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AGENCY FOR INTERNATIONAL DEVELOPMENT
UNITED STATES OF AMERICA A.I.D.
MISSION TO EL SALVADOR
C/O AMERICAN EMBASSY
SAN SALVADOR, EL SALVADOR, C.A.

ACTION MEMORANDUM FOR THE MISSION DIRECTOR

FROM: William Patterson, Water and Environment (WE) Office
Director, and Norma de Mata, Strategic Development Office

SUBJECT: Activity Amendment for the Access, Management and Rational
Use of Water (AGUA) Activity, No. 519-0443

ACTION REQUESTED: Your approval is requested to:

- (1) Amend the Access, Management and Rational Use of Water Activity (AGUA), No. 519-0443, to reflect the activities of the extension period through March 31, 2005, described herein;
- (2) Increase the Life-Of-Activity (LOA) funding by \$7,507,750 to a new total of \$24,707,750; and
- (3) Extend the Activity Completion Date (ACD) to March 31, 2005.

BACKGROUND: The Access, Management and Rational Use of Water (AGUA) Activity was authorized on September 24, 1998 at an original funding level of \$15,600,000, for an expected duration of four years (from September 30, 1998 through September 30, 2002). A Strategic Objective Grant Agreement (SOAG) with the Government of El Salvador (GOES) was also signed in September 1998. A LOA funding increase was authorized on May 22, 2000, for a new total of \$17.2 million. On July 18, 2001 the AGUA Activity Completion Date (ACD) was extended to September 30, 2003.

The AGUA Activity contributes to the Strategic Objective (SO) "Increased Access by Rural Households to Clean Water." The purpose of AGUA is to provide access to clean water by rural Salvadorans through promotion of a sustainable, replicable and integrated approach to water resource management. Activity implementation is focused in three key watersheds in the Departments of Ahuachapán, Usulután and Morazán and its 14 micro-watersheds. These micro-watersheds include a total of 19 municipalities.

The AGUA activity consists of the following three inter-related components which are critical to increasing sustainable access to clean water by the Salvadoran rural poor: 1) Institutional Coordination and Policy; 2) Integrated Water Management in Municipalities; and 3) Citizen Awareness, Participation and Action.

The Mission's current Strategic Plan originally covered the period from 1997 to 2002. Due to the tremendous impact of the earthquakes in 2001, the Mission decided to request a two-year extension of the

current Strategic Plan. The LAC bureau approved this request, allowing the Mission to continue its current Strategy through FY 2004.

For the remaining period of the Mission Strategy, the Mission Director requested that, for internal purposes, each technical office determine an End Date or Dates, earlier than September 30, 2005, that would enable the office to complete the activities to achieve the results and request approval for such End Date or Dates. The WE Office proposes to establish an End Date for this Activity (referred to herein, individually, as the "Activity Completion Date") of March 31, 2005.

DEVELOPMENT CHALLENGE: A recent external program evaluation, reported excellent performance and a high level of customer satisfaction "not only for those services and goods received (e.g. potable water, plant materials, waste management infrastructures) but also for the sense of ownership that participation in program activities developed". The need to consolidate implementation successes and interventions in a uniform manner at the micro-watershed level was also noted. These "model watersheds" could then serve as examples for replication in other areas of the country, mitigating similar water management problems prevalent throughout El Salvador.

Other successes reported under the Activity include the work with municipal and community organizational and technical capacity development as well as policy influence in support of watershed management and water resource management and the ability to attract and leverage non-USAID resources for program application well beyond the original commitments for counterpart contributions and cost sharing resources.

Despite these important efforts achieved by USAID under this Activity, the development challenge identified in the New Activity Document still remains. Access to clean water - clean, plentiful and within a reasonable distance - is limited for most rural, poor Salvadorans and is the most important development challenge and fundamental to the rural poor's ability to feed themselves, to be economically productive, and to maintain their personal hygiene and health.

USAID/El Salvador's Water Strategy will continue addressing the following constraints to increasing access to clean water for rural households: (a) the variability of water supplies, (b) water contamination; (c) inadequate distribution systems; (d) weak water-related institutions and regulations; and (e) human resource constraints. An additional constraint (f) has been identified, which centers on the effect that natural disasters have on the management and conservation of water resources (i.e. drought, earthquakes and flooding). USAID's assistance to address these problems at the municipal and community level will continue for the 25-month additional period.

RESULTS TO BE ACHIEVED: The Strategic Objective "Increased Access by Rural Households to Clean Water" through its AGUA Activity will continue supporting the strategy of assisting rural poor Salvadorans, particularly women and children, gain access to clean water. The most successful

elements of this strategy include efforts that achieved all the elements necessary to establish replicable models for local-level integrated management of water resources throughout El Salvador.

The evaluation served to validate the Mission's Water Strategy for replicable, sustainable watershed-based models as having the greatest potential impact on the provision of clean, sustainable water sources in the future. There now exist additional opportunities to consolidate the results achieved within more geographically focused areas.

By the end of the strategy period, water resources in target areas will be managed in a way that will conserve water for future uses and provide clean water for current use. Seventy-eight percent of target population will have access to clean water, compared to 29% in 1999. More than 40,000 residents will be directly served by over 120 rural water systems, and tariffs paid by system users will be helping to finance watershed protection and waste management activities. The more than 10,000 small farmers participating in watershed improvement activities will be carrying out conservation practices on 74,000 acres to increase water table recharge and decrease soil erosion. Ten target sub-watersheds will be managed by watershed organizations comprised of water users and will administer provision of sustainable water resources conservation, allowing USAID to withdraw support as these local organizations become more effective. More than 10,000 organization members and technicians will be trained in water related activities and target municipalities will be administering water resource management plans and enforcing municipal ordinances developed under AGUA.

The proposed amendment to the AGUA Activity will continue to pursue the four Intermediate Results (IRs) of the Strategic Objective:

- **Improved Quality of Water Sources:** resulting from improved agricultural/conservation practices, and increased use of improved water management practices;
- **Improved Performance of Water Delivery Systems:** occurring from improved physical infrastructure, local management and technical capacity, and improved cost recovery;
- **More Effective Citizen Actions to Address Water Issues:** resulting from the increased awareness of causes and consequences of insufficient and unclean water, increased knowledge of options/solutions for clean water, and communities that are organized around water issues; and
- **Greater Municipal Participation in Management of Water Resource:** brought about through increased municipal technical and managerial capacity, and a national water policy/legislative framework that will support municipalities.

Selected IRs and original performance indicators for the Water SO are described in the Mission Performance Management Plan (PMP) approved on April 10, 2000 and the AGUA SOAG. As indicated in the FY 2003 R4 and the FY 2002 Annual Report, USAID reviewed and sharpened some of the lower

level indicators and their means of being measured. These changes will be reflected in the updated PMP, under development, with targets projected out through FY 2005. Moreover, from this updated PMP, we have also submitted for your approval 4 selected performance indicators and targets for measuring performance, which were attached to the FY 2003 Annual Report. The Water Results Framework, presented as Attachment 1 of this memorandum, shows the IRs and indicators that will be included in the PMP and the SOAG, respectively.

ILLUSTRATIVE INTERVENTIONS: The AGUA Activity will continue to support the three interrelated components: 1) Improving Institutional Coordination and Policy; 2) Improving Integrated Water Management in Municipalities; and 3) Increasing Citizens Awareness, Participation and Action.

During the remaining period of the strategy, this program can consolidate gains and maximize results achieved to date, focusing on a geographic area comprising 14 micro-watersheds, which have the greatest potential for producing and sustaining results. These 14 micro-watersheds include a total of 19 municipalities. USAID will concentrate efforts in at least 14 of these municipalities.

The focus area will continue to be micro-watersheds, with efforts aimed at benefiting inhabitants such as rural farmers to improve and conserve the water generating capacity of the watershed. Implementation efforts will be consolidated using the best practices of the past three years, including:

- A participatory water resources management plan;
- Municipal ordinances regulating environmental protection and water resources conservation
- One or more water systems (for potable and/or irrigation uses) served by the respective micro-watersheds;
- Environmental and public health education and awareness programs, with civic groups active in water resources advocacy; and
- Water tariff structures that include support to micro-watersheds.

Infrastructure development will continue, but with more emphasis on the provision of technical and managerial services with the burden of construction materials being primarily met through increased counterpart contributions and cost-sharing, and other non-USAID leveraged support. Potential infrastructure investments include water delivery systems, water source development and protection for areas encompassing springs and rainwater, water storage construction such as reservoirs, and solid and liquid waste treatment facilities. The implementation of water delivery systems will be managed based on successful criteria developed under the AGUA Activity. Use of the water system itself to garner further development gains will be emphasized, particularly in bringing about

watershed improvements. Moreover, municipal government administrative capacity will be strengthened, especially regarding water resource regulation. Citizen participation and advocacy programs will also continue to receive support.

Specific interventions to assist in achieving the above results within each component include the following:

Component 1: Improving Institutional Coordination and Policy

Institutional coordination will continue with the same public sector partners: the Ministry of Environment and Natural Resources (MARN), the National Administration of Water and Sewage (ANDA), the Social Investment Fund for Local Development (FISDL), and the General Directorate for Natural Resources/MAG (DGRNR). Interventions will be focused on watershed improvement at the local level. Policy initiatives will remain focused on promoting watershed organizations through national legislation. Initiatives include support to the MARN for the passage and implementation of a regulation for creating watershed organizations and a national watershed commission.

Component 2: Improving Integrated Water Management in Municipalities.

Efforts will continue in the implementation of municipal water resource management plans developed during the first three years of the Activity. Support will also be given to the effective enforcement of previously developed municipal ordinances as well as the development of new ordinances. Technical assistance will be given, where needed, to municipalities implementing water and waste treatment activities for use with local counterpart for construction materials. There remains a great need among smaller communities of El Salvador to address and resolve wastewater and solid waste management, and the issues and constraints affecting these rural inhabitants. Treatment facilities already developed under this Activity will be promoted to other municipalities and donors.

The effect of drought conditions on small farmers located in the Activity target watersheds will be mitigated by the implementation of water storage practices and mechanisms, including the strategic use of stored water for watershed improvement. Technical expertise will be developed through a series of community-focused information and education services financed under the Human Capacity Development (HCD) Activity.

Sustainability of rural water systems will be a priority for this Activity. Two factors have been identified as primary constraints toward the long-term sustainability of water provision at the rural level: 1) a lack of effective, long-term local water administration; and, 2) a lack of access to reliable and competent technical expertise. These two factors will be addressed by the implementation of rural water systems' support model, designed to provide both administrative training and support to local water committees as well as water system technical services. Training will be provided through the HCD Activity to help establish this model.

Component 3: Increasing Citizens Awareness, Participation and Action.

Successful integration of civil society depends heavily on the will and ability of citizen residents to organize and participate effectively. Under this component, USAID will continue stressing awareness of the causes of water related problems as well as the means to effectively promote community activism in support of positive change. This component's highly effective activities, including information, education and communication campaigns and short-courses, resulting in a 95% awareness of water problems and constraints within the communities, will continue to employ the same strategy with a possible shift in demographic focus to include even poorer, more environmentally degraded watershed and water conservation areas.

SUPPORTING ANALYSIS AND CONSULTATION PROCESS: As a result of the AGUA Concept Paper Review Meeting for the strategy extension period held on May 17, 2002, a full evaluation of the Water Activity was recommended to determine if the current methodologies were the most appropriate to provide access to clean water for rural Salvadorans. The evaluation results would help USAID to validate current interventions and/or to make corrective actions to the strategy for the remaining period.

A comprehensive program evaluation was carried out in September 2002. The participatory methodology of the evaluation included the input from local partner organizations and stakeholders participating in the program as well as other donor organizations. Evaluation findings, conclusions and recommendations were studied by USAID and are being taken into consideration for the Activity extension period. Gender concerns were addressed in the evaluation.

The list of studies and analysis reviewed and consulted by the evaluation team are included as Annex 7 to the final report of the evaluation.

