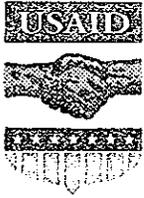


AD-ABY-739



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: Norma de Mata, Strategic Development Office (SDO) Acting Director, and John Pennel, Economic Growth and Education Acting Director
SUBJECT: Activity Amendment for the Mission Small Infrastructure Activity (SIA), No. 519-0094, under the Strategic Objective "Expanded Access and Economic Opportunity for Rural Poor Families in Poverty" (EGE)

ACTION REQUESTED: Your approval is requested to amend the EGE funded portion of the Small Infrastructure Activity (SIA), No. 519-0094, to increase the Life-of-Activity (LOA) funding by \$1.5 million from \$3.0 million to a new total of \$4.5 million, and extend the Activity Completion Date (ACD) to June 30, 2005. The portion of the SIA funded from other SOs will remain unchanged.

BACKGROUND: The SIA was authorized on January 29, 1998 as part of the Technology, Marketing and Infrastructure Results Package (TMI RP) at an original funding level of \$3.0 million (\$600,000 annually) for an expected duration of five years (from FY 1998 through FY 2002). Since its approval, the SIA has not been amended.

The SIA was designed after two former small infrastructure activities: 1) the "Special Development Activities Authority (SDAA)" which allowed USAID quick response with minimal reference to sectors of concentration or other elements of USAID's Strategic Objectives framework; and 2) "Micro-Projects" financed under Project 519-0394, Peace and National Reconstruction, which conceptually was basically the same as SDAA, but with a geographical limitation to the 115 municipalities declared as ex-conflictive. Both small projects ended in 1997.

In May 1997 a consultant was contracted to review implementation procedures used by both SDAA and Micro-Projects to recommend operational guidelines for a new small infrastructure strategy starting in 1998. As a result, USAID approved SIA adopting the proposed new procedures for the small, community-based infrastructure activity to better meet rural customer needs and enhance synergy with other USAID-funded programs. The operational guidelines were laid out as part of the SIA Program Description. Some of the major differences in SIA from the previous infrastructures activities include:

SDAA	SIA
Maximum Grant Amount \$25,000	Maximum Grant Amount \$40,000
Authorized Payment for design and supervision: NO	Authorized Payment for design and supervision: YES
National in scope	National in scope with a rural focus. Priority will be given to municipalities declared as less developed/neediest areas.
<i>Project Selection Committee:</i> Deputy Mission Director (Chair Person); Office Directors or designees from the Strategic Development Office (SDO); Economic Growth Office (EGE); Democracy Office (DG); and the Project Manager (assisting)	<i>Project Selection Committee:</i> Deputy Mission Director (Chair Person); Office Directors or designees from the Strategic Development Office (SDO); Controller Office (CONT); Economic Growth Office (EGE); Democracy Office (DG); Health Office (HO); and Environment and Water Office (WE); and the Project Manager (assisting).

During this five-year period, SIA has been very successful and it has financed a total of 105 community identified projects, including 42 road improvements, 18 small scale bridge construction, 18 water activities, 20 schools construction/improvement, 7 health units construction/improvement. This activity has benefited 25,418 families and a total of 152,508 people in rural areas (considering 6 members in a family).

DEVELOPMENT CHALLENGE: Despite Salvadoran progress to increasing economic and social stability during the last decade, El Salvador still suffers from endemic poverty in rural areas, where more than 50% of the rural population lives below the poverty line. Two-thirds of El Salvador's poor reside in rural areas with limited access to public services or to the basic factors of production. Among the constraints addressed by the TMI RP are: lack of access by small rural farmers and communities to the many services needed for agricultural production; limited and concentrated technology transfer, lack of access to markets; large segments of rural population live in remote areas far from population center and public services; and lack of infrastructure.

Lack of infrastructure is a major constraint that continues limiting productivity in rural areas. The Government of El Salvador (GOES) has made significant efforts to develop productive infrastructure, including roads, constructing small scale bridges and providing electricity and water to many rural areas; however, rural inhabitants still identify infrastructure as their number one priority, followed by the need for the delivery of basic services. SIA will continue addressing the infrastructure constraint.

RESULTS TO BE ACHIEVED: SIA will continue to pursue directly the Intermediate Result (IR) "Better Rural Productive Infrastructure" and, thus, to contribute to the EGE Strategic Objective (SO). Even though, SIA is laid out under the EGE SO, this Activity is considered an on-going and cross-cutting mechanism which substantially supports and enhances synergy with all other Mission SOs.

The TMI RP identified a Sub-Intermediate Result (Sub-IR) and an indicator for SIA but they were not officially pursued as such. These were entitled "Selected Productive Infrastructure in Selected Areas" and "Number of Families with Access to Rural Productive Infrastructure," respectively. These Sub-IR and indicator were not included in the EGE Performance and Monitoring Plan (PMP). Despite the absence of an SIA particular indicator in the EGE PMP, its achievements were reported annually. SIA has achieved and exceeded the planned annual target originally identified in the aforementioned indicator, i.e. "12,500 families benefited annually."

ILLUSTRATIVE INTERVENTIONS: USAID will focus its activities on consolidating the results achieved to date through the SIA financed projects under the current strategy. SIA, which will continue basically the same, is considered an on-going activity, with operating parameters; implementation procedures; control, financing and monitoring as established in the attached Revised SIA Program Description (Attachment 1) as well as in the Mission Operations Manual (MOM) Chapter 800, Other Project and Non-Project Assistance, Sub-Chapter 805, Small Infrastructure Activity, dated June 20, 2000, which will also be updated accordingly.

The Purpose of SIA is to improve economic opportunities for the Mission's primary customers – the rural poor - by making available to them small-scale infrastructure to improve their incomes and standards of living in order to become economically self-sufficient citizens.

