, Sec. 545 539):**

a. Will any financial incentive be provided to a business located in the U.S. for the purpose of inducing that business to relocate outside the U.S. in a manner that would likely

reduce the number of U.S. employees of that business? **No.**

b. Will assistance be provided for the purpose of establishing or developing an export processing zone or designated area in which the country's tax, tariff, labor, environment, and safety laws do not apply? If so, has the President determined and certified that such assistance is not likely to cause a loss of jobs within the U.S.? **No.**

c. Will assistance be provided for a project or activity that contributes to the violation of internationally recognized workers rights, as defined in section 502(a)(4) of the Trade Act of 1974, of workers in the recipient country, or will assistance be for the informal sector, micro or small-scale enterprise, or smallholder agriculture? **No.**

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

1. **Agricultural Exports (Bumpers Amendment)**(FY 1996 Appropriations Act Sec. 513(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: (a) 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 (b) in support of research that is intended primarily to benefit U.S. producers? **No.**

2. **Recipient Country Contribution** (FAA Secs. 110, 124(d)): Will the recipient country provide at least 25 percent of the costs of the 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.**

3. **Forest Degradation** (FAA Sec. 118):

a. Will assistance be used for 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? **No.**

b. Will assistance be used for: (1) actions which will significantly degrade national parks or similar protected areas which contain tropical forests, or introduce exotic plants or animals into such areas; (2) activities which would result in the conversion of forest lands to the rearing of livestock; (3) the construction, upgrading, or maintenance of roads (including temporary haul roads for logging or other extractive industries) which pass through relatively undergraded forest lands; (4) the colonization of forest lands; or (5) the construction of dams or other water control structures which flood relatively undergraded 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?  
**No.**

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

5. **Deobligation/Reobligation** (FY 1995 Appropriations Act Sec. 510): If deob/reob authority is sought to be exercised under section 510 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? [Note: Compare to deob/reob under section 511.] **Not Applicable.**

6. **Capital Assistance** (Jobs Through Export Act of 1992, Secs. 303 and 306(d)): If assistance is being provided for a capital activity, is the activity developmentally sound and will it measurably alleviate the worst manifestations of poverty or directly promote environmental safety and sustainability at the community level? **Not Applicable.**

#### 7. **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. **Not Applicable.**

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? **Not Applicable.**

c. **Interest rate** (FAA Sec. 122(b)): If development loan is repayable 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 requirement to enter into such an agreement been waived by the President because of a national security interest? **Not Applicable.**

8. **Planning and Design Emphases.** Has agency guidance or the planning and design documentation for the specific assistance activity under consideration taken into account the following requirements, if applicable? **Yes.**

(a) **Economic Development.** FAA Sec. 101(a) requires that 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.

(b) **Special Development Emphases.** FAA Secs. 102(b), 113, 281(a) require that assistance: (1) 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; (2) 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.

(c) **Development Objectives.** FAA Secs. 102(a), 111, 113, 281(a) require that assistance: (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 program seeks to develop management practices and sustainable income generation and job-creation initiatives that will allow communities to sustain or increase economic activities for the poor people in rural areas. The program will also assist the local efforts through NGOs, CBOS and the Local Government, that include large groups of women in rural areas. All such activities will encourage and promote the use of appropriate technologies and environment-friendly management practices.

(d) **Agriculture, Rural Development and Nutrition, and Agricultural Research.** FAA Secs. 103 and 103A require that: (1) **Rural poor and small farmers:** assistance for agriculture, rural development or nutrition be specifically designed to increase productivity and income of rural poor; and assistance for agricultural research take into account the needs of small farmers and make extensive use of field testing to adapt basic research to local conditions; (2) **Nutrition:** assistance be 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; (3) **Food security:** assistance increase 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.

The program will provide assistance , through NGOs, CBOs and Local Government Institutions, to help income-generating activities which will increase production through

environment-friendly management practices and appropriate technologies. As a result, the rural people are expected to increase their income and their overall quality of life, including their nutrition status. Also see 8 (c).