IMPLEMENTATION AND MANAGEMENT PLAN: As mentioned above, the Water Activity interventions will continue through a more consolidated and concentrated geographic focus. The main thrust of this amendment will be within three key watersheds in the Departments of Ahuachapán, Usulután and Morazán. In the Department of Usulután, emphasis will remain on those micro-watersheds that make up the primary influence of the Bahía de Jiquilisco river basin. Ahuachapan's target area will be the principal micro-watersheds that make up the El Imposible National Park and the Barra de Santiago protected areas. Work will continue in the municipality of Corinto, in the Department of Morazán, though at a reduced level.

It is expected that during the period extension, USAID will continue working with the partners identified in the SOAG: i.e. MARN, ANDA, DGNRN/MAG, National Mayors Association (COMURES), FISDL and selected target municipalities. The technical coordination committee, comprised of representatives from USAID, USAID-funded NGOs, and public partner institutions, will continue to provide guidance on overall objectives and specific activities. Municipal involvement in support of communities within the micro-watershed areas will continue to be the focal point of host government participation, and their counterpart support has been significant during the current program implementation period.

The SOAG will continue to be the obligating instrument. A SOAG Amendment to increase the total Life-of-Activity (LOA) funding, extend the Activity Completion Date and update certain sections of Annex 1, Amplified Description, is expected to be negotiated and signed with the Government of El Salvador (GOES) in February 2003. USAID will need to make only minor modifications to the amplified description of the SOAG, since all the interventions described herein fit within the overall scope of the current description.

The proposed extension period of the Water Activity will be for 18 months (September 2003 to March 2005). The Water and Environment (WE) Office proposes to continue the implementation of this Activity through the USAID Small Infrastructure Activity (SIA) and CARE and Project Concern International (PCI) Cooperative Agreements through March 2005. The current completion date of these two Cooperative Agreements is February 28, 2003. Justifications for Exceptions to Competition were prepared to amend the CARE and PCI Agreements to support the continuation of activities in the proposed areas. These justifications were presented to and approved by the Regional Agreement Officer, subject to your approval of this Action Memorandum (see Attachment 3).

CARE, as the major implementer, will continue developing activities toward improvement of water resources and protection efforts aimed at increasing access to clean water by rural Salvadorans. PCI, which was initially selected through an Annual Program Statement (APS) mechanism, will provide engineering/technical and managerial support services to appropriate technology, waste treatment, and water storage reservoirs. Through SIA, USAID will finance a limited number of sub-grants to communities for selected small-scale and low-cost rural water delivery systems, including piped systems, rainwater catchment, and other types of low-cost appropriate technologies.

The WE office management requirements will remain the same. These activities will continue to be managed by one U.S. Personal Service Contractor (USPSC) Water Advisor, an FSNPSC Activity Management Specialist (AMS), and a FSNPSC secretary. The USPSC and the FSNPSC AMS will be budgeted under the Activity.

Gender: Gender issues have been addressed under the current agreements. Grantees will be requested to continue placing appropriate emphasis on gender-related elements.

PERFORMANCE MONITORING PLAN: Selected indicators for the Water Activity that are described in the Mission PMP and in the AGUA SOAG, would be used to track and report performance. Revised indicators and targets for FY 2003, FY 2004, and FY 2005 have been developed and data quality assessments for each indicator have been completed. These revised indicators and targets will be incorporated into the PMP and, where appropriate, into the SOAG.

FINANCIAL REQUIREMENTS: The current approved LOA for this Activity is \$17.2 million and the total obligations as of September 2002 is \$16,133,750 in Development Assistance (DA) funds. Additional planned obligations for the extension period are approximately \$8,574,000 in the aggregate (FY 2003 and FY 2004 obligations) of DA funds, subject to the availability of funds. The new total LOA for this Activity will be \$24,707,750 as shown in Table 1 of Attachment 4.

Under this Activity, of the total amount obligated (\$16,133,750), the total amount that will be spent as of February 2003 will be \$15,572,691 (Table 2 of Attachment 4). As a result, by February 28, 2003, there would be an unspent balance of approximately \$561,059 for the Water SO activities.

This unspent balance and the expected FY 2003 and FY 2004 obligations of \$8,574,000 will make a total amount of \$9,135,059 (Table 2 of Attachment 4) available to support the activities described herein during the extension period. These funds will be used to support activities through the CARE and PCI Cooperative Agreements, and SIA.

Moreover, the WE Office is proposing to increase the USAID Management, Monitoring and Evaluation budget line item by \$778,000 (from \$1,200,000 to \$1,978,000) to finance WE Office program-funded staff through March 31, 2005, as well as to provide funding for studies, evaluations and assessments in preparation of the new strategy (see Table 3 of Attachment 4).

Counterpart Contribution: In June 2000, the host country counterpart contribution for this Activity was reduced due to the fact that USAID is not providing assistance directly to the Government of El Salvador (GOES) and the GOES is not playing a direct or substantial role in managing or controlling the activities implementing under any of the implementing instruments (see Memorandum in Attachment 5).

As determined in the Memorandum, the only SOAG budget elements (shown in Table 4 of Attachment 4), that require 25% counterpart contribution are "Direct Assistance to Public Institutions", "USAID Management

Costs, Monitoring and Evaluation" and "Activities Managed by USAID/Washington for Policy Component". Therefore, the GOES contribution under the Water SOAG will not be less than 25% of the revised total authorized under these budget elements. The expected total counterpart contribution will increase from \$540,000 (25% of \$1,620,000) to \$800,000 (not less than 25% of \$2,398,000).

In addition, cost-sharing contributions will also be provided under the CARE and PCI Cooperative Agreements. Communities that receive grants under the SIA, also are required to make a minimum of 25% counterpart contribution.

CHECKLISTS: The assistance checklist, which should be completed before the first obligation of FY 2003 for each activity/project, has been completed with the result that no such activities are contrary to any of the statutory requirements governing FY 2003 funds (refer to Attachment 6). The FY 2003 country checklist for USAID/El Salvador has not been approved yet; however the obligation of \$1.5 million FY 2003 emergency funds for this Activity can be done since USAID's funding is under a Continuing Resolution, and the Mission can rely on the country checklist for FY 2002 for these limited FY 2003 funds. Once the FY 2003 Appropriations Act is passed, unobligated FY 2003 funds will be subject to the FY 2003 country checklist.

Accordingly, prior to the obligation of FY 2003 (unobligated funds) and FY 2004, the WE Office will insure that the country checklist has been approved in USAID/W and that the assistance checklist has been completed with the result that no such activities are contrary to any of the statutory requirements governing those funds.

INITIAL ENVIRONMENTAL EXAMINATION (IEE): Attachment 7 shows the Initial Environmental Examination Amendment. The IEE Amendment reflects the LOA funding increase and the extension of the Activity Completion Date. No funds will be obligated until the Bureau Environmental Officer (BEO) has approved the amended IEE.

CONGRESSIONAL NOTIFICATION: The FY 2003 Congressional Budget Justification (CBJ), which expired without objection on April 1, 2002, notified the Water SO FY 2003 obligation in the amount of \$4.1 million.

The first obligation of funds related to the activities being approved in this Action Memorandum is expected to occur under a SOAG Amendment

in February 2003. This \$1.5 million FY 2003 obligation was approved by Washington and received by USAID/El Salvador as an emergency obligation.

AUTHORITY: Under ADS Section 103.3.14.2a, Mission Directors in the LAC Bureau were delegated the strategic planning authority pursuant to ADS Section 103.3.8.1, subject to the limitations on re-delegation set forth in ADS Section 103.3.8.1b. The foregoing limitations provide that Mission Directors may not approve strategic plans or substantive amendments thereto; exceptions to the strategic planning procedures; or substantive terms and conditions of management contracts or amendments thereto. As noted above, the proposed increase in the Life-of-Activity funding and the eighteen month extension for the AGUA Activity is consistent with the approval for extension of the existing USAID/El Salvador Strategy provided by the Senior Deputy Assistant Administrator for the LAC Bureau (SDAA/LAC) under Memorandum dated August 30, 2001. Therefore, you have the authority to approve the actions requested in this Memorandum.

RECOMMENDATION: That you: (1) amend the Access, Management and Rational Use of Water Activity, No. 519-0443, to reflect the activities of the extension period through March 31, 2005, described herein; (2) increase the Life-Of-Activity (LOA) funding by \$7,507,750 to a new total of \$24,707,750; and (3) extend the Activity Completion Date (ACD) to March 31, 2005. If you agree with these changes, please sign this Action Memorandum and the attached IEE Amendment.

APPROVED: _____

DISAPPROVED: _____

DATE: 1/30/03

Attachments:

- 1: Water and Environment Results Framework
- 2: List of the 14 micro-watersheds
- 3: Exceptions to Competition for CARE and PCI
- 4: Consolidated Financial Plans (Tables 1, 2, 3 and 4)
- 5: Reduction of Counterpart Contribution Memorandum dated June 13, 2000
- 6: Assistance Checklist
- 7: IEE Amendment

Drafted by: BCarr, WE and NMata, SDO
Cleared by: BPaige, RCO BSP
FBreen, CONT FB
BMyers, RLA BW
TCornick, DDIR TC

Date: 1-13-03
Date: 1-23-03
Date: 1-23-03
Date: 1-24-03

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Office of the Controller:

REVIEWED

01/13/03

DATE

CMM
01/14/03

USAID/EL SALVADOR WATER AND ENVIRONMENT PROGRAM

STRATEGIC OBJECTIVE

INCREASED ACCESS TO CLEAN WATER BY RURAL HOUSEHOLDS

Indicators:

- Rural households in target areas with water that meets quality and time standards

Assumptions

- Additional natural disasters do not impinge upon the efforts of the Water and Environment Program.
- Current implementer grants are extended in order to maximize watershed development gains achieved in the previous strategy period.
- The WE office is accorded sufficient level of funding to effectively implement the program.



INTERMEDIATE RESULT 1

Improved Quality of Water Sources

Indicators:

- Area Covered by Soil Conservation/Reforestation
- Area Covered by Organic Cropping
- Area Covered by Integrated Pest Management

INTERMEDIATE RESULT 2

Improved Performance of Water Delivery Systems

Indicators:

- Rehabilitated, Expanded, and New Systems

INTERMEDIATE RESULT 3

More Effective Citizen Actions to Address Water Issues

Indicators:

- Water related changes resulting from citizen group actions

INTERMEDIATE RESULT 4

Greater Municipal Participation in Water Resources Management

Indicator:

- Municipalities with water resource management plans
- Water related ordinances passed

ACCESS, MANAGEMENT AND RATIONAL USE OF WATER (AGUA)
ACTIVITY No. 519-0443

MICRO-WATERSHEDS (by department)

DEPARTMENT	LOCATION
Usulután	Río El Quebrado
	Río El Zapote
	Quebradas La Ermita y El Hondable
	Río Borbollón
	Río San Simón
	Río El Molino
	Río El Roquinte
	Río Mercedes Umaña
	Playas y Manglares
Ahuachapán	Río Sanjón La Danta
	Río Copinola
	Río Cara Sucia
	Río San Francisco
Morazán	Río Corinto



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519-01-03

ACTION MEMORANDUM FOR THE AGREEMENT OFFICER

FROM: William Patterson, Director, Water and Environment
 (WE) Office Director *William Patterson*

SUBJECT: Justification for Exception to Competition to amend the existing Cooperative Agreement with Cooperative For Assistance and Relief Everywhere (CARE), No.519-A-00-99-00084-00

ACTION REQUESTED: That you approve an Exception to Competition to extend the life of award, with corresponding addition of funds, of the current Cooperative Agreement with CARE under the Access, Management and Rational Use of Water (AGUA) Activity, No. 519-0443 to enable CARE to continue with similar activities. The purpose of this 25-month extension is to support further efforts to establish and implement replicable models for local-level integrated management of water resources in selected micro-watersheds. The additional estimated cost to USAID will be approximately \$5.2 million (from \$12,600,000 to approximately \$17,800,000) with an estimated completion date of March 31, 2005. Your approval will be subject to the approval by the Mission Director of an amendment to the AGUA Activity to accommodate the Action Requested.