Scope and Target Projects: SIA will continue to be implemented in municipalities declared as less developed/needy areas and to be national in scope with a rural focus. At the time SIA was approved, the Mission had developed the Model Municipality concept to alleviate rural poverty through synergistic intra-program collaboration with its implementing partners (Private Voluntary Organizations (PVOs), Non-Governmental Organizations (NGOs), and GOES agencies/institutions) in the areas of economic growth, health, education, democratic governance, and the environment. USAID selected four municipalities (San Francisco Menendez in Ahuachapán, Berlín and Jiquilisco in Usulután, and Corinto in Morazán) to serve as pilot sustainable development areas for demonstrating the power of dynamic local governments to develop their municipalities when complemented with the USAID program and its implementing partners. SIA was

designed to also give priority to these model municipalities. As a result of national disasters in El Salvador during the current strategy period (Hurricane Mitch in 1998 and the earthquakes in 2001) USAID discontinued the Model Municipality concept and opened up the assistance. SIA no longer gives priority to these 4 model municipalities.

Although rural “economically beneficial” productive infrastructure though small, community-based projects was the primary focus as opposed to “socially” beneficial projects, it was pointed out that there is a causal relationship between health and economic growth, as there is between education and economic growth. Therefore, small-scale projects for schools and health clinics would not be excluded from SIA financing under EGE. However, it is proposed that these social beneficial projects should be looked at on a case-by-case basis, in light of funding limitations and USAID and GOES priorities. A proposed balance between economically and socially beneficial projects could be 70% and 30%, respectively, of the total amount of resources to be allocated in each FY.

SUPPORTING ANALYSIS AND CONSULTATION PROCESS: USAID assesses the importance of these types of projects through periodic field visits, meetings and constant communication with NGOs (including contractors), and rural communities. All polls, surveys, field visits and guided interviews indicate that the most urgent and priority need expressed by rural communities is infrastructure. SIA is the means to finance small infrastructure activities that cannot be supported effectively within the implementation mechanisms of other USAID programs.

IMPLEMENTATION AND MANAGEMENT PLAN: It is expected that during this extension period, the communities from rural areas will remain as primary beneficiaries. Since its approval, SIA annual Operational Year Budget (OYB) under the EGE SO has been obligated directly through individual small grants signed by the USAID Mission Director and the legal representative from the community organization receiving the award. Beginning with the obligation planned for SIA for Fiscal Year 2003, the EGE SOAG will be the obligating instrument. A SOAG Amendment to include the SIA activity description and its budget is expected to be negotiated and signed with the GOES in August 2003.

In 2000, this Activity was administratively and physically transferred to the WE SO, even though infrastructure activities co-managed with the agriculture portfolio are programmatically and financially part of the EGE SO. Currently SIA staff is under the supervision of the WE Office Director, but its results are reported by EGE. The SIA management requirements remain the same. This Activity is expected to continue to be supervised by the WE Office Director, and managed by an FSN Personal Service Contractor (FSNPSC) Activity Manager, with the full time support of a project management assistant, who is also an FSNPSC. Both FSN/PSCs will be partially budgeted under this Activity (ERP will cover certain staffing costs until September 2003).

SIA staff present proposals to a Project Selection Committee, which was established for review and approval of such proposals. Committee responsibilities and membership, as well as SIA implementation procedures are set forth in the SIA Program Description, as herein amended, and the aforementioned MOM, Sub-Chapter 805, Small Infrastructure Activity. The broad nature of the Committee ensures greater synergy between SIA and the other Mission SOs. Additionally, local partners (NGOs) that work directly with and are knowledgeable of the communities that are assisted contribute to the SIA. These local partners assist the community with the identification, design and monitoring of the projects. Local NGOs include, but are not limited to, Fundación Salvadoreña para el Desarrollo Económico y Social (FUSADES), Fundación de Apoyo a Municipios de El Salvador (FUNDAMUNI), and Fundación Campo. The SIA Revised Program Description is included as Attachment 1. *Gender:* Appropriate emphasis on gender-related elements is considered in the selection and approval of funding for sub projects. Women continue to be the largest group benefited by this Activity.

WAIVERS/DEVIATIONS/EXCEPTIONS: The following deviations/exceptions have been discussed and approved for the SIA:

- Simplified Grant Format: As a result of recommendations made by the Office of Contracts and Grants, on July 25, 2001, the Mission Director approved for a period of three years (through July 2004), a blanket deviation (Attachment 2) from: i) the requirements for the simplified grant format set forth in ADS Section 305.5.15 and ii) the simplified grant format included as a mandatory reference to ADS Chapter 303 in order to permit the continued use of the project grant agreement format, including the standard provisions annex, for grants to non-U.S. organizations under the SIA. In May 2003, the Management Control Review Committee (MCRC) recommended that the Mission timely assess whether an extension of the deviation should be sought before its expiration date. The Mission will request an extension of the deviation by February 2004 until the Activity Completion Date, June 2005, or as appropriate.
- Exception to the Maximum Grant Amount: The current USAID maximum contribution amount for individual SIA sub-projects is \$40,000. This amount was established in (a) Section II.I of aforementioned MOM 805, and (b) Section II (e) of Annex G, herein amended, to the TMI RP. Despite the fact that this maximum amount was determined as a result of in-depth assessments and analyses of SIA implementation procedures, the Mission's experience has indicated that there may be special cases where the Mission Director, based on the Selection Committee recommendation, may desire to approve a project that exceeds the established maximum amount. The Mission Legal Advisor has developed a model document "Exception to the Maximum Grant Amount for SIA Sub-Projects" to be used on a case-by-case basis when the SIA Committee recommends to the Mission Director approval of a project that exceeds the established maximum amount. Attachment 3 shows the proposed model "Exception to the Maximum Grant Amount."

PERFORMANCE MONITORING PLAN (PMP): While USAID has always kept track of the number of small, community based infrastructure projects financed under SIA and the number of beneficiaries, an indicator(s) has never been fully developed for this intermediate result. USAID has normally reported in the Annual Reports the number of community projects financed. The EGE PMP will be updated to include an indicator(s) related to the SIA for 2003 through FY 2005. Other Mission SOs utilizing SIA as an implementing mechanism for their infrastructure activities will report the results achieved through SIA under their respective SOs.

FINANCIAL REQUIREMENTS: The current approved LOA funding for SIA is \$3,000,000. An additional \$1.5 million will be allocated in FY 2003, bringing the new total LOA funding level for SIA to \$4,500,000. Table 1 and 2 of Attachment 4 show the consolidated financial information for the whole Activity.