(e) **Population and Health.** FAA Secs. 104(b) and (c) require that assistance for population or health activities emphasize low-cost, integrated delivery systems for health, nutrition and family planning for the poorest people, with particular attention to the needs of mothers and young children, using paramedical and auxiliary medical personnel, clinics and health posts, commercial distribution systems, and other modes of community outreach. **Not Applicable.**

(f) **Education and Human Resources Development.** FAA Sec. 105 requires that assistance for education, public administration, or human resource development (1) strengthen nonformal education, make formal education more relevant, especially for rural families and urban poor, and strengthen management capability of institutions enabling the poor to participate in development; and (2) provide 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 program plans to provide assistance to improve training in environmental practices, particularly to foster the development potential of the country.

(g) **Energy, Private Voluntary Organizations, and Selected Development Activities.** FAA Sec. 106 requires that assistance for energy, private voluntary organizations, and selected development problems may be used for (1) 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; (2) technical cooperation and development, especially with U.S. private and voluntary, or regional and international development, organizations; (3) research into, and evaluation of, economic development processes and techniques; (4) reconstruction after natural or manmade disaster and programs of disaster preparedness; (5) special development problems, and to enable proper utilization of infrastructure and related projects funded with earlier U.S. assistance; (6) 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. See 8(c) and 8(d).

(h) **Appropriate Technology.** FAA Sec. 107 requires that assistance emphasize use of appropriate technology (defined as relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor. See 8(c) and 8(d).

(i) **Tropical Forests.** FAA Sec. 118 and FY 1991 Appropriations Act Sec. 533(c) as referenced in section 532(d) of the FY 1993 Appropriations Act) require that:

(1) **Conservation:** assistance place a high priority on conservation and sustainable management of tropical forests and specifically: (i) stress the importance of conserving and sustainably managing forest resources; (ii) 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; (iii) support training programs, educational efforts, and the establishment or strengthening of institutions to improve forest management; (iv) help end destructive slash-and-burn agriculture by supporting stable and productive farming practices; (v) help conserve forests which have not yet been degraded by helping to increase production on lands already cleared or degraded; (vi) conserve forested watersheds and rehabilitate those which have been deforested; (vii) support training, research, and other actions which lead to sustainable and more environmentally sound practices for timber harvesting, removal, and processing; (viii) support research to expand knowledge of tropical forests and identify alternatives which will prevent forest destruction, loss, or degradation; (ix) conserve biological diversity in forest areas by supporting efforts to identify, establish, and maintain a representative network of protected tropical forest ecosystems 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; (x) seek to increase the awareness of U.S. Government agencies and other donors of the immediate and long-term value of tropical forests; (xi) utilize the resources and abilities of all relevant U.S. government agencies; (xii) be based upon careful analysis of the alternatives available to achieve the best sustainable use of the land; and (xiii) take full account of the environmental impacts of the proposed activities on biological diversity.

The program purpose is to improve the management of the country's natural resources, to protect its biodiversity, and to promote environmentally-sound sustainable income-generating activities in selected areas. Thus, the program has taken all of the above into consideration in its design.

(2) **Sustainable forestry:** assistance relating to tropical forests 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. See 8 (i)(1).

(j) **Biological Diversity.** FAA Sec. 119(g) requires that assistance: (i) support training and education efforts which improve the capacity of recipient countries to prevent loss of biological diversity; (ii) be provided under a long-term agreement in which the recipient country agrees to protect ecosystems or other wildlife habitats; (iii) support efforts to identify and survey ecosystems in recipient countries worthy of protection; or (iv) by any direct or indirect means significantly degrade national parks or similar protected areas or introduce exotic plants or animals into such areas. (Note: new special authority for biodiversity activities contained in section 547(b) of the FY 1996 Appropriations Act) See 8 (i)(1).

(k) **Benefit to Poor Majority.** FAA Sec. 128(b) requires that 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, it be designed and monitored to ensure that the ultimate beneficiaries are the poor majority.

**The Program assists strengthening of institutional capabilities of NGOs, CBOs and Local Government Institutions basically to see that the poor people are benefitted.**

(l) **Indigenous Needs and Resources.** FAA Sec. 281(b) requires that an activity recognize the particular needs, desires, and capacities of the people of the country; utilize the country's intellectual resources to encourage institutional development; and support civic education and training in skills required for effective participation in governmental and political processes essential to self-government.