BACKGROUND: The Access, Management and Rational Use of Water Activity was approved on September 24, 1998 at a funding level of \$15,600,000 for an expected duration of four years. An LOA funding increase was authorized on May 22, 2000, bringing the Activity total to \$17,200,000. The CARE Cooperative Agreement was signed on June 14, 1999 with an expected completion date of September 30, 2002. The Cooperative Agreement was later amended to extend the completion date to February 28, 2003.

The purpose of the AGUA Activity is to provide access to clean water for rural Salvadorans by promoting a sustainable, replicable and integrated approach to water resource management. Activity implementation was focused in three key watersheds in the departments of Ahuachapán, Usulután, and Morazán. The

original target areas included eighteen municipalities, four in Ahuachapán, thirteen in Usulután, and one in Morazán.

The AGUA Activity consists of three inter-related components which are critical to increasing sustainable access to clean water by the Salvadoran rural poor: 1) Institutional Coordination and Policy; 2) Integrated Water Management in Municipalities; and 3) Citizen Awareness, Participation and Action.

The CARE Cooperative Agreement was signed June 8, 1999, and was the first water resources based program of this scope financed by USAID/El Salvador. This program was expected to contribute to achievement of the four Intermediate Results (IRs) of the Strategic Objective "Increased Access by Rural Households to Clean Water": IR4.1 - *Improved Quality of Water Sources*; IR4.2 - *Improved Performance of Water Delivery Systems*; IR4.3 - *More Effective Citizen Actions to Address Water Issues*; and IR4.4 - *Greater Municipal Participation in Management of Water Resources*.

At the time the AGUA Activity was designed, the municipalities were considered the key geographical focus. Focus over the life of the Activity shifted towards the micro-watershed as the key geographical area, given that water was found to be the unifying element of the Activity, that usable water originates in the watersheds, and that poor management of water and watersheds was the principal cause of water shortage. As this strategy evolution was taking place, CARE proceeded with implementation and successfully met or surpassed most of its target indicators. An evaluation conducted in September 2002 stated that efforts to date have achieved all the elements necessary to establish replicable models for local-level integrated management of water resources throughout El Salvador. This is considered the key for provision of clean water for the future.

CARE implements its Cooperative Agreement with a consortium of three local NGO partners, SalvaNatura, FUNDAMUNI, and SACDEL. This consortium structure has been successful and if the Cooperative Agreement is extended, will be continued through the extension period. As per experience gained and through recommendations in the evaluation, the focus area of the AGUA Activity will be concentrated at the micro-watershed level, including the municipalities contained within the watershed boundaries, with efforts aimed at affecting the improvement and conservation of water generating capacity. The main objective of this approach is the development of model watersheds --

successful examples of integrated water resources management at the local level that can be eventually replicated into other areas of the country.

JUSTIFICATION CRITERION: As specified in ADS Section 303.5.5d(1) and E303.5.5d, competition shall not be required for amendments to existing awards or follow-on awards for the same activity, or to further develop an existing assistance relationship, provided the SO/RP Team Leader or Cognizant Technical Officer justifies in writing "why it would be more advantageous for USAID to amend an award or create a new 'follow-on' award without the benefit of competition rather than open the process to competition."

JUSTIFICATION: The WE Office has determined that it would be more advantageous for USAID to amend the CARE Cooperative Agreement without the benefit of competition. This determination is based on the following:

Counterpart and cost sharing commitments: CARE has more than 20 active agreements with government and non-government organizations that represent important counterpart contributions and cost sharing commitments for the AGUA Activity. Most of these agreements could extend beyond the current completion date and would likely be lost without an extension of the CARE Cooperative Agreement. For example, ANDA has promised an in-kind counterpart contribution of \$105,000 for water delivery systems for 2003. This contribution is based primarily on ANDA's close working relationship with CARE developed over the Activity's 39 month life and it is unlikely that a new grantee would be able to achieve this relationship with ANDA in sufficient time to accept this in-kind contribution during the period that it is available. Furthermore, the following \$1.09 million in counterpart contributions and cost sharing commitments is contingent upon the continuation of the CARE Cooperative Agreement for at least two years:

1. IUCN - World Conservation Union: A joint effort by IUCN and CARE to perform integrated watershed development of the Rio Paz watershed (Ahuachapán) from the El Imposible national park to Barra de Santiago is planned for next year. IUCN cost sharing is \$558,000. This type of leveraging of funds fits well into the Opportunity Alliance model. CARE and IUCN signed a letter of understanding that outlines this alliance.
2. FISDL: FISDL has pledged a counterpart contribution to jointly finance the design and construction of a sewage treatment plant in Ahuachapán, and various water systems in

Usulután. FISDL's contribution is \$530,000 and is contingent on CARE continuing the AGUA water resources program under the CARE Cooperative Agreement for 2003 and 2004.

CARE consortium, knowledge and experience: The CARE consortium currently implements integrated water resource management activities in the 3 major watersheds of Ahuachapán, Usulután, and Morazán, and includes formal partnering agreements with Project Concern International (PCI) and World Vision (other AGUA grantees) for joint funding/implementation in Usulután and Ahuachapán. The CARE consortium and PCI partnering relationship are a well functioning unit. An extension period of 25 months is needed to consolidate and incorporate gains made over the past two years into sustainable and replicable watershed models. The anticipated accomplishments of these objectives, however, cannot be achieved within the proposed timeframe without the experience, knowledge and relationships developed by the CARE Consortium and PCI. The effective continuity and momentum of the current strategy, and CARE's implementation leadership have been documented and confirmed in the recent evaluation of the AGUA Activity.

CARE's training commitments: CARE's support of water resources and water systems management is essential to the successful implementation (i.e. logistical support and participation) of \$247,500 of Human Capacity Development (HCD) Activity training for AGUA beneficiaries planned to take place in April/May 2003 prior to the beginning of the El Salvador rainy season. A new grantee would not be operational in time to provide this type of support. The training will focus on water system operations, watershed management, and multi-use reservoir design, construction and maintenance practices and will benefit government agencies and NGO representatives. The water systems training will be given to an association of municipal systems developed by CARE and logistical and technical support is needed to identify training needs, participants, and provide input into course design. CARE also manages the watershed groups that will receive technical training and can provide follow-on support to the participants once the training is completed. Additionally, the reservoir training will involve hands-on construction techniques that can only be accomplished by building several reservoirs - something that is planned for the CARE extension. Without an extension to the existing CARE Cooperative Agreement, successful implementation of these training activities would be in jeopardy since CARE's in-kind, cost sharing support for

training activities provided under the Activity would not be available when the training is scheduled to take place.

Avoidance of Mobilization Costs and Delays: The Regional Office of Contracts and Grants (RCGO) has estimated that it will take between three to six months to complete a full and open competition in order to award a grant or cooperative agreement and another one and one-half to three months would then be required for mobilization efforts. If an amendment to the current CARE Cooperative Agreement were approved by the end of February (before expiration of the CARE Cooperative Agreement) CARE would be mobilized and able to continue operations without delays in implementation. Moreover, water resources development programs such as the AGUA Activity generally have a lengthy start-up phase. Approximately six months were needed for CARE to carry out assessments and diagnostics, establish baseline data, and train personnel. A new grantee would be expected to consume this same amount of time in performing these tasks and experience has shown that new grantees insist on generating their own baselines.

Excellent Track Record of CARE: CARE has done an excellent job in achieving the inter-related objectives of the AGUA Activity for increasing sustainable access to clean water for Salvadoran rural poor under its current cooperative agreement with USAID. This track record supports the WE Office's position that CARE can continue its activities in an effective and cost efficient way.

The CARE Consortium's excellent performance is based on: 1) a very capable and committed professional staff with experience in implementing clean water, water resources, and watershed management activities; and 2) the availability of all the necessary resources (e.g., baseline and background information, trained and experienced field staff, vehicles, equipment, and regional offices already operating).

Given the above rationale, the CARE consortium is in an excellent position to continue to perform during the extended strategy period in an efficient and effective manner that would best support achievement of the Strategic Objective and the four Intermediate Results listed above. It will also serve the beneficiaries of the AGUA Activity - hundreds of thousands of rural poor living within the designated municipalities of the AGUA Activity including those communities affected by the 2001 earthquakes. The best programmatic and most cost effective choice for the Mission is the proposed amendment to the CARE

Cooperative Agreement to support continuation and further development of existing activities.

AUTHORITY: Pursuant to ADS Section E303.5.5d (2), all justifications shall be submitted to the Agreement Officer for review and approval. Accordingly, you have the authority to approve this justification for an Exception to Competition to amend this Cooperative Agreement.

RECOMMENDATION: That, based on the justification set forth above, and subject to the approval of an amendment to the AGUA Activity (as described above), you approve this exception to competition to extend, through March 31, 2005, the CARE Cooperative Agreement, No.519-A-00-99-00084-00, under the Strategic Objective for "Increased Access to Clean Water by Rural Salvadorans" and increase the total cost of this Cooperative Agreement by approximately \$5.2 million, from \$12.6 million to approximately \$17,800,000.

APPROVED: Beth S. Paige
Beth Paige, Agreement Officer

DISAPPROVED: _____
Beth Paige, Agreement Officer

DATE: 1-23-03

Drafted by:	BCarr, WE	<u>[Signature]</u>	date	<u>21 Jan 03</u>
Reviewed by:	WPatterson, WE	<u>[Signature]</u>	date	<u>Jan. 21, 2003</u>
Cleared by:	NMata, SDO	<u>[Signature]</u>	date	<u>21 JAN 03</u>
	MSarmiento, RCG	<u>[Signature]</u>	date	<u>22 Jan 2003</u>
	BMyers, RLA	<u>[Signature]</u>	date	<u>1/21/03</u>
	TCornick, DDIR	<u>[Signature]</u>	date	<u>1-22-03</u>

Envirpub/NAD/PCI EXEPTION TO COMP.JAN 3, 2003



AGENCY FOR INTERNATIONAL DEVELOPMENT
UNITED STATES OF AMERICA A.I.D.
MISSION TO EL SALVADOR
C/O AMERICAN EMBASSY
SAN SALVADOR, EL SALVADOR, C.A.

519-02-03

ACTION MEMORANDUM FOR THE AGREEMENT OFFICER

FROM: William Patterson, Director, Water and Environment
 (WE) Office Director *William Patterson*

SUBJECT: Justification for Exception to Competition to amend
 current Project Concern International Cooperative
 Agreement No. 519-A-00-00-00066-00

ACTION REQUESTED: That you approve an Exception to Competition to extend the life of award, with corresponding addition of funds, of current Cooperative Agreement with Project Concern International (PCI) under the Access, Management and Rational Use of Water (AGUA) Activity, No. 519-0443. Your approval will be subject to the approval by the Mission Director of an amendment to the AGUA Activity to accommodate the Action Requested.

The purpose of this 25 month extension is twofold. First, the extension will enable PCI to implement follow-on efforts that will help insure the sustainable service of the solid and liquid waste treatment plants designed and constructed by PCI under the previous cooperative agreement. The extension will also enable PCI to provide engineering and technical services needed in the implementation of appropriate technology solid and liquid waste treatment, water storage reservoirs, and water systems. Technical services of this kind are not readily available in El Salvador through the non-profit sector. These efforts, both of which are for the same activity, will contribute towards the establishment of replicable models for local-level integrated management of water resources in selected micro-watersheds and the increased sustainable access to clean water for rural Salvadorans. The additional estimated cost to USAID will be \$564,000 (from \$879,427 to \$1,443,427) with an estimated completion date of March 31, 2005.

BACKGROUND: The Access, Management and Rational Use of Water (AGUA) Activity was approved on September 24, 1998 at a funding level of \$15,600,000 for an expected duration of four years. An

LOA funding increase was authorized on May 22, 2000, bringing the Activity total to \$17,200,000.

The purpose of AGUA is to provide access to clean water by rural Salvadorans by promoting a sustainable, replicable and integrated approach to water resource management. Activity implementation was focused in three key watersheds in the departments of Ahuachapán, Usulután, and Morazán. The original target areas included eighteen municipalities, four in Ahuachapán, thirteen in Usulután, and one in Morazán.