In addition to EGE funds, the WE and the Earthquake Recovery Offices have selected SIA to implement small-scale infrastructure projects under their programs. The WE Office was the first office outside of EGE to allocate some of its own funds for the SIA; in this case, to implement rural small water systems at a total amount of \$539,000. In its AGUA Activity Amendment, the WE Office anticipated allocating an additional \$450,000 in FY 2003-2004, as appropriate. As a result of the earthquakes in 2001, the ERP Office has been implementing through SIA small infrastructure projects such as rebuilding of Centros de Bienestar Infantil (CBIs), water, etc at a total amount of \$2,211,000. Table 3 of Attachment 4 shows the amounts by FY allocated by other Offices/SOs to the SIA.

Counterpart Contribution/Cost-Sharing: The GOES will not be required to allocate counterpart contribution as it will not be directly or substantially involved in management or control of the award of SIA small grants. USAID is solely responsible for selecting, approving and monitoring the small grants awarded to and implemented by rural communities. A 25% counterpart contribution from the community is required. It is expected that most contributions will be provided in-kind (unskilled labor, transportation, etc) but also cash may be provided by the community and/or the local government. Besides, of the \$1.5 million FY 2003 planned obligations for SIA, \$1.0 million will be Economic Support Funds (ESF) which do not require counterpart contribution.

CHECKLIST: As per the e-mail dated March 14, 2003, USAID/Washington has approved the FY 2003 Country Checklist for USAID/EI Salvador. An Assistance Checklist for SIA is included as Attachment 5.

INITIAL ENVIRONMENTAL EXAMINATION (IEE): Attachment 6 includes the IEE Amendment that reflects the LOA funding increase and the planned use of funds for SIA. No funds will be obligated until the Bureau Environmental Officer (BEO) has approved the IEE Amendment.

CONGRESSIONAL NOTIFICATION: The FY 2004 Congressional Budget Justification, notifying FY 2003 and FY 2004 obligations for the EGE SO (which included \$500,000 for the SIA), was sent to the Hill on March 17, 2003 and expired without objection on March 31, 2003. In addition, a Congressional Notification (CN) notifying the additional \$1.0 million ESF for SIA under the EGE SO was sent to the Hill on July 18, 2003 and expired without objection on August 1, 2003.

If the WE SO decides to allocate funds for SIA in FY 2003 and FY 2004, the WE SO obligations for these FYs were also notified in the aforementioned FY 2004 Congressional Budget Justification.

AUTHORITY: As provided in ADS Section 103.3.14.2a, LAC Mission Directors are delegated the strategic planning authority pursuant to ADS Chapter 201, as set forth in ADS Section 103.3.8.1. The EGE and Strategic Development Offices confirm that changes to SIA proposed in this Action Memorandum and the approvals requested herein, including the proposed increase in LOA funding, are in compliance with the requirements of ADS Chapter 201 including, but not limited to, the approval requirements set forth in ADS Section 201.3.11.1 for "Increasing the Authorized Life of SO Funding Level." Further, such Offices confirm that the proposed SIA Activity will not require an amendment to either the Mission's approved strategic plan or the current management contract between USAID/El Salvador and the Assistant Administrator for the LAC Bureau. Therefore, you have the authority to approve the proposed amendment to the Small Infrastructure Activity.

RECOMMENDATION: That you approve: (1) an amendment to the EGE – funded portion of the Small Infrastructure Activity, No. 519-0094, as described herein, including Attachment 1; (2) an increase in the Life-of-Activity (LOA) funding by \$1.5 million from \$3.0 million to a new total of \$4.5 million; and (3) an extension of the Activity Completion Date to June 30, 2005.

APPROVED: _____

Tully R. Cornick

DISAPPROVED: _____

DATE: _____

8-25-03

Attachments:

1. Revised SIA Program Description and Procedures
2. Deviation Request for the Simplified Grant Format
3. Exception to the Maximum Grant Amount
4. Financial Plan, Tables 1, 2 and 3
5. Assistant Checklist
6. IEE Amendment

Drafted by:	NMata, SDO	<i>MM</i>	Date	<i>7/21/03</i>
Cleared by:	JSegovia, SDO	(in draft)	Date	08/22/03
	PEcheverría, WE	(in draft)	Date	07/21/03
	BCarr, A/WE	(in draft)	Date	07/21/03
	BPaije, RCGO	(in draft)	Date	07/22/03
	FBreen, CONT	(in draft)	Date	07/22/03
	BMyers, RLA	<i>BM</i>	Date	<i>8/22/03</i>
	NHoffman, A/DDIR	(in draft)	Date	08/14/03

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APPROVED: _____

DISAPPROVED: _____

DATE: _____

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Drafted by:	NMata, SDO	<u><i>Lilly</i></u>	Date	<u><i>8/14/03</i></u>
Cleared by:	JSegovia, SDO	<u>(in draft)</u>	Date	<u>08/22/03</u>
	PEcheverria, WE	<u>(in draft)</u>	Date	<u>07/21/03</u>
	BCarr, A/WE	<u>(in draft)</u>	Date	<u>07/21/03</u>
	BPaige, RCGO	<u>(in draft)</u>	Date	<u>07/22/03</u>
	FBreen, CONT	<u>(in draft)</u>	Date	<u>07/22/03</u>
	BMyers/JLifur, RLA	_____	Date	_____
	NHoffman, A/DDIR	<u><i>Neil</i></u>	Date	<u><i>8/14/03</i></u>

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CHECKLIST: As per the e-mail dated March 14, 2003, USAID/Washington has approved the FY 2003 Country Checklist for USAID/El Salvador. An Assistance Checklist for SIA is included as Attachment 5.

INITIAL ENVIRONMENTAL EXAMINATION (IEE): Attachment 6 includes the IEE Amendment that reflects the LOA funding increase and the planned use of funds for SIA. No funds will be obligated until the Bureau Environmental Officer (BEO) has approved the IEE Amendment.

CONGRESSIONAL NOTIFICATION: The FY 2004 Congressional Budget Justification, notifying FY 2003 and FY 2004 obligations for the SO, was sent to the Hill on March 17, 2003 and expired without objections on March 31, 2003. In addition, a Congressional Notification (CN) notifying the additional \$1.0 ESF for SIA was sent to the Hill on July 18, 2003. These funds will not be obligated until the CN required time period has expired and/or any hold released.