The program has been developed in a participatory manner with local counterparts and institutions. The program will provide assistance to strengthen those institutions. Local specialized services will be used to the extent they are available in the country.

(m) **Energy.** FY 1991 Appropriations Act Sec. 533(c) as referenced in section 532(d) of the FY 1993 Appropriations Act) requires that assistance relating to energy focus on: (1) end-use energy efficiency, least-cost energy planning, and renewable energy resources, and (2) the key countries where assistance would have the greatest impact on reducing emissions from greenhouse gases. **Not Applicable.**

(n) **Debt-for-Nature Exchange.** FAA Sec. 463 requires that assistance which will finance a debt-for-nature exchange (1) support protection of the world's oceans and atmosphere, animal and plant species, or parks and reserves; or (2) promote natural resource management, local conservation programs, conservation training programs, public commitment to conservation, land and ecosystem management, or regenerative approaches in farming, forestry, fishing, and watershed management. **Not Applicable.**

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

1. **Economic and Political Stability** (FAA Sec. 531(a)): Does the design and planning documentation demonstrate that the assistance will 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 (counterpart) arrangements been made? (For FY 1996, this provision is superseded by the separate account requirements of FY 1996 Appropriations Act Sec. 536 532(a), see Sec. 536 532(a)(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 1996, this provision is superseded by the separate account requirements of FY 1996 Appropriations Act Sec. 536 532(a), see Sec. 536 532(a)(5).)

5. **Capital Activities** (Jobs Through Exports Act of 1992, Sec. 306): If assistance is being provided for a capital project, will the project be developmentally-sound and sustainable, i.e., one that is (a) environmentally sustainable, (b) within the financial capacity of the government or recipient to maintain from its own resources, and (c) responsive to a significant development priority initiated by the country to which assistance is being provided.

**Program Design Issues and Decisions**

## NATURAL RESOURCES AND ENVIRONMENTAL PRACTICES PROGRAM II (NAREP II) PROGRAM DESIGN ISSUES AND DECISIONS

### I.0 BACKGROUND

The USAID/Sri Lanka E-Team employed a rigorous and highly collaborative team approach in designing the NAREP II Program. An initial meeting was held in January 1996 concerning accomplishments to date under NAREP I and opportunities for future interventions based on GSL priorities and USAID's environmental strategic objective. A discussion paper was prepared and shared with the extended E-Team (GSL and other partners) in February. In March a full-day workshop attended by the core E-Team, representatives of seven GSL agencies, the NGO and academic communities, and the private sector was held to discuss the above paper, and particularly how best to sustain the progress made under NAREP I. Based on these general discussions and the outcome of the USAID/Sri Lanka Results Review and Resources Request meetings in Washington in March, the Mission began developing a more specific strategy for continuing USAID assistance in this area. Successive drafts of a detailed NAREP II program paper were prepared and reviewed by the core E-Team during April, May and June. Key GSL and other Sri Lankan partners were kept apprised of design refinements during this period by means of informal briefings, discussions, etc. NAREP I contractors were excluded from these discussions.

In July 1996, two biodiversity and natural resource management specialists from the USAID/Washington Global Bureau spent four weeks in Sri Lanka to perform required technical analyses and to assist the E-Team in refining the technical underpinnings of the program design. In August the E-Team contracted with a U.S. project design specialist to assist with preparation of the final Program Paper (PP) and obligation documents. The E-team reviewed the draft PP with Mission management on August 12, 1996. Immediately thereafter a summary of the revised program design was distributed to members of the extended E-Team. Based on this summary, on August 14, 1996, the GSL Ministry of Environment hosted a half-day workshop attended by USAID's core E-Team, representatives of all concerned GSL agencies, and the NGO and academic communities to reach final agreement on the final design of the NAREP II Program (NAREP I contractors were excluded from the meeting). As a result of all of the above analyses and consultations, the E-Team completed its design work and submitted the final NAREP II Program Paper to the Mission Director on August 23, 1996.