AGUA consists of three inter-related components which are critical to increasing sustainable access to clean water by the Salvadoran rural poor: 1) Institutional Coordination and Policy; 2) Integrated Water Management in Municipalities; and 3) Citizen Awareness, Participation and Action.

The Project Concern International Cooperative Agreement was funded under an Annual Program Statement (APS) mechanism and signed on July 23, 2000 with a Life of Activity (LOA) funding of 12 months. The APS objectives included efforts to contribute to AGUA's four Intermediate Results (IR's), IR4.1 - *Improved Quality of Water Sources*; IR4.2 - *Improved Performance of Water Delivery Systems*; IR4.3 - *More Effective Citizen Actions to Address Water Issues*; and IR4.4 - *Greater Municipal Participation in Management of Water Resources*. The objectives of the Cooperative Agreement included the implementation of a demonstration sewage treatment plant using appropriate technology processes, the implementation of several solid waste treatment facilities, and a watershed conservation component. It was eventually extended without additional funds for 18 months due to the 2001 earthquakes that caused implementation delays and a diversion of efforts, and because the treatment plants under implementation were requiring additional time to complete.

An evaluation was performed for the AGUA Activity in September 2002. The recommendations stated that PCI was making good progress in its diversification/marketing program, had achieved excellent cost sharing support, but that both the solid and liquid waste treatment projects were behind schedule and were experiencing some technical difficulties. The Suchitoto sewage treatment plant was eventually completed and on-line, however, there were several operational issues that needed resolving. The landfill at San Francisco de Menéndez experienced some design and construction quality control problems as well. The evaluation pointed out that these types of issues are common in

these types of new demonstration technologies and that support services such as technical assistance for operation and maintenance should be considered critical, something that was not included in the original PCI Cooperative Agreement. The evaluation recommended and the Water and Environment Office concurred that a follow-on program of technical assistance in operation, maintenance, and management should be designed and implemented.

Based on previous AGUA experience and on recommendations of the evaluation, PCI's focus for this extension would be to implement a follow-on technical support program for the sewage treatment plant in Suchitoto and two solid waste treatment facilities in San Francisco de Menéndez, and Corinto to insure that these technologies are functioning correctly and to promote sustainable operation in the future. Additionally, PCI would provide design, construction management, and follow-on support services to other USAID grantees in solid and liquid waste treatment and water storage reservoirs.

JUSTIFICATION CRITERION: As specified in ADS Section 303.5.5d(1) and E303.5.5d, competition shall not be required for amendments to existing awards or follow-on awards for the same activity, or to further develop an existing assistance relationship, provided the SO/RP Team Leader or Cognizant Technical Officer justifies in writing "why it would be more advantageous for USAID to amend an award or create a new 'follow-on' award without the benefit of competition rather than open the process to competition."

JUSTIFICATION:

The Water and Environment Office has determined that it would be more advantageous and cost effective for USAID to amend the Project Concern International (PCI) Cooperative Agreement rather than open the process to competition. This determination is based on the following:

- In order to insure sustainable operation of USAID's investments in the PCI-implemented solid and liquid waste plants, follow-on technical support efforts are needed to diagnose and mitigate potential technical difficulties with the plants and to develop effective operation, maintenance, and management plans. PCI designed and constructed the plants and, consequently, has a unique advantage in performing these activities. This technical support is needed immediately and continuously for an estimated time period of at least one year.

- If these follow on tasks were completed, a delay from three to six months could be expected. During this period, it is possible that the Suchitoto waste treatment plant could suffer technical difficulties and, without immediate attention, stop operation. Once off line, sewage accumulation would pose both health and esthetic problems as well as cause beneficiary confidence in the treatment process to decline. It would be difficult, if not impossible, to get the plant back on-line under these conditions. The risk, therefore, is a potential loss of investment in the plant (\$276,000) as well as damage to USAID's ability to continue promotion of waste water treatment in El Salvador.
- The WE Office plans to continue funding solid and liquid waste treatment and water storage reservoirs in the future, but has concluded, through market research, that this technical capacity is not common in El Salvador. In 2002, USAID grantee, CARE, solicited quotations for the design and construction of water storage reservoirs and PROARCA (USAID Guatemala), as part of a regional initiative, solicited quotations for the design and construction of an appropriate technology sewage treatment plant. Neither of these solicitations produced inputs of any merit. (PCI was eventually contracted by PROARCA to construct the sewage treatment plant.) PCI has developed technical capacity in the implementation of appropriate technology solid and liquid waste treatment systems and water storage reservoirs and it is expected that during the amendment period, would provide design, construction management, and operation and maintenance services for these kinds of projects being implemented by other grantees under the AGUA Activity. Having this technical expertise available when needed, through an extension of the PCI Cooperative Agreement, would be very advantageous to the AGUA Activity.

Given the above, Project Concern International is in an excellent position to continue to perform during the extended strategy period in an efficient and effective manner that would best support achievement of the Strategic Objective and the four Intermediate Results listed above. It will also serve the beneficiaries of the AGUA Activity - thousands of rural poor living within the designated municipalities of the AGUA Activity including those communities affected by the 2001 earthquakes. The best programmatic and most cost effective choice for the Mission is the proposed amendment to the PCI Cooperative Agreement to support continuation and further development of existing activities.

AUTHORITY: Pursuant to ADS Section E303.5.5d (2), all justifications shall be submitted to the Agreement Officer for review and approval. Accordingly, you have the authority to approve this justification for an Exception to Competition to amend this Cooperative Agreement.

RECOMMENDATION: That, based on the justification set forth above, and subject to approval of an amendment to the AGUA Activity (as described above), you approve this exception to competition to extend, through March 31, 2005, the PCI Cooperative Agreement, No. 519-A-00-00-00066-00, under the Strategic Objective for "Increased Access to Clean Water by Rural Salvadorans" and increase the total cost of this Cooperative Agreement by approximately \$564,000 dollars, from \$879,427 to an estimated \$1,443,427.

APPROVED: Beth S. Paige
Beth Paige, Agreement Officer

DISAPPROVED: _____
Beth Paige, Agreement Officer

DATE: 1-23-03

Drafted by:	BCarr, WE	<u>[Signature]</u>	date	<u>21 Jan 03</u>
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	MSarmiento, RCG	<u>[Signature]</u>	date	<u>22 Jan 2003</u>
	BMyers, RLA	<u>[Signature]</u>	date	<u>1/22/03</u>
	TCornick, DDIR	<u>[Signature]</u>	date	<u>1-22-03</u>

ATTACHMENT 4

TABLE 1

**PLANNED OBLIGATIONS ACCESS, MANAGEMENT AND RATIONAL USE OF WATER (AGUA) ACTIVITY No. 519-0443
(IN US \$)**

ELEMENTS	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	TOTAL
GOES	3,329,000	3,119,000	3,307,000	3,134,750	3,174,000	4,074,000	4,500,000	24,637,750
Washington	-	70,000	-	-	-	-	-	70,000
TOTAL SOAG	3,329,000	3,189,000	3,307,000	3,134,750	3,174,000	4,074,000	4,500,000	24,707,750
SOAG Cumulative Oblig	3,329,000	6,518,000	9,825,000	12,959,750	16,133,750	20,207,750	24,707,750	(a) 7,507,750

(a) Planned Obligations until FY2004 \$24,707,750 - current LOA \$17,200,000 = LOA needs to be increased by \$7,507,750

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ATTACHMENT 4

TABLE 2

ACCESS, MANAGEMENT AND RATIONAL USE OF WATER - AGUA No. 519-0443

FINANCIAL PLAN BY OBLIGATING INSTRUMENT AND IMPLEMENTING MECHANISMS - IN US\$

OBLIGATING INSTRUMENTS AND IMLEM. MECHANISMS	CURRENT LOA	Expenditures TOTAL FY 1999- FY 2002	Expenditures TOTAL Sep 200 Feb 2003	TOTAL Expenditures Feb 28, 2003	THIS INCREASE	Planned Expenditures March-Sep 03	FY 2004 Planned Expenditures	FY 2005 Planned Expend -3/05	REVISED LOA TOTAL	NEW LOA Implement.
SOAG:										
1 CARE Cooperative Agreement	12,600,000	10,716,612	1,002,495	11,719,107	-	-	-	-	11,719,107	-
CARE Cooperative Agreement Follow-on		-	-		6,000,000	2,500,000	2,500,000	1,000,000	6,000,000	17,719,107
2 SIA	539,000	461,589	77,411	539,000	-	-	-	-	539,000	-
SIA Follow on		-	-		500,000	250,000	200,000	50,000	500,000	1,039,000
3 PCI Cooperative Agreement	879,427	879,427	-	879,427	-	-	-	-	879,427	-
PCI Cooperative Agreement Follow on		-	-		564,000	264,000	200,000	100,000	564,000	1,443,427
4 World Vision Cooperative Agreement	398,257	346,066	52,191	398,257	-	-	-	-	398,257	-
5 CRS Cooperative Agreement	348,463	292,578	55,885	348,463	-	-	-	-	348,463	-
6 IICA	391,050	362,876	28,174	391,050	-	-	-	-	391,050	-
7 IQC - Camp Dresser Water Law	125,000	125,000	-	125,000	-	-	-	-	125,000	-
8 Various contracts and agreements completed (a)	246,932	290,872	-	290,872	-	-	-	-	290,872	-
9 Other mechanism TBD (APS)	0	-	-		1,293,059	500,000	600,000	293,059	1,293,059	1,293,059
SUB TOTAL Implementing Mechanisms		13,475,020	1,216,156	14,691,176	8,357,059	3,614,000	3,400,000	1,443,059	23,048,235	21,494,593
10 USAID Management and Monitoring & Eval.	1,200,000	667,899	143,616	811,516	778,000	417,825	438,279	310,381	1,589,516	1,978,000
11 Activities Managed by Washington	70,000	70,000	-	70,000	-	-	-	-	70,000	-
GRAND TOTAL	16,798,129	14,212,919	1,359,772	16,572,691	9,135,059	3,931,825	3,838,279	1,763,440	24,707,760	-

(a) Various expired contracts and agreements: FUSADES \$150,000+ Hagler Bally \$77,205+SACDEL \$4,727+HCD \$15,000, Border Dev \$43,940=\$290,872

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ATTACHMENT 4

TABLE 3
ACCESS, MANAGEMENT AND RATIONAL USE OF WATER - AGUA No. 519-0443

USAID MANAGEMENT AND MONITORING AND EVALUATION FINANCIAL PLAN
IN (US\$) - DA FUNDS

OBLIGATING INSTRUMENTS AND IMPLEMENTING MECHANISMS	EXPENDITURES TOTAL FY 1999-FY 2002	EXPENDITURES Oct-Dec 2002	FY 2003 Planned Expenditures	FY 2004 Planned Expenditures	FY 2005 Planned Expenditures - March 2005 *	TOTAL
SOAG:						
US PSC Water Manager	485,000	40,000	203,814	220,119	237,729	1,186,662
FSN PSC 1	117,300	12,000	52,000	56,160	60,653	298,113
ICASS/Administrative Support	11,000	-	12,000	12,000	12,000	47,000
SUB-TOTAL	613,300	52,000	267,814	288,279	310,381	1,531,775
Monitoring and Evaluation	18,306	91,616	75,000	75,000	-	259,922
Special Activities	36,293	-	75,000	75,000	-	186,293
SUB-TOTAL	54,599	91,616	150,000	150,000	-	446,215
GRAND TOTAL ROUNDED	667,899	143,616	417,814	438,279	310,381	1,977,990 1,978,000

Note: As of Sep 2002 Current obligations totalled \$1.2 million.