AUTHORITY: As provided in ADS Section 103.3.14.2a, LAC Mission Directors are delegated the strategic planning authority pursuant to ADS Chapter 201, as set forth in ADS Section 103.3.8.1. The EGE and Strategic Development Offices confirm that changes to SIA proposed in this Action Memorandum and the approvals requested herein, including the proposed increase in LOA funding, are in compliance with the requirements of ADS Chapter 201 including, but not limited to, the approval requirements set forth in ADS Section 201.3.11.1 for "Increasing the Authorized Life of SO Funding Level." Further, such Offices confirm that the proposed SIA Activity will not require an amendment to either the Mission's approved strategic plan or the current management contract between USAID/El Salvador and the Assistant Administrator for the LAC Bureau. Therefore, you have the authority to approve the proposed amendment to the Small Infrastructure Activity.

RECOMMENDATION: That you: (1) amend the Small Infrastructure Activity, No. 519-0094, to reflect its activities as extended and/or revised herein; (2) increase the Life-of-Activity (LOA) funding by \$1.5 million from \$3.0 million to a new total of \$4.5 million; and (3) extend the Activity Completion Date to June 30, 2005.

APPROVED: _____

DISAPPROVED: _____

DATE: _____

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5. Assistant Checklist
6. IEE Amendment

Drafted by: NMata, SDO *llcwp 7/21/03*

Cleared by: JSegovia, SDO *[Signature]* Date *7/22/03*

PEcheverria, WE *[Signature]* Date *7/21/03*

BCarr, A/WE *[Signature]* Date *21 Jul 03*

BPaige, RCGO *[Signature]* Date *7/22/03*

FBreen, CONT *[Signature]* Date *7/22/03*

BMyers, RLA *[Signature]* Date _____

Office of the Controller
REVIEWED
[Signature] 7/21/03
 DATE 7/22

ATTACHMENT 1

SMALL INFRASTRUCTURE ACTIVITY REVISED PROGRAM DESCRIPTION

I. PURPOSE

The purpose of the Small Infrastructure Activity (SIA) is to improve economic opportunities for the Missions's primary customers – the rural poor. It was established to partially finance small-scale infrastructure projects as needed to improve rural productivity and/or improve rural access to marketing services. Activities are to be carried out at the community level. The SIA program should have a substantial element of self-help, with immediate impact, and should advance the objectives of the Strategic Objective (SO) "Expanded Access and Economic Opportunity for Rural Poor Families in Poverty" as well as of other Mission SOs, if funds from their own programs are allocated to SIA. It is intended to be a quick-response mechanism to community groups requesting USAID assistance, with a minimal amount of red tape. Projects will be carried out jointly with the participating community, with the possible assistance of USAID's implementation partners and, to the extent possible, with the involvement of local Government.

II. OPERATING PARAMETERS

- a) The name of the program will be Small Infrastructure Activity (SIA) to avoid confusion about program objectives that could result by using the name of earlier, expired programs.
- b) SIA will be national in scope with a rural focus. Priority will be given to the municipalities declared to be less developed/neediest.

Eligible recipients include community groups, church groups (for non-religious purposes), clubs, associations, voluntary organizations, hospitals, and schools. Military and para-military groups are not eligible, nor are political parties or organizations affiliated with political parties.

The selection criteria may include, except as the Mission Director shall otherwise determine, such items as the following: 1. Not be located within the boundaries (2 kms.) of a highway, or primary/paved road; 2. Not be located within the boundaries (2 kms.) of a highly populated city (above 10,000 people); 3. Not be located within the boundaries (2 kms.) of a free zone; 4. Not constitute a maintenance activity that should be the responsibility of a public sector entity.

- c) In general, SIA projects should relate to the needs of the EGE Program and/or to other Mission programs under which infrastructure activities are financed, by helping to provide better rural productive infrastructure, or by helping to remove constraints on the increased value of product marketed by primary organizations. For SIA purposes, "productive infrastructure" is defined as small-scale infrastructure projects that provide an economic benefit, for the public good. Beneficiaries should be the general community of people within the impact area of the project.

Small-scale infrastructure projects that meet these definitions include, but are not limited to, rural tertiary farm-to-market roads, small bridge or culvert construction; the repair of public roadways that provide access to commodity markets and input supplies for farmers; or the extension of an electric power line to a community that would enable private operators to tie into the power grid and carry out grain processing and marketing activities.

This is not to say that socially beneficial infrastructure such as health clinics and schools will not be permitted under SIA. There is an obvious causal connection between health and economic growth, as there is between education and economic growth. However, in light of the relatively limited budget for small-scale infrastructure, and recognizing that GOES has other programs that may fund "social"

infrastructure such as schools, project requests of this nature must be reviewed on a case-by-case basis, in light of funding limitations and USAID and GOES priorities. A proposed balance between economically and socially beneficial projects could be 70% and 30%, respectively, of the total amount of resources to be allocated in the FY.

- d) While it is not necessary that SIA projects be “piggy-backed” with USAID or other donor project activities, linkage of this type is encouraged in view of the possible synergy that can be achieved. For example, if a coffee cooperative that is receiving technical assistance from USAID-supported projects encounters difficulty in marketing its product due to an impassable road, it would be considered appropriate for the cooperative to apply to SIA for a grant to help repair the road.

The maximum grant amount for a single project will be the equivalent to US\$40,000. Presently equivalent to approximately ₺350,000 (current official exchange rate in effect is US\$1.00 for ₺8.75), given the experience gained through the 519-0394 Micro-projects program. Additionally, consultations with partners determined that \$40,000 seems to be a reasonable “ceiling” to execute projects with relevant impact for the community. Any exception to this maximum grant amount should be analyzed very closely on a case-by-case basis by the Project Selection Committee and approved by the Mission Director.