The main issues and need for clarifications which the E-Team addressed during the course of designing the NAREP II Program are presented below, accompanied by a response on how each issue or clarification is addressed in the final NAREP II design.

### 2.0 ISSUES AND CLARIFICATIONS

#### 2.1 Issues

**Issue 1:** The link between NAREP II and the Mission's economic growth strategic objective.

Given the possibility that funding constraints or other factors may force the Mission to drop SO 2 as a "stand-alone" SO, the design of NAREP II

must demonstrate that the program is an important complement to USAID's success in attaining the Mission's economic growth strategic objective of increased private sector growth and income. Conversely, it must be made clear that the NAREP II program's sustainability is closely linked to the involvement of the private sector and the community in natural resources management. In particular, the program must highlight economic incentives to conserve biodiversity.

**Response:** The NAREP II Program Paper directly ties natural resources management and biodiversity conservation to sustainable economic growth. The PP summary and the discussion of the PP components, particularly PP Components 1 (Natural Resources Management and Biodiversity Conservation) and Component 2 (Sustainable, Environmentally-Sound Employment and Income-Generating Opportunities) consistently establish this logical link. In essence, there is worldwide evidence, for instance in countries like Somalia, Sudan, Cape Verde, Haiti, and many others) that increased population pressures and uncontrolled use of natural resources and abuses to ecosystems to satisfy economic needs seriously affect the carrying capacity of the environment in which people live. This dims the prospects for sustainable economic growth and development.

The PP also discusses the critical role that the private sector plays in sustaining Program activities after USAID support concludes in the year 2001. This is the reason for the Program's focus on establishing strong local level partnerships between private sector organizations (NGOs), community based organizations (CBOs), local authorities, private enterprises, and production groups (such as farmers' organizations). The Program assigns significant resources (particularly under Components 1, 2, and 4) to develop and provide incentives for the establishment of effective partnerships, in concert with other USAID-sponsored programs, such as Citizens' Participation. The discussion provided under each Program component on this topic is further complemented with information provided under Section 6.0 (Sustainability and Exit Strategy) of the PP.

**Issue 2:** What level of policy support should be provided under the Program? Is the Ministry of Environment committed to policy reform?

**Response:** As discussed in the PP, the success and sustainability of Program activities depends largely on the success of private sector organizations such as NGOs and CBOs, which will be assisted by specialists from the Institutional Contractor and local governments in forming strong partnerships that can sustain and expand Program activities after the Program concludes. However, the E-Team determined that some minimal GSL policy commitments are required to further assure the success of the Program. These commitments have been included in the Amplified Program Description which will be part of the agreement with the GSL. Under the terms of the agreement, the GSL will be required to do the following:

- ▶ Provide at least \$1.0 million toward the host-country contribution to

support the implementation of the Program.

- ▶ Establish a NAREP II Steering Committee (NSC) under the chairmanship of the Secretary of the Ministry of Environment to coordinate and resolve policy issues as these affect the implementation of NAREP II activities. The NSC will include GSL participants from all concerned national level agencies, Chief Secretaries of the Provincial Councils which have jurisdiction over the target coastal and inland sites, as well as representatives of the participating NGOs.
- ▶ Create a Biodiversity Secretariat or Unit within the Ministry of Transportation, Environment and Women Affairs to manage and coordinate the implementation of the GSL's Biodiversity Action Plan, and the Biodiversity Information Monitoring Activity mentioned under Program Component 3 above.
- ▶ Assist NGOs and CBOs which are engaged in carrying out natural resources management and biodiversity conservation activities in acquiring formal legal status, with authority to raise funds from multiple sources for such activities.
- ▶ Delegate the necessary authority to local authorities to participate effectively with NGOs, CBOs, and the private sector in forming partnerships to carry out natural resources and biodiversity conservation plans in their respective areas.

**Issue 3:** The E-Team proposes to address the need for minimizing the level of required administrative support from USAID by implementing the program using a single institutional contractor. Does the FAR permit a direct USAID contractor to administer a small grants program such as the one envisioned in NAREP II?

**Response:** Such arrangements are permitted subject to specific criteria presented in Contractor Information Bulletin No. 92-7. NAREP II meets the minimum criteria listed in the bulletin. The proposed contracting mechanism has also been discussed with the RLA and the RCO, who concur with the planned approach.