* USAID Management has been budgeted until Sept 2005

ATTACHMENT 4

TABLE 4

ACCESS, MANAGEMENT AND RATIONAL USE OF WATER - AGUA No. 519-0443

OBLIGATIONS BY COMPONENT - IN US\$

ACTIVITIES ACTIVITY 519-0443	FY 98 SOAG Orig	FY 99 Am 1	FY 00 Am 2	FY 01 Am 3 & 4	SUB-TOTAL	FY 02 Am 5 & 6	SUB-TOTAL	FY 03 Am 7 & 8	FY 04	TOTAL
Integrated Water Management	1,929,000	1,350,000	-	-		-	17,200,000	-	-	7,507,750
Citizen Awareness, Partic	850,000	1,150,000	-	-		-		-	-	-
Integrated Water Management in Mun and Citizen Particip.	2,779,000	2,500,000	3,426,000	2,834,750	11,539,750	2,974,000	14,513,750	3,674,000	4,122,000	22,309,750
Institutional Coord. & Policy	350,000	119,000	-	-		-		-	-	-
Direct Assistance to Public Institutions	350,000	119,000	(119,000)	-	350,000		350,000	-	-	350,000
USAID MANAGT COSTS	200,000	500,000	-	300,000	1,000,000	200,000	1,200,000	400,000	378,000	1,978,000
TOTAL OBLIGATION GOES	3,329,000	3,119,000	3,307,000	3,134,750	12,889,750	3,174,000	16,063,750	4,074,000	4,500,000	24,637,750
ACTIVIT MANAGED BY WASH	-	70,000	-	-	70,000	-	70,000	-	-	70,000
TOTAL SOAG Activity 0443	3,329,000	3,189,000	3,307,000	3,134,750	12,959,750	3,174,000	16,133,750	4,074,000	4,500,000	24,707,750

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AGENCY FOR INTERNATIONAL DEVELOPMENT
UNITED STATES OF AMERICA A. I. D. MISSION
TO EL SALVADOR
C/O AMERICAN EMBASSY.
SAN SALVADOR, EL SALVADOR, C. A.

June 13, 2000

ACTION MEMORANDUM TO THE MISSION DIRECTOR

FROM: Charles North, Strategic Development Office *CA*

SUBJECT: Reduction of Host Country Counterpart
Contribution Requirement

Action: Your approval is required to reduce the host country counterpart contribution under the economic growth, democracy, and water strategic objective grant agreements (SOAGs).

Discussion: With the advent of reengineering in the Agency, USAID/El Salvador entered into strategic objective grant agreements with the Government of El Salvador (GOES). These agreements, in addition to serving as obligating documents, were intended to strengthen USAID's partnership with the host country government through mutual commitment to the achievement of results described in the respective agreements. They also served as an expedient mechanism for obligating funds that were later sub-obligated in cooperative agreements and contracts. In these cases, the SOAGs envisioned that the GOES would either receive direct benefit from the assistance or would play a substantial role in administering, managing or controlling the activities under the SOAGs.

The GOES has expressed concern that, in some of the activities under the SOAGs, the GOES is neither receiving direct benefit nor playing a direct or substantial role in their management or control, but is still expected to comply with, at a minimum, the 25 percent host country contribution requirement for such activities. USAID/El Salvador also recognizes that the GOES is facing a growing fiscal deficit, constraining its ability to contribute more than the 25 percent statutory minimum contribution requirement.

The mission has reviewed the economic growth, democracy, health and water SOAGs in light of the GOES's concerns. Adjustment of the counterpart requirement under the Special Objective is discussed in a separate memorandum. Opportunities for reducing the counterpart contribution without impairing program implementation have been identified and are discussed below by strategic objective.

Action Memorandum to the Mission Director
June 13, 2000
Page 2.

Within the economic growth and water SOs, activities have been identified in which the GOES does not have a direct benefit and in which the GOES is not directly or substantially involved in management or control. These activities are being implemented through the contracts, cooperative agreements, and NGO grant programs discussed below.

Economic Growth SO

The Annual Program Statements under the Rural Organizations and Environmental Conservation Activity, ROCA, (519-0438) and the Decentralization and Rural Poverty Reduction Activity (519-0442) do not directly benefit the GOES and the GOES does not have direct or substantial involvement in their management or control. The same is true for the contracts with Technoserve under ROCA and the contract with Development Alternatives, Inc. (DAI) under Rural Financial Markets (519-0435), but more explanation is required to demonstrate that this is the case.

Technoserve contract: Technoserve is working with four secondary-level agricultural organizations to strengthen their capacity to provide agricultural extension and marketing services to producer cooperatives and individual farmers.

Technoserve has established a memorandum of understanding (MOU) with CENTA, the government agricultural extension service, to improve coordination between the two organizations. The MOU also formalizes agreements that CENTA provide 12 technicians to assist Technoserve in delivering technical assistance to agricultural organizations and farmers. CENTA pays their salaries and logistics costs. These technicians do participate, as necessary, in training activities as observers to improve their understanding of Technoserve's methodology but the training is designed for and directed at the participating local organizations. The benefit to the GOES is not direct but, at best, is indirect and speculative: the technicians' skills might improve as a result of their participation in this activity and their participation might strengthen CENTA's long-term linkages with the participating local organizations.

The GOES does not have a role in managing or controlling the assistance provided through this contract. USAID entered into the

Action Memorandum to the Mission Director
June 13, 2000
Page 3.

contract without prior approval of the GOES and no GOES entity, including CENTA, is involved in managing or controlling its implementation.

DAI contract: DAI is managing a competitive sub-grants program for NGO and government microfinance institutions. No government institutions have benefited from this activity as none of them have met the qualifications for the sub-grants program and none are likely to qualify during the life of the current Strategic Plan.

Accordingly, the SO Team proposes to specify in a SOAG amendment and contract amendment that government institutions are not eligible to receive sub-grants. If this Action Memo is approved, these amendments will be processed.

The GOES's only role in the activity is through the participation of representatives of CONAMYPE (the National Commission for Micro and Small Business) and the FUNDAMICRO (a foundation established by the GOES to provide technical assistance and training to microlending institutions and banks) on the committee that reviews grant applications and makes recommendations to USAID on which applications to finance. CONAMYPE and FUNDAMICRO are only two of seven members on the committee, which includes DAI and representatives from private banks, a U.S. university, and two international development banks. The GOES's role is thus of an advisory nature with no direct or substantial role in the management or control of the DAI contract or grants process.

Democracy SO

The democracy SOAG requires a 40 percent host country counterpart contribution, versus the statutory minimum of 25 percent. The higher planned contribution level reflected the hope that the SOAG would leverage greater GOES resources for justice sector salaries. Funding for salaries has gone up, but not as much as originally hoped. The GOES has had to rely on greater use of in-kind contributions to meet the higher counterpart target. The reliance on in-kind contributions has significantly increased the burden on GOES and mission staff to track the contributions. The high counterpart requirement is therefore increasing workloads, without leveraging significant new resources.

Action Memorandum to the Mission Director
June 13, 2000
Page 4.

In light of the GOES's current budget constraints and growing fiscal deficit, requiring a minimum counterpart contribution greater than the 25 percent statutory minimum is not reasonable. The Democracy SO Team, therefore, is recommending that GOES's minimum counterpart contribution be reduced to 25 percent. This will provide the GOES with needed budgetary relief and significantly reduce the workloads for the GOES and USAID staff.

Health SO

A cooperative agreement with the Salvadoran Demographic Association (SDA), a local NGO, accounts for approximately one-fourth of the resources planned for the health SOAG. This is the only cooperative agreement or grant with an NGO that USAID expects to enter into under this SOAG. The GOES has no involvement in nor direct benefit from the bulk of SDA's activities in providing family planning services to poor, primarily rural Salvadoran women.

However, the GOES does receive a direct benefit from and has a substantial role in one small component of the cooperative agreement: the development and implementation of the quinquennial National Family Health Survey (FESAL). Under the SOAG to date, only approximately \$33,900 has been spent on the FESAL for printing and distribution costs associated with the last survey. Another approximately \$200,000 is expected to be expended under the SDA cooperative agreement in FY2002 in support of the development of the next FESAL questionnaire.

The counterpart contribution requirement negotiated under the health SOAG is \$12.550 million. When the SOAG was negotiated it was expected that cost-sharing by NGOs could be used to reduce the GOES's contribution by \$4.45 million. Subsequently, funding for NGO activities was reduced and, according to the health SO team, will be limited to funding for SDA, with cost-sharing by SDA now projected at \$3.75 million. The Host Country Contribution Notice (as defined below under the Authority section), set forth in ADS 350, Mandatory References, Interim Update #5, allows for private sector contributions to be counted as part of the host country contribution. The Grants Officer, though, has raised concerns that some allowable cost-sharing costs are not allowable as counterpart contribution, and that undue pressure may be put on NGO grantees to maximize their cost-sharing to reduce the GOES's contribution.

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Page 5.

The projected level of cost-sharing from SDA was considered to be reasonable based on experience with SDA under prior cooperative agreements. In fact, the SO team expects that SDA will surpass its cost-sharing target by a significant margin. Meanwhile, the GOES's ability to meet its contribution has been set back by the need to delay the procurement of commodities and equipment while USAID and the GOES analyze and correct the Ministry of Health's procurement procedures.

Taking these factors into consideration, and the fact that the SOAG has already been in implementation for two years and has two years left during this strategy period, the Health SO Team asserts that it is not reasonable to now expect the GOES to contribute the full contribution requirement without the benefit of SDA's cost-sharing off-set. Therefore, the SO team proposes that none of the activities under the health SOAG be exempted from the counterpart contribution requirement, and that language in the SOAG allowing NGO cost-sharing to count towards the counterpart contribution be maintained.

USAID will need to review what SDA is including in its cost share and to exclude from reduction of the GOES's contribution allowable cost-sharing costs that are not eligible as counterpart contribution. It is unlikely that there will be many ineligible costs since SDA is a Salvadoran NGO and their exclusion will likely be more than compensated for if, as expected, SDA's cost-sharing exceeds the planned level.

Water SO

The cooperative agreement with World Vision, the Annual Program Statement and AGUA-funded SIA activities are clearly managed by USAID without any involvement of GOES representatives and the GOES does not receive any direct benefit from them. The cooperative agreement with CARE does not directly or substantially involve the GOES in management or control or directly benefit the GOES, but further explanation is required to demonstrate that this is the case.

CARE is working with local communities, civil society and municipal governments to increase access to water. CARE coordinates its efforts and activities with other institutions participating in the

Action Memorandum to the Mission Director
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AGUA Activity, but is not providing assistance directly to the GOES. Under one component of the cooperative agreement CARE is working with civil society to increase understanding and expand participation in the review of a new water law. As part of this effort, CARE is advising the *Red de Agua*, a network of non-governmental organizations and some government organizations, on the new law. While government organizations do participate in the network, CARE's focus on citizen participation in the review of the law is not a direct benefit to the GOES. All direct policy advisory assistance to the GOES is being carried out through other mechanisms, such as established indefinite quantity contracts. Therefore, the GOES does not receive a direct benefit under the CARE cooperative agreement.

The GOES has also not played a direct or substantial role in managing or controlling CARE's work in this cooperative agreement. The technical committee established under the SOAG, which includes USAID, government agencies and CARE, serves primarily as a mechanism for inter-institutional communication and coordination and for the review of individual GOES agency action plans using counterpart contributions. The committee has reviewed CARE's action plans to enhance coordination among the institutions, but USAID has reserved the responsibility and authority to approve them.

Counterpart Requirement

The total proposed reduction in counterpart required of the GOES under the SOAGs, including the reduced minimum requirement under the democracy SOAG, is \$15.111 million. (See the attached table for details.) The reduction in counterpart contributions under the economic growth and water SOAGs does not necessarily mean a reduction in financial resources devoted to the activities as cost-sharing by grantees and sub-grantees will continue. It also does not change the mission's approved strategy and management contract with the LAC Bureau.

By exempting these contracts and cooperative agreements from the counterpart contribution requirement, USAID is reducing the GOES's obligation to cover any shortfall between the cost-sharing provided by NGOs and what was being required for GOES counterpart contribution. This change should be accompanied by the removal of

the clause in all SOAGs, except the health SOAG, allowing cost-sharing by NGOs to be counted as part of the GOES's counterpart contribution. This will significantly reduce the burden on partners - NGOs and GOES -- and mission staff to report and track the cost-sharing and apply it to the counterpart requirement. In the case of the health SOAG, only one NGO is involved so the burden is minimal, particularly since USAID has significant audit responsibilities for the SDA cooperative agreement.