- e) Since the small-scale infrastructure projects under SIA are contemplated to be community-based, participation by the benefiting community in project identification, planning and execution is necessary. Highly desirable, too, is the participation of local Government, particularly since the local Government unit has the authority to provide the community organization with a legal personality, and since it may become the responsibility of local government to operate and maintain the facility constructed by the community (such as, for example, a public water system). However, if the local government unit is unable or unwilling to participate in the project with the community, this will not be sufficient reason in itself to not fund the work. Local Government participation is a desirable, but not a necessary condition for small-scale infrastructure projects.
- f) Title to land should be required.
- g) Local communities will be required to contribute, either in cash or in kind, at least 25 percent of the project cost. However, it is recognized that, in general, the abilities of the local communities to raise cash are limited; their contribution is normally made in the form of unskilled labor. In some exceptional cases, the labor content of infrastructure projects may not reach 25 percent of their total value. Under exceptional circumstance, the Selection Committee can relax the requirement of making an in-kind contribution of 25 percent for low-labor content projects. The format for the counterpart contribution report is in Annex A.
- h) In general, a condition of USAID grant funding is that project proposals must be technically sound. This will require that the project design be approved by a qualified professional, and that project construction be carried out under the general, technical supervision of a qualified professional, by means of periodic site visits. For civil works such as tertiary road and bridge construction, a civil engineer should normally be engaged for design and supervision. However, for simple road repair, the services of an engineering technician would normally be adequate. For other construction, such as buildings, the services of a civil engineer or possibly an architect would be suitable.
- i) Previous completion of an USAID-financed infrastructure project will not disqualify a community from completing additional projects funded by the EGE and other Mission SO infrastructure components.
- j) In general, USAID support is limited to the purchase of goods, materials and professional services, provided by qualified individuals and organizations. Communities and organizations that implement the projects will be required to obtain three quotes and select the low bid for items costing more than the

equivalent of US\$1,000.00. Purchase of sports equipment, recreational infrastructure such as basket, football courts, etc., and musical instruments are prohibited.

A portion of the grant can be used to reimburse professional services for project conceptualization, preparation, and engineering design, developing plans and specifications, construction supervision, monitoring and follow-up. The amount presently authorized for this activity is shown in the following chart. These amounts should be reviewed and updated whenever necessary.

ESTIMATED PAYMENT LEVELS FOR PROFESSIONAL SERVICES (in US\$)

Project Cost		Roads		Bridges		Other Construction	
From	To	Design	Supervision	Design	Supervision	Design	Supervision
22,857	40,000	3% of the cost of Project	686	3% of the cost of Project	1,143	3% of the cost of Project	686
11,429	22,857		686		914		686
Less than 11,429			457				457

Assumes bi-weekly supervisory visits for roads and other construction, and weekly supervisory visits for bridge construction. Also assumes that the duration of infrastructure construction is three months.

III. IMPLEMENTATION PROCEDURES

Requests for assistance may be submitted directly to USAID or through one of its developmental partners. All requests should be referred to the Project Manager Specialist (PMS) in charge of SIA infrastructure for control and further processing.

If the request does not meet the SIA criteria, it will be returned with a letter explaining why it cannot be processed. If the request appears to have the potential to be developed into a viable infrastructure project, it can be cleared for further processing by the PMS.

The PMS may decide to work directly with the requesting organization, or may request the voluntary assistance of a NGO, a community development organization, or one of USAID’s partners, to help the community bring the project to completion.

Completed project requests will be referred to the SIA Project Selection Committee for approval of grant funding. Members of the committee include:

1. Deputy Mission Director (Chairperson)
2. Strategic Development Office Director or designee
3. CONT representative
4. EGE Deputy Team Leader or designee
5. Democracy and Governance Team Leader or designee
6. Health Team Leader or designee
7. Water and Environment Team Leader or designee
8. Project Manager Specialist (assisting)

The approval of at a minimum four committee members is required to authorize grant funding.

A. Internal Administrative Procedures

The following procedures will be required to administer SIA:

- 1) The requesting organization sends a written request to USAID for assistance (Annex B).

- 2) The request is acknowledged in writing by USAID, and the requesting organization is invited to call for an appointment to discuss their request. They are also asked to bring to the meeting a cost estimate and a schematic diagram describing their proposed project.
- 3) A meeting is held between the PMS and representatives of the requesting organization. The PMS is briefed on the requested project, and the representatives are briefed on the requirements of the SIA. They are given blank forms to be completed (see Annex B), and an explanation as to what is required for them to submit a formal request for assistance.
- 4) The requesting organization formally submits its proposal to USAID. The request must include a complete description and technical design of the proposed project, and should be accompanied by a site plan and formal quotations for materials and services required to complete the project. EGE civil engineer(s) will review and approve in writing the reasonableness of the proposed designs and accompanying budgets.

The community should budget under USAID funding the hiring of a technically qualified person to develop engineering drawings and specifications for the proposed structure, and to provide technical supervision for the project.

The request should also include a description of the requesting organization, including its legal status. For community organizations, a copy of the minutes of the town meeting (“cabildo abierto”) where the decision was ratified to request USAID assistance should be included with the request.

Finally, the request must include a letter signed by the representative of the organization that states that the organization will be responsible for maintaining the finished work.

- 5) After USAID receives all the required project documents, the PMS makes a site visit, documenting it with a field trip report, to verify the expressed need, and to confirm the suitability of the project to fill that need. For larger construction activities, such as bridges, a field visit by an EGE civil engineer, together with the PMS, will be required.
- 6) After some 10 – 15 project requests have been accumulated by USAID, the PMS convenes the Evaluation Committee to formally review the requests and to decide which ones will be funded.
- 7) After the Committee’s review, the PMS sends a letter to the requesting organization, advising it of the Committee’s decision on its project.
- 8) Once the Committee has approved the grant, the PMS must prepare a grant agreement along with a budget for the project. The grant agreement is circulated for clearance of the EGE Team Leader, the WE Team Leader, SDO Office Director, the Controller, and Mission Deputy Director and finally for approval of the Mission Director.
- 9) After the grant agreement has been signed by the USAID Mission Director, a meeting is arranged with the representative of the requesting organization to counter-sign the agreement. All agreements have to be signed by the community representatives after the USAID Mission Director signs the document.
- 10) Once the grant agreement has been signed by both parties, the PMS prepares and submits the vouchers needed for preparation of the check(s) to be given to the community.
- 11) Once the check(s) arrives at USAID, the PMS makes arrangements for the delivery of the check to the community at a public ceremony. As many of the community group members as possible should be present. Authorized representatives of the community (President and Treasurer) sign a standard receipt of funds (see Annex a C) acknowledging that the community has received the check (s).