**Issue 4:** Supporting the GSL's efforts to establish a biodiversity monitoring database could be an excessive drain on the Program's limited resources. How can NAREP II be helpful in this area without unduly limiting support for other elements of the program?

**Response:** The E-Team determined that only modest support is required to foster existing GSL attempts to collect available information from many sources and establish a system for its retrieval and dissemination. This support will not require the establishment of an expensive comprehensive Environmental Management Information System, as originally proposed. Rather, the support will be limited to complementary resources (approximately \$300,000 for short-term technical assistance, training and some commodities) which the Biodiversity Secretariat, NGOs and

concerned provincial and local authorities will need to implement a Biodiversity Information Monitoring Activity, as discussed in PP Section 3.3.3.2.

## 2.2 CLARIFICATIONS

**Clarif. 1:** What is the Program's ultimate impact on the well-being of Sri Lanka's people? NAREP II must be focussed on providing a "bottom line" beneficial impact on as many people as possible. How does the program design address this preeminent requirement?

**Response:** Section 1.4 of the PP summarizes the expected impact of the Program on poor people. In essence, the ultimate target of the Program are poor people who have a survival economic stake in its success and sustainability. Accordingly, two of the Program's major indicators include the number of people participating in environmentally sustainable income and job-creation activities, and the number of community-based organizations and people participating in partnership arrangements with public and private institutions in the shared control and management of natural resources and in biodiversity conservation activities. A table has been included (under Section 3.5 of the PP) providing further people impact indicators which will result from the implementation of the planned activities.

**Clarif. 2:** How should "brown" (urban/industrial) environmental problems be addressed? The Ministry of Environment and the Central Environment Authority urge an active role in this area under NAREP II, and the USAID/SL SO 2 results framework includes an environmental technology intermediate result.

**Response:** In order to preserve the intended focus of NAREP II on natural resources and biodiversity conservation (as mandated by USAID/W R4 guidance and funding limitations), the E-Team determined that this aspect of the Mission's environment program should be supported programmatically by: (a) NAREP I (until its 1998 PACD), which will continue providing technical assistance and training to promote waste minimization, waste prevention and related pollution reduction approaches for a cleaner environment; (b) the US-Asia Environmental Partnership (US-AEP) regional program, which will continue to finance technical assistance, exchange programs and training to transfer U.S. environmental technologies that promote pollution abatement and energy conservation investments; and, (c) the Technology Initiative for the Private Sector Activity of the Sustainable Economic Growth Program (SEGP), which will continue to provide cost-sharing grants to help the efforts of Sri Lankan industries to reduce industrial pollution. This approach is described in Section 2.3 of the PP. Urban environmental problems will be addressed by the Promotion of Private Infrastructure Activity under SEGP.

**Clarif. 3:** What are the explicit types of non-cash support that will be provided by the NAREP II partners? Has USAID reached agreement in principle with the partners on the types and levels of the host country contribution?

**Response:** The GSL will be expected to provide the policy support and contributions discussed under Issue No. 2 above. Also, the PP illustrative Budget Table No. 5-2 provides details about the magnitude of the contributions of each partner by component and by type of input. One of the key contributions of the local partners will be the salary that they pay to personnel who will work in the implementation of Program activities. The workplans that will be developed annually in concert with each partner will provide precise details about the specific contributions of each and the timing of such contributions.

**Clarif. 4:** The NAREP II design should include an explicit methodology for making final site selections for both coastal and inland field sites.

**Response:** The E-Team and the Extended E-Team, which include GSL and NGO representatives, have agreed on a preliminary list of coastal and inland sites (see PP Section 3.4), based on the criteria developed for this purpose. The site selection criteria for coastal and inland sites is contained in PP Section 3.4.1.

**Clarif. 5:** Given the strong parallels between NPI and the NAREP II approach, NPI considerations should figure prominently in the NAREP II design, in particular with its exit strategy. How are NPI principles factored into the design?