Authority: Section 110 of the Foreign Assistance Act, as amended, requires that the host country provide at least 25 percent of the total costs of the entire project, program or activity financed by the U.S. Government. The General Notice dated September 18, 1996 entitled "Host Country 25% Contribution Requirement - Application of FAA Section 110 to Obligations by Strategic Objective", which is included under ADS 350, Mandatory References, Interim Update #5 (referred to herein as the "Host Country Contribution Notice"), states in Section IB that:

"Section 110 is interpreted to apply only when the government of a country is directly benefited or directly involved in managing the assistance which has been obligated by bilateral agreement to the host country government."

...
"Furthermore, FAA 110 will not apply to components or activities that will be implemented through cooperative agreements or grants to, or contracts with, PVOs or NGOs, even though funds are initially obligated in a bilateral Strategic Objective Agreement (SOAG) or a Limited Scope Grant Agreement (LSGA) unless the activities, components, or program directly and substantially involve the host government in management or control, or directly benefit the host government."

The cooperative agreements and contracts in the economic growth and water SOs described above do not directly benefit the GOES and the GOES is not, and has not been, directly or substantially involved in their management or control. Therefore, the funding for these cooperative agreements and contracts can be exempted from the host country contribution requirement.

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Regarding the continued counting of the Salvadoran Demographic Association's cost-sharing towards the GOES's contribution, the Policy Notice states further in section II.A.1 and 2:

- "1. The first step [in the application of Section 110] is to determine which activities may be treated as exempt from the FAA 110 requirement because the activities will be implemented wholly in the private sector, without substantial control by or benefit to the host government, as stated above in Section I.B. The 25% host country contribution requirement will apply to all other components and activities planned to be funded under the agreement, including activities carried out by private organizations which are not excluded. Note: Even if certain private sector activities may be excluded under the tests given in Section I.B., USAID and the host government instead may choose to include them, e.g., in order to count sizeable private sector contributions to the SO.
2. The calculation of respective contributions should be based upon the total cost of the SO program, as described in Annex 1 of the SOAG, minus any excluded components or activities. ... The contributions of private organizations which are included in the calculation of total cost of the SO program should be counted as part of the host country contribution, along with those of the host government."

SDA, under its cooperative agreement under the health SO, is not being excluded since it's not being implemented "wholly in the private sector without substantial control by or benefit by the host government." SDA does make a sizeable contribution toward the overall projected funding needs for the SALSA Activity - about one-third of the total - and therefore, as permitted under paragraph 2 above, SDA's cost-sharing is proposed to continue to be counted towards the GOES's counterpart contribution requirement.

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The Host Country Contribution Notice provides the basis on which certain activities may be treated as exempt from the host country contribution requirement set forth in Section 110 of the FAA. The proposed reductions in the host country contribution requirement under the economic growth, democracy and water SOAGs are consistent with the Host Country Contribution Notice and Section 110 of the FAA, as described above.

Under ADS Section 103.5.14b(1), the AA/LAC delegated to Mission Directors in the LAC region the strategic planning authority pursuant to ADS Section 103.5.8a, with certain exceptions, and the implementation authority for strategic, special or support objectives stated in ADS Section 103.5.8b, with certain exceptions. With regard to the exceptions to the strategic planning authority delegated to Mission Directors, the changes proposed in this Action Memorandum, including the reductions in the GOES contribution requirements, do not constitute substantive amendments to USAID/El Salvador's strategic plan or amendments to any substantive terms and conditions of USAID/El Salvador's management contract with the AA/LAC. With regard to the exceptions to the implementation authority delegated to Mission Directors, the proposed changes do not come within the exclusions set forth in ADS Section 103.5.8b(3) or the exception set forth in ADS Section 103.5.14b(1). Accordingly, you have the authority to approve the changes proposed.

Recommendation: that you indicate your approval to:

- a) reduce the host country counterpart contribution in the economic growth and water SOAGs, as detailed in the attached table, to better reflect the GOES's role and the benefits that the GOES is receiving under the cooperative agreements and contracts described above;
- b) reduce the counterpart contribution under the democracy SOAG to the statutory minimum requirement of 25 percent;
- c) eliminate the language in the economic growth, democracy and water SOAGs that permits cost-sharing to count against the host country counterpart contribution requirement and thereby avoid double tracking requirements while retaining such language in the health SOAG;

- d) modify the description of the Rural Financial Markets Activity in the economic growth SOAG and the contract with DAI to state that government institutions are not eligible for sub-grants under that activity; and
- e) modify the New Activity Documents for ROCA, Rural Financial Markets, Decentralization & Rural Poverty Reduction, Democratic Consolidation & Governance, and AGUA Activities to reflect the foregoing reductions in the host country counterpart contributions.

Approved: _____

Jenneth C. Ellis

Disapproved: _____

Date: _____

June 13, 2000

Attachments: a/s

Clearances:

Stephen Grant, A/SO1 (in draft)
David Johnston, SO4 (in draft)
Allen Vargas, A/CONT (in draft)
Beth Paige, OCG (in draft)
Todd Sorenson, A/SO2 (in draft)
Raul Toledo, SO3 (in draft)
Bobbie Myers, RLA sm

date: 6/9/00
date: 6/9/00
date: 6/9/00
date: 6/12/00
date: 6/9/00
date: 6/9/00
date: 6/13/00

Revised Counterpart Contribution Requirement

Activities	Life of SOAG Total	Proposed Life of SOAG Exempted from Counterpart	Original Life of SOAG Counterpart Requirement	Revised Counterpart Required	Change in Counterpart Requirement	Percent Decrease
SO 1						
Rural Financial Markets	15,000,000	12,156,900 1/				
Rural Organization & Env. Conservation	7,300,000	6,900,000 2/				
Decentralization & Rural Poverty Reduct.	7,000,000	100,000 3/				
Other Activities	11,700,000					
TOTAL SOAG	41,000,000	19,156,900	13,667,000	7,281,100	-6,385,900	47%
SO 2						
Democratic Consolidation & Governance	12,000,000	0				
TOTAL SOAG	12,000,000	0	8,000,000	4,000,000 5/	-4,000,000	50%
SO 4						
Access, Mgt. & Rational Use of Water	15,600,000	14,180,000 4/				
TOTAL SOAG	15,600,000	14,180,000	5,200,000	475,000	-4,725,000	89%
TOTAL			26,867,000	11,756,100	-15,110,900	

1/ Includes DAI contract (\$12,156,900)

2/ Includes Technoserve contract (\$6,100,000) and APS NGO grants (\$800,000)

3/ Includes APS NGO grants for consumer protection (\$100,000)

4/ Includes CARE coop. agreement (\$11,000,000), APS NGO grants (\$1,582,000), World Vision coop. agreement (\$398,000) and SIA (\$1,200,000)

5/ Based on the reduction of the minimum requirement from 40% to 25%

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Strategic Objective Grant Agreement
"Increased Access by Rural Households to Clean Water"
Activity No. 519-0443 "Access, Management and Rational Use of Water - AGUA"
January 2003

III. ASSISTANCE CHECKLIST

This checklist is to help managers and teams ensure that activities are consistent with applicable law. Since different provisions apply at different stages of the process, this Checklist is divided into the following parts: **(A) Planning; (B) Congressional Notifications; and (C) Obligating Documents.**

In addition to completing this Checklist, managers and teams should check with the Desk Officer to make sure that the Country Checklist has been completed and nothing has occurred since completion of the Country Checklist which would affect USAID's ability to provide assistance.

For the most part, no distinction between Development Assistance and Economic Support Fund funds is made in this Assistance Checklist because the FAA provides that, to the maximum extent feasible, ESF assistance should be provided consistent with the policy directions, purposes and programs of Development Assistance.

PART A. PLANNING (in alphabetical order)

1. AGRICULTURAL ACTIVITIES (BUMPERS AMENDMENT) (FY 2002 Act Sec. 513(b), as interpreted by the conference report for the original enactment). No funds may be used for agricultural development activities (specifically, any testing or breeding feasibility study, variety improvement or introduction, consultancy, publication, conference, or training) that would compete with a similar commodity grown or produced in the United States unless such activities

- (a) Are designed to increase food security in developing countries and where such activities will not have a significant impact in the export of agricultural commodities of the United States; or
- (b) Are research activities intended primarily to benefit American producers.

Is this restriction applicable? Please comment.

This restriction does not apply.

2. COMMUNIST ASSISTANCE (FAA Sec. 620(h)). Arrangements should be made 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.

Please comment.

This provision does not apply

3. ADVERSE ECONOMIC IMPACT UPON THE UNITED STATES.

- (a) **Productive enterprises competing with U.S. enterprises (FAA Sec. 620(d)).** No funds may be used for any productive enterprise that will compete with U.S. enterprises, unless

- (1) There is an agreement by the recipient country to prevent export for use or consumption in the U.S. of more than 20 percent of the enterprise's annual production during the life of the loan, or
- (2) If in the absence of such an agreement, the President has established import controls to effectuate that agreement.

This may also be waived by the President due to national security interest.

Is this restriction applicable? Please comment.

This restriction does not apply.

(b) Impact on U.S. Jobs: Relocation; Export Zones; Violation of Workers' Rights (FY 2002 Act, Sec. 533, see PD 20). Assistance may not be provided:

- (1) 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; or
- (2) 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, unless the President has determined and certified that such assistance is not likely to cause a loss of jobs within the U.S. [Note: this subsection not in FY 2002 but still in PD 20];
- (3) For a project or activity that contributes to the violation of internationally recognized workers rights of workers in the recipient country; except that assistance may be provided for such a country for the informal sector, micro or small-scale enterprise, or small-holder agriculture.

Please comment.

Provisions (1) and (2) do not apply.

The Activity does not contribute to the violation of internationally recognized workers rights of workers in the recipient country. We are not aware of any complaint or notification of violation under this Activity.

(c) Production of Surplus Commodities (FY 2002 Act Sec. 513(a). Assistance may not be provided to establish or expand production of any commodity for export if the commodity is likely to be in surplus on world markets and substantial injury will be caused to U.S. producers of the same, similar, or competing commodities.

Is this restriction applicable? Please comment.

This restriction does not apply.

4. ENVIRONMENT

(a) Environmental Assessment (FAA Sec. 117; USAID Regulation 16, 22 CFR Part 216, see ADS 204). USAID Regulation 16 requires an Initial Environmental Examination, unless the proposed assistance falls within certain exceptions and other actions.

Please comment.

The Agreement and the Activity are operating under approved Initial Environmental Examination (IEE) and Environmental Assessments. The IEE for this Activity recommended a Threshold Decision as categorical exclusion/negative determination (7/13/1998). The Amended IEE (1/10/03) recommended a Threshold Decision as categorical exclusion, negative determination with conditions and positive determination.

(b) CITES - Convention on International trade in Endangered Species of Flora and Fauna. (FY 2002 Act, "Development Assistance" heading under Title II). No funds may be used in support of activities which contravene CITES.

Is this applicable? Please comment.

This provision does not apply.

(c) Debt-for-Nature Exchange (FAA Sec. 463). Assistance that will finance a debt-for-nature exchange must

- (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.

Is this applicable? Please comment.

This provision does not apply.

(d) Tropical Forest Degradation (FAA Sec. 118). Funds may not be used for

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

However, funds may be used for activities in (3) through (6) above if an environmental assessment indicates that the proposed activity will contribute significantly and directly to

improving the livelihood of the rural poor and will be conducted in an environmentally sound manner that supports sustainable development.

Is this applicable? Please comment.

This provision does not apply.

5. EXPROPRIATION AND LAND REFORM (FAA Sec. 620(g)). Assistance may not be used to finance compensation to owners for expropriated or nationalized property, except to compensate foreign nationals in accordance with a land reform program certified by the President.

Is this applicable? Please comment.

This provision does not apply.