- 12) After the check(s) is delivered, the requesting organization purchases the required materials and begins construction. At some point during the construction phase, the PMS or designee makes a monitoring visit to the construction site, documenting it with a field trip report.
- 13) The PMS or designee makes a final visit to the project site to verify that the work was completed and to close out the project. The visit has to be documented by a field trip report.
- 14) Lastly, the PMS must prepare a voucher for the final liquidation of the project.

IV. CONTROL AND MONITORING

- 1) The check(s) that USAID issues is written under the name of the community or association, and will be based on immediate disbursing needs.
- 2) The community is required by USAID to open a checking account for the sole purpose of managing USAID grant funds.
- 3) The community president and treasurer are held responsible for the account management and all checks have to be co-signed by both individuals.
- 4) All purchased material, with the exception of sand and stone, have to be supported by formal invoices (factura de consumidor final). All purchased sand and stone is supported by signed payment receipts (recibo de pago).
- 5) For qualified/skilled labor, the community has to present receipts signed by the person(s) who have performed the work.
- 6) USAID provides the community with a blank form (see Annex D) to assist the community to control the funds. This completed form has to be given back to USAID once the work has been finished together with all the accompanying invoices and the check book no later than 30 days after the termination of the work.
- 7) Finally, the community issues a work termination certificate (see Annex E) signed by the board of directors in order to close out the project.

V. USAID MANAGEMENT

In addition to the Evaluation Committee, the team that will supervise and/or contribute to proper management and operation of the SIA is the following:

1. WE Team Leader: Supervisor
2. Activity Manager for the Agriculture Activity
3. Project Manager Specialist
4. Project Manager Assistant
5. EGE civil engineer, or other Mission engineers, as appropriate

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REPORTE DE CONTRIBUCION DE CONTRAPARTIDA
PROYECTO NO. _____

USAID VDP:

Contrapartida VDP:

Total Proyecto:

% Contrapartida:

Nombre Proyecto:

Proyecto Numero:

PACD:

DESCRIPCION	CONTRAPARTIDA PRESUPUESTADA	CONTRAPARTIDA REAL	ESTIMADO (DEFICIT) O EXCESO
	VDP	Acumulada a la Fecha	
Efectivo por Fuente de Contribución			
Alcaldía			
Mano de Obra			
Materiales			
Sub-total de efectivo de contrapartida			
Contribución en especie			
Sub-Total de Contrapartida en Especie			
TOTAL DE CONTRAPARTIDA			
Contrapartida como Porcentaje de VDP			

Comentarios: _____

En Infrascrito certifica:

- (1) Que la información sobre los gastos y la contribución en especie han sido valuadas de acuerdo a las guías de USAID.
- (2) Que las contribuciones reportadas fueron hechas de acuerdo al convenio:
- (3) Que toda la documentación de apoyo estará en nuestros archivos y será proporcionada a USAID o representantes para revisión o auditoría; y;
- (4) Que al final de cualquier año (o período de financiamiento) el beneficiario ha gastado un monto de contrapartida menor al acordado, según porcentaje del total de gastos y no hay dispensa de la misma. USAID tiene la potestad de aplicar la diferencia para reducir el monto de financiamiento.

Firma del beneficiario

Fecha

u:\sdopub\so4\sia\SIIFORMS CONTRAPARTIDA

**SOLICITUD DE ASISTENCIA DE ACTIVIDADES DE PEQUEÑA
INFRAESTRUCTURA**

Fecha de Elaboración
de Solicitud: _____

Fecha de entrega _____

TITULO DE LA ACTIVIDAD

I- DESCRIPCION Y OBJETIVOS DE LA ACTIVIDAD A DESAROLLAR

**II- DURACION DE LA ACTIVIDAD
NUMERO DE BENEFICIARIOS, CON BREVE DESCRIPCION
(Identifique la cantidad de Hombres y Mujeres por
separado e incluya la cantidad de familiar a beneficiar)**

NOTA: Toda solicitud a ser financiada bajo este proyecto
deberá ser presentada únicamente en este formulario

Fecha de Revisión: 07/22/03

III- FUNCIONAMIENTO Y SUPERVISION DE LA ACTIVIDAD

Incluir nombres: a) Personas responsables del manejo de fondos
b) Responsable del Diseño de Ingeniería (incluir No. de Registro Profesional, Dirección y Teléfono de Oficina o Residencia).
c) Responsable de la Supervisión y Ejecución del Proyecto. (No todos los proyectos están sujetos a incluir profesionales para su ejecución).

IV- NOMBRE, UBICACION Y BREVE HISTORIA DE LA COMUNIDAD O ENTIDAD

V- ORGANIZACION Y ADMINISTRACION DE LA COMUNIDAD O ENTIDAD
(Incluir: Situación Legal de la Organización, Experiencia con
proyectos anteriores con información breve y resultados)

Ha recibido asistencia financiera de USAID en el pasado?
Si es afirmativa su respuesta, describa el monto y
actividad financiada.

VI- POR LO ANTES EXPUESTO, MUY ATENTAMENTE SOLICITAMOS A USAID
LA DONACION DE FONDOS NECESARIOS PARA IMPLEMENTAR LA
ACTIVIDAD _____ EN ESTA
COMUNIDAD

ESPERANDO UNA SOLUCION FAVORABLE A NUESTRA SOLICITUD, NOS
SUCRIBIMOS CON TODO RESPETO.

Lugar y Fecha _____

Presidente _____

Vice-Presidente _____

Secretario _____

Tesorero _____

Síndico _____

1er. Vocal _____

2o. Vocal _____

3er. Vocal _____

Sello la Comunidad o
Entidad

UBICACION GEOGRAFICA DE LA ACTIVIDAD

VII- FAVOR HACER MAPA DEL LUGAR DONDE SE IMPLEMENTARA LA ACTIVIDAD.