**Response:** The relationships and linkages between the NPI and the NAREP II approach are included in the PP, particularly as discussed under the summary section of the PP, under components 1, and 2, and under Section 6.0 (Sustainability and Exit Strategy).

August 23, 1996; c:\amd\narep\annexf

**Approval for Contractor to Administer  
Small Grants Program**

## ACTION MEMORANDUM FOR THE MISSION DIRECTOR

DATE: September 17, 1996

FROM: Avanthi Jayatileke, Environmental Strategic Objective Team (E-Team) Co-Leader

SUBJECT: Administration of Small Grants by an Institutional Contractor under the Natural Resources and Environmental Practices Program II (NAREP II)

REF: (A) NAREP II Program Paper  
(B) Contract Information Bulletin (CIB) 94-23

## PROBLEM

Pursuant to CIB 94-23 (Attach. 1), your approval is required to allow contract personnel working under a competitively awarded institutional contract to be funded under NAREP II to design, execute and administer a sub-assistance grants program in Sri Lanka to support the achievement of USAID's Strategic Objective No. 2 (SO) of "Improved Environmental Practices to Support Sustainable Development."

## BACKGROUND

The USAID/Sri Lanka E-Team has been working with various partners over the last eight months in the analysis and discussion of activities needed to attain Strategic Objective 2. This effort has culminated in completion of the NAREP II Program Paper (PP), ref (A).

The NAREP II document is consistent with the criteria established in the Automated Directives System. The Mission's E-Team has drafted a Program Grant Agreement which covers the results expected to attain the SO 2 Objective and which will obligate in FY 1996 the initial tranche of funds for NAREP II activities. The successful implementation of key Program activities depends on the participation of local non-governmental organizations (NGOs) and community-based organizations (CBOs) which will work at the community level and with local governments in carrying out the following activities:

- ▶ Participatory and partnership arrangements to develop and carry out natural resources management and biodiversity conservation approaches in selected inland and coastal sites.
- ▶ Development and implementation of alternative employment and resource-friendly income-generating activities for the population in target communities.

These vital Program activities cannot be carried out without the effective participation of Sri Lankan NGOs and CBOs which can work with the people at the community level

who have a stake in managing the natural resources and biodiversity within their environment on a sustainable basis.

All Program components are expected to be implemented by a U.S. institutional contractor (IC) selected competitively. The contract with the selected firm will include funds for local and external technical assistance, training activities, commodities, and for possible grants or subcontracts with specialized NGOs which have a unique capability to carry out aspects of the Program. In turn, the participating NGOs will form partnerships with local authorities and CBOs to prepare resource inventories, and carry out natural resources planning and management, biodiversity conservation, and income-generating activities in selected communities in the target areas. These arrangements will facilitate Program implementation and reduce the workload of the limited USAID/Sri Lanka staff.

The total cost of NAREP II is estimated at US\$ 12.0 million over a five year life of program. USAID plans to contribute US\$8 million. The GSL's direct contribution is estimated at US\$2.5 million, consisting of the equivalent of approximately US\$2.0 million in local currency generated under PL 480 Title III programs (from the PL 480 Title III NGO Special Account) and US\$500,000 in other cash and in-kind contributions. Local NGOs and other private sector organizations are expected to provide approximately US\$1.5 million, consisting mostly of in-kind contributions. Approximately \$7.5 million (including the equivalent of approximately US\$1.3 million in local currency from the PL 480 Title III NGO Special Account) is programmed for a single institutional contract with a U.S. firm, as noted above. Of this amount, about 35 percent (\$2.8 million equivalent) will be reserved for grants to local NGOs and CBOs.

The small grants program is critical to enhance community participation in the decision-making process leading to improved natural resources management practices and conservation of Sri Lanka's biodiversity. The program envisions awarding about 100 small grants over a five-year period ranging from \$5,000 to \$50,000 (equivalent) per grant. Grants would focus on three types of support: (1) capacity strengthening, (2) the development and implementation of natural resources and biodiversity plans in coastal and inland target sites, and (3) the development and implementation of environmentally-sustainable income generating and job-creation activities for poor people in selected areas.

The Mission's capacity to administer such a grant program is severely limited. Usage of the procedures allowed under the provisions of CIB 94-23 is proposed to address this problem.