6. FAMILY PLANNING.

(a). Abortions and Involuntary Sterilizations Prohibited (FAA Sec. 104(f); FY 2002 Act Sec. 518 and, "Development Assistance" heading under Title II). Funds may not be used

- (1) To perform 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.)
- (2) 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.
- (3) To pay for any biomedical research that relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning.
- (4) For any country or organization if the President certifies that the use of these funds by such country or organization would violate the three provisions above.
- (5) To lobby for or against abortion.
- (6) To any organization or program that supports or participates in the management of a program of coercive abortion or involuntary sterilization.

Is this applicable? Please comment.

This provision does not apply.

(b) Voluntary Family Planning Support (FY 2002 Act, Title II, under heading "Development Assistance"): Funds may be made available only to voluntary family planning projects that

- (1) Offer, either directly or through referral to, or provide information about access to, a broad range of family planning methods and services. (As a legal matter, Development Assistance only.)
- (2) Meet the following requirements:
 - (a) Service providers do not implement or are not subject to quotas, or targets, of numbers of births, family planning acceptors, or acceptors of a particular form

of family planning (quantitative estimates or indicators for planning and budgeting purposes is acceptable);

- (b) No payments of incentives, bribes, gratuities, or financial rewards for becoming a family planning acceptor or achieving numerical target or quota;
 - (c) Do not deny any right or benefit, including right of access to any program of general welfare or right of access to health care, as a consequence of any decision not to accept family planning services;
 - (d) Provide comprehensible information of the health benefits and risks of method chosen; and
 - (e) Ensure that experimental drugs and services are provided only in the context of scientific study in which participants are advised of potential risks and benefits.
- (3) No applicant should be discriminated against because of such applicant's religious or conscientious commitment to offer only natural family planning. (As a legal matter, Development Assistance only.)

Is this applicable? Please comment.

This provision does not apply.

c) Certifications for Foreign Organizations (FY 2000 Act Sec. 599D). [NOTE: NOT Applicable To FY 2002 funds because it was not included in the FY 2002 Act but it still applies to FY 2000 Act funds]. Notwithstanding any other provision of law, population assistance may be made available for any foreign private, non-governmental, or multilateral organization until the organization certifies that it will not, during the availability of these funds

- (1) Perform abortions in any foreign country, except where the life of the mother would be endangered, or in cases of rape or incest, or
- (2) Violate the laws of any foreign country concerning the circumstances under which abortion is permitted, regulated, or prohibited, or engage in activities or efforts to alter the laws or governmental policies of any foreign country concerning the circumstances under which abortion is permitted, regulated, or prohibited.

The President may waive (1) and (2), but if he does so, the amount of funding for population assistance is reduced by \$12.5 million. That amount is to be transferred to the Child Survival and Disease Programs fund for assistance for infant and child health programs that have a direct, measurable, and high impact on reducing the incidence of illness and death among children. The waiver authority is limited to allow the provision of \$15 million to organizations that do not certify.

Is this applicable? Please comment.

This provision does not apply.

7. INTERNATIONAL CONFERENCES (FY 2002 Act Sec. 542, see Guidance on Funding Foreign Government Delegations to International Conferences, Mandatory Reference to ADS 302, 303, 306, 308, 350, and 522). Development Assistance funds may not be used to pay the costs for participation of another country's delegation at international conferences held under the auspices of multilateral or international organizations.

Is this applicable? Please comment.

DA funds under this Agreement will not be used to pay for the participation of a delegation of the recipient country to international conferences sponsored by multilateral or international organizations.

8. LEGISLATIVE ACTION (FAA Sec. 611(a)(2)). If the obligation is more than \$500,000 and requires legislative action within the recipient country, there must be a basis for a reasonable expectation that such action will be completed in time to permit orderly accomplishment of the purpose of the assistance.

Is this applicable? Please comment.

The obligation will require ratification by the Legislative Assembly, as the Life of Activity funding will be increased. This action will not delay accomplishment of the purpose of the assistance.

9. LOANS (FAA Section 122(b)). In making loans, USAID must consider the following:

- (a) Information and conclusion on capacity of the country to repay the loan at a reasonable rate of interest.
- (b) Does the activity give reasonable promise of assisting long-range plans and programs designed to develop economic resources and increase productive capacities?
- (c) If repayable in dollars, the interest rate must be at least percent per annum during a grace period which is not to exceed 10 years, and at least 3 percent per annum thereafter, but no higher than the applicable legal rate of interest of the country in which the loan is being made.

Is this applicable? Please comment.

This provision does not apply.

10. MILITARY PURPOSES (FAA Sec. 531(e)). Congress has explicitly provided that funds may not be used for military or paramilitary purposes.

Is this restriction applicable? Please comment.

This restriction does not apply.

11. NUCLEAR RESOURCES – EXPORT OF (FY 2002 Act Sec. 506). Assistance may not be used to finance, except for purposes of nuclear safety, the export of nuclear equipment, fuel, or technology.

Is this restriction applicable? Please comment.

This restriction does not apply

12. POLICE AND PRISONS (FAA Sec. 660). Assistance may not be used to provide training, advice, or any financial support for police, prisons, or other law enforcement forces (see exceptions in Sections 660 (including a customs exception added to section 660 by section 574 of the FY 2002 Act), 119 and 534 of the FAA and Sec. 536 of FY2002 Act).

Is this restriction applicable? Please comment.

This restriction does not apply.

13. PUBLICITY, PROPAGANDA, AND LOBBYING (FY 2002 Act Sec. 540; Anti-Lobbying Act, 18 U.S.C. § 1913). Assistance may not 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.

Is this applicable? Please comment.

This provision does not apply.

14. PVOs -- Funding Sources for U.S. PVOs (FY 2002 Act Sec. 501) If assistance is to be made to a United States PVO (other than a cooperative development organization), it must obtain at least 20 percent of its total annual funding for international activities from sources other than the United States Government. This may be waived in certain circumstances. Check with the Bureau for Humanitarian Response, Office of Private and Voluntary Cooperation (BHR/PVC) to see if the U.S. PVO has met the requirement.

Is this applicable? Please comment.

The WE Office contemplates use of funds for assistance to and through U.S. PVOs. The WE office has checked with BHR/PVC and confirmed that the U.S. PVOs involved have met this requirement.

PART B. CONGRESSIONAL NOTIFICATIONS.

1. GENERAL NOTIFICATION (FY 2002 Act Sec. 515; FAA Sec. 634A). Obligations must be notified to Congress. This is usually accomplished through the Administrator's annual Congressional Presentation. It may be subject of a Special Notification, as below. Additionally, a new Congressional Notification must be made 15 days in advance of the obligation if the amount of the obligation has increased from that previously notified.

Is this applicable? Please comment.

This provision applies. The FY 2003 Congressional Budget Justification (CBJ), which expired without objection on April 1, 2002, notified the FY 2002 obligation.

2. SPECIAL NOTIFICATION (FY 2002 Act, "Burma" and Title II headings and Secs. 517, 520 and 526). Special Notifications, 15 days in advance of obligation, are required for the following:

(a) **COUNTRIES** – Burma, Colombia, Democratic Republic of Congo, Haiti, Iraq (ESF) Liberia, Newly Independent States (NIS) countries, Pakistan, Serbia, Sudan, Zimbabwe, and fostering democracy in the People's Republic of China.

(b) **OTHER**

(1) Account transfer, i.e., obligations under an appropriations account to which the funds were not originally appropriated (FY 2002 Act Sec. 509). Notification is to be made to the House and Senate Appropriations Committees.

(2) Cash transfers or non-project sector assistance (notification should include a discussion of how funds will be used, U.S. interests served and economic policy reforms to be promoted)(FY 2002 Act Sec. 529).

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(3) Construction of productive enterprise, if aggregate value of assistance to be furnished by the U.S. exceeds \$100 million (except for productive enterprises in Egypt that were described in the Congressional Presentation)(FAA Sec. 620(k)).(Express approval of Congress required.)

(4) Use of "notwithstanding" authorities for assistance through non-governmental organizations (FY 2002 Act Sec. 537).

(5) Transition initiatives (FY 2002 Act "Transition Initiatives" heading under Title II. An advance notice of five days is required.

(6) If an amount in excess of \$50 million is provided to the Global Fund for AIDS, malaria and tuberculosis, as authorized in title II of the conference report,

(7) Assistance to support democracy, human rights, press freedom, women's development, and the rule of law in countries with significant Muslim populations (FY 2002 Sec. 526)

(8) Plans to wind up activities of an Enterprise Fund must be submitted pursuant to the regular notification procedures,

(9) Assistance to the Central Government of Cambodia for basic education and to support the Government's Ministry of Women and Veteran's Affairs to combat trafficking,

Please comment.

This provision does not apply.

3. DEOBLIGATION/REOBLIGATION (FY 2002 Act Sec. 510). If deobligation/reobligation authority is being used, the funds being obligated must be for the same general purpose and for countries within the same region as originally obligated, and the House and Senate Appropriations Committees must be properly notified. (Note: Compare to no-year authority under section 511.)

Is this applicable? Please comment.

This provision does not apply.

4. ENTERPRISE FUNDS – DISTRIBUTION OF ASSETS (FY 2002 Act Sec. 562). Before the distribution of any assets resulting from the liquidation, dissolution, or winding up of an Enterprise Fund, a plan regarding the distribution of those assets must be sent to Committees on Appropriations.

Is this applicable? Please comment.

This provision does not apply.

PART C. OBLIGATING DOCUMENTS

1. SOURCE, ORIGIN AND NATIONALITY (See ADS 310).

(a) **General (FAA Sec. 604(a)):** All procurement must be from the U.S., the recipient country, or developing countries except as otherwise determined in accordance with Agency rules. If planning procurement elsewhere, a waiver must be obtained.

Please comment.

The Activity and the Agreement provide procurement from the United States (Geographic Code 000) and, in accordance with the local procurement policy, from El Salvador. No procurement is planned elsewhere. Should procurement from elsewhere become necessary, a waiver will be obtained.

(b) **Automobiles -- buy only U.S. made motor vehicles (FAA Sec. 636(i)).** Assistance may not be used to finance the purchase, sale, long-term lease, exchange, or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained.

Please comment.

All motor vehicles are and will be bought U.S. made.

(c) **Agricultural Procurement (FAA Sec. 604(e)).** Agricultural commodities and products thereof must be procured within the U.S. unless the commodity or product could not be reasonably produced in the U.S. in fulfillment of the particular assistance program. Waivers are available in some circumstances.

Please comment.

This provision applies. Under this Agreement a waiver request was prepared to allow for several small procurements of seedlings, active grass and other soil conservation plant materials. If an additional waiver is required, one will be prepared.

(d) **Construction or Engineering Services (FAA Sec. 604(g)):** No engineering or construction services may be procured from advanced developing countries eligible under Code 941 that have attained competitive capability in international markets, *unless*

- (i) The advanced developing country is receiving direct economic assistance under the FAA and
- (ii) Its own assistance program would permit U.S. firms to compete for similar services.

Please comment.

Under this Agreement engineering and constructions services are not procured from advanced developing countries eligible under Code 941.

2. CASH TRANSFERS -- REQUIREMENT FOR SEPARATE ACCOUNT (FY 2002 Act Sec. 529(b)). If assistance is in the form of a cash transfer or nonproject sector assistance, all such cash payments must 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).

Please comment.

This provision does not apply.

3. CAPITAL ASSISTANCE

(a) **Mission Director Certification/Assistant Administrator Determination (FAA Sec. 611(e)).** When capital assistance is proposed (e.g., construction), and total U.S. assistance for it will exceed \$1 million, the Mission Director must certify and the Regional Assistant Administrator must take into consideration the country's capability to maintain and utilize the assistance effectively.

Please comment.

This provision does not apply.

(b) Developmentally sound projects (Jobs Through Export Act of 1992, Sections 303 and 306(b)), P.L. 102-549, 22 U.S.C. 2421b and 2421d(b). If assistance is being provided for a capital activity, the activity must be developmentally sound and measurably alleviate the worst manifestations of poverty or directly promote environmental safety and sustainability at the community level.

Please comment.