-Departamento

-Municipio

-Cantón

VIII- FONDOS DE CONTRAPARTIDA DE COMUNIDAD

A) _____

US\$ _____

B) _____

US\$ _____

C) _____

US\$ _____

TOTAL US\$ _____ = 25%

IX- FONDOS SOLICITADOS A USAID

TOTAL US\$ _____ = 75%

X- DETALLE DE LOS FONDOS DE LA COMUNIDAD

DESCRIPCION	UNIDAD	CANTIDAD	COSTO/UNIDAD	COSTO TOTAL
Favor propocionar datos sobre insumos y mano de obra en diferentes categorías				

XI- DETALLE DE LOS FONDOS DE USAID

DESCRIPCION	UNIDAD	CANTIDAD	COSTO/UNIDAD	COSTO TOTAL
Favor proporcionar datos sobre insumos y mano de obra en diferentes categorías				

**ACTIVIDAD DE PEQUEÑAS INFRAESTRUCTURAS
(SIA)**

RECIBO DE FONDOS

Recibí de la AGENCIA DE LOS ESTADOS UNIDOS PARA EL DESARROLLO INTERNACIONAL, un cheque por la cantidad de _____
Dólares (\$ _____)*.

En concepto de donación para implementar el Sub-Proyecto
No. SP - _____

Cuyo nombre es: _____

Ubicado en: _____

Bajo la Actividad No. 519-0094.

Queda entendido que no aceptaremos ni dinero en efectivo ni material en especial y que ningún representante de USAID actuará como nuestro agente.

Presidente

Tesorero

Número de DUI

Número de DUI

Fecha

Fecha

Entregué dicho cheque a los que arriba firman:

Fecha

Representante de USAID

CHEQUE ENTREGADO EN CAJERA DE USAID.

* Al cambio oficial de US\$1.00 = ₡8.75

ACTIVIDAD DE PEQUEÑAS INFRAESTRUCTURAS
(SIA)

CERTIFICACION DE FINALIZACION DE
SUB-PROYECTO

SEÑORES USAID:

EL SUSCRITO PRESIDENTE DE LA DIRECTIVA _____

ATENTAMENTE COMUNICAMOS A USTEDES QUE EL SUB-PROYECTO No. _____
QUE CONSISTE EN _____

UBICADO EN _____

HA SIDO FINALIZADO DE ACUERDO A LO ESTIPULADO EN EL CONVENIO DE
DONACION, POR LO QUE NOS COMPROMETEMOS A HACER USO UNICAMENTE
PARA LOS PROPOSITOS DESCRITOS EN LA SOLICITUD ORIGINAL.

PRESIDENTE

VICE-PRESIDENTE

TESORERO

SECRETARIO

SINDICO

FECHA DE ENTREGA A USAID _____



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: Patricia Echeverria, Project Management Specialist for the SIA
 Ron Greenberg, SO1 Team Leader *Patricia Echeverria*

SUBJECT: Approval of a Deviation Request for the Project Grant Agreement (and related Standard Provisions) for the Small Infrastructure Activity under Project No.519-0094.

THROUGH: Suzanne H. Partridge, Acting OCG

A. ACTION REQUESTED

The Office of Contracts and Grants (OCG) conducted a review of the files for the Small Infrastructure Activity (SIA) and prepared a memorandum dated June 5, 2000 in which OCG made certain recommendations. In addition to recommending changes to the format and the standard provisions annex being used for grants under the SIA, OCG advised the SO4 Team that a deviation was needed if the SO4 Team proposed to continue using the Project Grant Agreement format and standard provisions annex for the SIA grants (since they were not in accordance with the simplified grant format). Copies of these documents are included as Attachments A and B, respectively, to this Action Memorandum.

Since grants under the SIA are made only to non-U.S. organizations, OCG recommended that the SO4 Team prepare a deviation request for the Mission Director's approval as permitted under ADS Section 303.5.3. The purpose of this Action Memorandum is to request your approval for a deviation from the requirements for the "Simplified Grant Format," set forth in ADS Section 303.5.15, including the format for such grants which is included as a mandatory reference to ADS Chapter 303. In the absence of the SO4 Team Leader, the SO1 Team Leader, along with the Project Management Specialist for the SIA, submit this request for

your approval. The Project Management Specialist and the SOI Team Leader are sometimes referred to herein, collectively, as the "Requestors."

B. BACKGROUND OF THE SIA PROJECT

The purpose of the SIA is to improve economic opportunities for the Mission's primary customers; the rural poor. It is designed as a quick-response mechanism to improve rural productivity and/or improve rural access to markets and social services through the financing by USAID of small-scale infrastructure projects, which are proposed by and carried out at the community level. USAID, through the SIA, finances sub-projects jointly with the participating community. In some cases, USAID partners assist the community with design and/or implementation of SIA projects.

The communities must demonstrate active participation and involvement in development of municipal action plans that prioritize local development projects. Most of the SIA projects that are funded by USAID will be drawn from these municipal action plans.

C. DEVIATION REQUIREMENTS

The minimum requirements for a deviation request are set forth in ADS Section E303.5.3b entitled "Contents of a Deviation Request." Below, for each requirement, is a description of how each requirement has been met.

1) Identification of the provision, policy, or procedures from which a deviation is sought.

Based on the findings provided in OCG's memo dated June 5, 2000, the project grant agreement format used for SIA grants, including the standard provisions annex, contains provisions that deviate from the conditions for use of the simplified grant format and from the simplified grant format in the following areas:

- a. The format for the project grant agreement;
- b. The use of standard provisions some of which are in addition to the provisions set forth in the simplified grant format; and
- c. The method of payment under the project grant agreement. Advances are permitted under the SIA

project grant agreement format; but are specifically prohibited in the conditions for use of the simplified grant format.

A copy of the simplified grant format is included as Attachment C to this Action Memorandum.

Please note that funds under the SIA are occasionally used to finance the purchase of equipment that has a useful life of over one year and an acquisition cost of \$5,000 or more. The conditions for use of the simplified grant format state in ADS Section 303.5.15e) that "no single item having a useful life of over one year and an acquisition cost of \$5,000 or more shall be purchased." However, ADS Section E303.5.15a provides that Agreement Officers are authorized to modify the format to include the purchase of equipment as long as the applicable Standard Provision is attached to the small grant award. Accordingly, rather than seek a deviation from ADS Section 303.5.15e), the Requestors and the Regional Contracting Officer have agreed that any sub-projects that include proposed funding for the purchase of equipment that falls into this category will be presented to the Regional Contracting Officer for authorization and, if authorized, the applicable Standard Provision will be added to Annex III, Standard Provisions.