## JUSTIFICATION

Three features of the proposed grants program argue for invoking CIB 94-23:

1. Potential grantees are small and have limited absorptive capacity, therefore reliance on a series of relatively modest grants is recommended despite the additional administrative burden imposed. USAID/Sri Lanka does not have a resident contracting officer for program-funded acquisition and assistance, thus the Mission must rely on regional contracting officer (RCO) services. Given the already high demands on the RCO's limited time, the current system does not

have the capacity to absorb the significant additional workload that such a grant program would entail.

2. The E-Team in USAID/Sri Lanka has comparatively little experience in managing a small grants program and cannot hire new staff to oversee this labor-intensive program. Therefore, outside expertise is necessary to supplement guidance from the Mission's limited contracting staff and non-resident contracting officer. Grantees must be competitively selected, reviewed for grant worthiness, and monitored for compliance with a minimum of expensive USAID oversight. Yet, the Mission does not have sufficient staff to address the myriad administrative procedures involved in the day-to-day management of a small, competitively awarded grants program. To provide the necessary guidance on major issues and policies governing the grants program but to be free of the day-to-day administrative burden, the team proposes to use the "Grants Under USAID Contracts" system now allowed under CIB 94-23. In support of this approach the institutional contractor will employ a long-term expert who not only has managed individual NGO grant awards but - more importantly - who knows how to design, conduct, and oversee a competitive grant-making program consistent with USAID requirements.
3. Overall implementation and coordination of the NAREP II Program will be optimized by having a single entity (the IC) manage the grants program as well as the TA/training and other components of the program.

For these reasons, it is not feasible to accomplish the NAREP II results through normal contracting and grant mechanisms. To ensure that the administration of the sub-assistance grant program is within the contractor's management and technical capabilities, the scope of work will call for the contractor to employ an advisor who will develop an overall grant implementation strategy, as well as transparent, "full-and-open competition" procedures for awarding grants, which will be reviewed by USAID/Sri Lanka's E-Team. USAID/Sri Lanka will remain substantially involved in the grant making activities, will review and approve grant-making policies and procedures developed by the Contractor, will approve individual grants, and will review regular financial reports, audit reports, and performance reports prepared in connection with the use of USAID funds.

After USAID approves the contractor's overall implementation strategy and procedures for awarding grants, financial management activities like pre-award surveys, financial reviews, audits and audit follow-ups for grantees will be the responsibility of the contractor and not that of USAID's Controller's Office.

The institutional contract will stipulate the terms and conditions under which the execution and administration of the small grants program will be conducted. The contract will impose two requirements: (1) USAID/Sri Lanka will retain approval rights over the selection criteria and selection procedures for grant awards as well as individual grant awards, and (2) USAID will have the right to terminate grants unilaterally in extraordinary circumstances.

This Action Memorandum has been cleared by the Regional Legal Advisor and the Regional Contracting Officer and reviewed by USAID/W/M/OP/P. Attached please find M/OP/P comments.

**RECOMMENDATION**

Based on the above reasons, I recommend that you approve the implementation of a sub-assistance grant program as part of an institutional contract to be competitively awarded under NAREP II.

Approved:   
David Cohen  
Director

Disapproved: \_\_\_\_\_  
David Cohen  
Director

Date: September 17, 1996

Attachments:

- CIB 94-23
- MO/OP/P Comments

Clearances:

LTarpeh-Doe, CTR   
LKata, RCO (e-mail)  
TRiedler, RLA (e-mail)

To: Glenn R. Whaley@PRJ  
From: Kathleen OHara@OP.P@AIDW  
Cc:

Bcc:

Subject: re: Administration of a Small Grants Program by a Contractor  
Attachment:

Date: 9/12/96 9:20 PM

Thanks for sending the memo for comments at this early stage; it makes it easier to deal with if there are problems - not the case here. M/OP/P has no objection to using the grants under contracts mechanism under the NAREP Program II given the small size of the anticipated grants and the fact that they will be going to non-U.S. organizations. If the RCO does not already have the draft provisions developed by M/OP/P and GC/CCM, he may request them from us.