This provision does apply. USAID/El Salvador will ensure that the construction activity will be developmentally sound and measurably alleviate the worst manifestations of poverty or directly promote environmental safety and sustainability at the community level

(c) U.S. Engineering Services (FAA Sec. 601(d)). If using capital (e.g., construction) assistance, U.S. engineering and professional services must be used to the maximum extent, consistent with U.S. interests.

Please comment.

This provision does apply. To the maximum extent possible, U.S. engineering and professional services will be used consistent with U.S. interest. However, it is anticipated that all construction interventions will be relatively small (average construction amount is estimated at \$40,000 or less), therefore, the Mission is planning to primarily use its Small Infrastructure Activity mechanism which allows for the contracting of locally based firms and/or qualified/certified professionals to procure required goods and services.

4. ASSISTANCE GENERATING LOCAL CURRENCY (FY 2002 Act Sec. 529). If assistance is furnished to a foreign government under arrangements that result in the generation of local currencies

(a) USAID must

- (1) Require that local currencies be deposited in a separate account established by the recipient government,
- (2) Enter 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
- (3) Establish by agreement the responsibilities of USAID and the host government to monitor and account for deposits into and disbursements from the separate account.

(b) Local currencies, or an equivalent amount of local currencies, can be used only to carry out the purposes of the Development Assistance or Economic Support Fund chapters of the FAA (depending on which chapter is the source of the assistance) or for the administrative requirements of the United States Government.

(c) USAID should take all necessary steps to ensure that the equivalent of local currencies disbursed from the separate account is used for the agreed purposes.

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

Please comment.

This provision does not apply.

5. PRINTING COSTS. The Bureau for Legislative and Public Affairs (LPA) must approve printing costs of a report of study (except feasibility, design, or evaluation reports or studies) more than \$25,000. [Note: While the requirement for this review is not in the FY 2002 Act, the USAID guidance still applies.]

Please comment.

All reports in excess of \$25,000 will be sent to LPA for approval of printing costs before they are sent to the printing house. However, it is not expected that a report of study under this Agreement be in excess of \$25,000.

6. ALCOHOLIC BEVERAGES AND CERTAIN ENTERTAINMENT EXPENSES (FY 2002 Act Sec. 550). Development Assistance or Economic Support Funds may not be used for alcoholic beverages or entertainment expenses that are substantially of a recreational nature.

Please comment.

This provision does not apply.

7. STATE DEPARTMENT NOTIFICATION OF BILATERAL AGREEMENTS WITH AN OBLIGATION OF \$25 MILLION OR MORE (ADS 350.5.5; Case-Zablocki Act, 1 U.S.C. Sec. 112b, 22 C.F.R. Part 181, see ADS 350). The date of signing and the amount involved must be cabled to State Office of Assistant Legal Adviser for Treaty Affairs (L/T) immediately upon signing and the full text of the agreement should be pouched to State/L/T within 20 days of signing.

Please comment.

This provision does not apply since this Amendments is not obligating \$25 million or more (as per revised ADS Section E350.5.5 (a) 2).

8. ENGINEERING AND FINANCIAL PLANS (FAA Sec. 611). Before an obligation of more than \$500,000, there must be

- (1) Engineering, financial, or other plans necessary to carry out the assistance; and
- (2) A reasonably firm estimate of the cost to the U.S. of the assistance.

And, if the plan relates to a water or water-related land resource construction, the plan should include a computation of benefits and costs. This figure must be 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.).

Please comment.

Engineering, financial or other plans, as well as estimates of the costs were developed as part of the design of the activity and are still current.

Prepared: WPatterson, WE	<u>WP</u>	Date 1/27/03
Cleared: JSegovia, A/SDO	<u>JS</u>	Date 1/29/03
BMyers, RLA	<u>BM</u>	Date 1/23/03



AGENCY FOR INTERNATIONAL DEVELOPMENT
UNITED STATES OF AMERICA A. I. D.
MISSION TO EL SALVADOR
C/O AMERICAN EMBASSY.
SAN SALVADOR, EL SALVADOR, C. A.

AMENDED INITIAL ENVIRONMENTAL EXAMINATION (LAC-IEE-01-01)

Activity Location: El Salvador

Activity title: AGUA (Acceso, Gestión y Uso Racional del Agua)

Project Number: 519-0443

Funding: Increase by \$7.5 million for a new total of \$24,707,750

Life of Project: Extend the Activity Completion Date (ACD) to March 31, 2005

IEE Prepared BY: Elizabeth de Gonzalez
WE Office
USAID/El Salvador *for Elizabeth Gonzalez*

Recommended Threshold Decision: Categorical Exclusion, Negative Determination with Conditions and Positive Determination

Mission Threshold Decision: Concur with Recommendations

Date Prepared: January 10, 2003

RECOMMENDED THRESHOLD DECISION:

Components 1 and 3

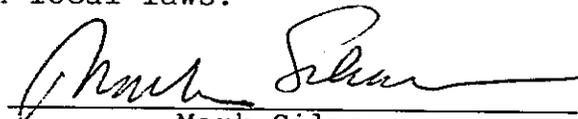
Categorical Exclusion

Component 2

Negative Determination with Conditions for the drilling of wells. IEE 01-01 includes all the environmental considerations that the grantee should follow in order to comply with requirements established by USAID and local authorities.

Positive Determination for the construction of sewage and solid waste treatment facilities. An Environmental Impact Assessment will be required before initiating construction of these

facilities. USAID will conduct an internal review of the EIA and will grant approval/denial. Only after this review will the grantee be allowed to start construction. Also after the USAID review, the grantee should obtain approval from the Ministry of Environment in order to comply with local laws.



Mark Silverman
Mission Director

1/27/03

Date

BACKGROUND: The Access, Management and Rational Use of Water Activity was approved on September 24, 1998 at a funding level of \$15,600,000 for an expected duration of four years (from September 30, 1998 through September 30, 2002.) An LOA funding increase was authorized on May 22, 2000, bringing the Activity total to \$17,200,000 (due to funding limitations, however, this level only reached \$15.85 million).

The purpose of AGUA is to provide access to clean water by rural Salvadorans by promoting a sustainable, replicable and integrated approach to management of water resource. Activity implementation is focused in three key watersheds: one in Ahuachapán and two in Usulután. The target municipalities are eighteen, of which seventeen are clustered in these watersheds, and the other one is the municipality of Corinto in Morazán.

AGUA consists of three inter-related components which are critical to increasing sustainable access to clean water by the Salvadoran rural poor: 1) Institutional Coordination and Policy; 2) Integrated Water Management in Municipalities; and 3) Citizen Awareness, Participation and Action.

DEVELOPMENT CHALLENGE:

As established in the NAD, original development challenge includes: (a) variability of water supplies, (b) water contamination; (c) inadequate distribution systems; (d) weak water-related institutions and regulations; and (e) human resources constraint. The Water and Environment Office (WE) considers these appropriate challenges for the extended activity period. An additional development challenge has been identified and will be included, (f) the effect of natural disasters on water resources - this includes drought, earthquakes, and flooding.

RESULTS TO BE ACHIEVED: The Strategic Objective "Increased Access by Rural Households to Clean Water" and its AGUA Activity mechanisms will continue supporting the strategy focus by helping poor, rural Salvadorans, particularly women and children, to gain access to clean water. The most successful elements of the previous strategic period will be concentrated in selected micro-watersheds.

A review process was completed in October and has identified those areas that need more concentration in order to insure successful and sustainable impacts in access to clean water. The focus area will continue to be the micro-watersheds, with efforts aimed at affecting their inhabitants, the rural farmers, to improve and conserve the water generating capacity of the watersheds. Implementer efforts will be concentrated, using best practices of the past three years, on creating model watersheds in previously delineated areas with the greatest potential of

success. These model watersheds will be managed through local watershed organizations which include government, non-government, and private sector participants.

Infrastructure development will continue, though with more emphasis on provision of managerial services and use of leveraged funds. Potential investments include water delivery systems, water source development and protection - including springs and rainwater, and water storage infrastructure such as reservoirs. The implementation of water delivery systems will be managed around successful criteria developed by AGUA, using the water system to garner further development gains - particularly in watershed improvements.

Municipal governments will be strengthened in their administration capacity and in the regulation of water resources. Citizen participation and advocacy programs will also continue.

This initiative will continue to pursue the four Intermediate Results (IRs):

- **Improved Quality of Water Sources**, which will result from improved agricultural/conservation practices; and increased use of improved water management practices;
- **Improved Performance of Water Delivery Systems**, which will result from improved physical infrastructure; improved local management and technical capacity; and improved cost recovery.
- **More Effective Citizen Actions to Address Water Issues**, which will result from increased awareness of causes and consequences of insufficient and unclean water; increased knowledge of options/solutions for clean water; and communities that are organized around water issues.
- **Greater Municipal Participation in Management of Water Resource**, which will result from increased municipal technical and managerial capacity and a national water policy/legislative framework that will support municipalities.

Selected IRs and performance indicators for the AGUA Program are described in the Mission Performance Monitoring Plan (PMP) approved on April 10, 2000 and in the AGUA SOAG. As stated in the FY 2003 R4 and in the FY 2002 Annual Report, the WE revisited some of the indicators. The new indicators will be reflected in the PMP and targets will also be projected out through FY 2004. The WE Results Framework, presented as Attachment 7 of this memorandum, shows the IRs and indicators, which will be included in the PMP and the SOAG, respectively.

ILLUSTRATIVE INTERVENTIONS: As established in the NAD and in the SOAG, the AGUA program will continue supporting the three interrelated components: 1) Improving Institutional Coordination and Policy; 2) Improving Integrated Water Management in Municipalities; and 3) Increasing Citizens Awareness, Participation and Action.

Some proposed interventions to assist in achieving the above mentioned results within the outlined components include the following:

Component 1: Improving Institutional Coordination and Policy Institutional coordination will include participation from MARN, ANDA, FISDL, and DGRNR, and will be focused at the watershed organizational level.

Efforts will be made in developing municipal ordinances for better water resource management as well as applying and enforcing municipal ordinances previously developed. WE's policy focus will remain the promotion of watershed organizations through national legislation. This includes support to the MARN in passage and implementation of a regulation for the creation of watershed organizations and a national watershed commission.

Component 2: Improving Integrated Water Management in Municipalities. WE will continue with promotion of appropriate technology waste treatment activities. There remains a great need to confront wastewater and solid waste problems in a cost-effective manner for smaller communities in El Salvador. Treatment facilities already developed under AGUA will be promoted to municipalities and donor organizations for material support, with AGUA providing technical and managerial services.

The effects of drought conditions on the inhabitants of targeted watersheds (small farmers) will be mitigated by the implementation of water storage projects that will include the strategic use of stored water for watershed improvement activities. Technical expertise will be developed using HCD training:

Sustainability of rural water systems is a priority of the WE office. Two factors have been identified as primary detriments towards long term sustainability of water provision at the rural level, 1) a lack of effective, long term local administration and, 2) a lack of access to reliable and competent technical expertise. These two factors will be addressed by the implementation of a rural water systems support model that will attempt to provide both administrative training and support to local water committees as well as water systems technical service. HCD training will be used to help establish this model.

Component 3: Increasing Citizens Awareness, Participation and Action. Successful integration of civil society depends heavily on the will and ability of residents to organize and participate effectively. The WE stresses awareness of the causes behind water related problems as well as feasible solutions in order to effectively promote community activism in demand for change. This component's highly effective activities will continue

utilizing the same strategy, with a possible shift in geographic focus to poorer, more environmentally degraded areas.

IMPLEMENTATION AND MANAGEMENT PLAN: AGUA activities will continue with a limited, target focus. Focus of this Activity will be: two key watersheds (one in the Department of Usulután and one in the Department of Ahuachapán), which include 14 municipalities. The focus in the Usulután department will remain those micro-watersheds that make up the primary influence of the Bahía de Jiquilisco river basin. Ahuachapán's focus municipalities will be expanded to include all of the watershed that contains the Salvadoran El Imposible National Park and the Barra de Santiago protected areas. Work will continue in the municipality of Corinto in the Department of Morazán, though at a reduced level.