With regard to item a above, although the format for SIA project grant agreements is visibly different from the simplified grant format, please note that all of the provisions included in the simplified grant format have been included in the SIA project grant agreement format (with limited modifications) as noted below:

- (1) Document that reasonable steps were taken to ensure that all purchases charged to the grant are at reasonable prices and from responsible sources. [See Section 2 of Annex III, Standard Provisions.]
- (2) Maintain complete records of all costs charged to the grant for a period of three years after the expiration of the grant and make such records available to USAID or its representatives for review at any time. [See Section 4 of Annex III, Standard Provisions.]
- (3) At USAID's request, refund to USAID any funds received from USAID that represent reimbursement for any costs determined by USAID not to meet the

terms and conditions of this grant. [See Section 4 of Annex III, Standard Provisions.]

- (4) USAID does not assume liability for any third party claims for damages arising out of this grant. [See Section 8 of Annex III, Standard Provisions.]
- (5) USAID may terminate this grant upon 30 days notice. [See Section 7 of Annex III, Standard Provisions. Please note that the termination clause is more comprehensive and provides also for termination of the Agreement by the Grantee. This provision was included since Grantees have, from time to time, requested that the Agreement (and related sub-project) be terminated.

With regard to paragraph C.1)b. above, the format for SIA project grant agreements includes several additional provisions that USAID/El Salvador has found to be useful for the SIA.

Finally, with regard to paragraph c.1)c., (as noted in Section 9 of Annex III, Standard Provisions) the Grantee may request funds in advance. Section 9 also outlines how such advances are to be requested and certain other provisions also make reference to such advances.

The parameters used by USAID for advances and the closeout or liquidation of advances are handled as follows:

(i) The Grantee will receive one or two advances of funds depending on the amount granted. For example, if the amount granted is over \$22,500. U.S. Dollars, there will be two advances. If the amount granted is less than \$22,500. the Grantee will receive only one advance of funds.

(ii) Upon completion of each sub-project, the Grantee is required to submit proper documentation (original copies of paid receipts for all good purchased for the sub-project) and to pay USAID any unexpended funds remaining from the advance(s). These items are forwarded to the Controller's Office for the closeout of the advance(s) of funds.

2) A full description of the deviation and the circumstances in which it will be used.

The recipients of the SIA Grants are poor communities represented by local Associations with legal status given by the Municipal Code. Each of these organizations has an

Ordinance that rules the Associations. The community organizations are "non-governmental organizations" as that term is used by USAID.

As noted above, the format and standard provisions currently used for the SIA grants are different from the simplified grant format. The deviation sought will be used by USAID/El Salvador as a mechanism for the Mission Director to sign small activity grants that are expected to have an immediate impact and advance U.S. Objectives. The SIA responds immediately to goals, sectors of concentration, and other elements of a country assistance strategy. Based on the approval for the SIA, no sub-project can be funded in an amount in excess of \$40,000.00. In addition, the annual budget for the SIA is not expected to exceed \$1,000,000. In the special circumstances of the Mission's FY 2001 and FY 2002 Special objective for earthquake recovery, the SIA annual budget is expected to be \$1,800,000.

Section C.1) above contains a full description of each of the provisions, policies or procedures identified above under Section C.1) for which deviation is requested. This request is for a blanket deviation so that all grants awarded under the SIA can continue to be executed in the project grant agreement format.

3) A description of the intended effect of the deviation.

Approval of this blanket deviation will enable the Mission to continue using the current project grant agreement format for the SIA. This will avoid unnecessary disruption in the SIA and the additional time and efforts that would be required of Mission staff to introduce a new format. The SIA has been a very successful activity and is well received by the community groups and other non-governmental organizations that participate. Also, under an approved deviation, the Mission can continue to provide advances to the non-governmental organizations. These advances are considered by the Requestors to be critical to the success of the SIA. Finally, approval of the blanket deviation will permit the rapid implementation of activities that will provide immediate relief from the devastating damage caused by the January and February 2001 earthquakes and permit the mission to fulfill the pledge made by President Bush to provide rapid assistance to El Salvador.

- 4) A statement as to whether the deviation has been requested previously, and, if so, circumstances of the previous request.

To the best knowledge of the Requestors and the Regional Contracting Officer, this is the first time a deviation has been requested by USAID/El Salvador personnel for the project grant agreement format for the SIA. As mentioned above, the original format was developed in 1983 and, with certain amendments or revisions made from time to time, has been in use since that time.

- 5) The name of the recipient and identification of the grant or cooperative agreement affected, including the dollar value.

Since this is a request for a blanket deviation, the Grantees may vary. In some cases, the Grantees will be Community Development Associations, Community Development Committees and Community Associations for Education or Health. These Organizations have legal status as per the Municipal Code, and are registered with the Ministry of Governance. As noted above, these entities are "non-governmental organizations" as that term is used by USAID.

Funding for each sub-project, as reflected in the related project grant agreement, cannot exceed \$40,000.00. The number of grants may vary depending on the annual budget for the SIA. As an example, for FY 2000, 29 sub-projects were funded under the SIA for an aggregate total of \$800,000.00.

This authorization will be used for the remaining term of the SIA, Project No. 519-0094.

The Requestors understand that, with a blanket deviation approval, no substantive change in the project grant agreement format for the SIA can be made unless and until a subsequent deviation is approved in accordance with ADS Section 303.5.3 or, unless based on consultations with OP/W, it is determined that such change does not require a new deviation.

- 6) Detailed reasons supporting the request, including any pertinent background information that will contribute to a fuller understanding of the deviation sought.

The project grant agreement format (including the standard provisions annex) was developed when the SIA was first approved in 1983. Although changes have been made from time to time in the text of the agreement and in the standard provisions during the approximately 18 years that they have been in use, the format has remained relatively stable. The communities, some of which have had a number of sub-projects financed during the life of the SIA, are familiar with this format and with the language used in it.

The more comprehensive format is also viewed by USAID staff responsible for the SIA as offering more protection to USAID. The additional provisions provide USAID with mechanisms to monitor the progress of each sub-project and, if needed, with leverage to insure that Grantees comply with the terms of the project grant agreements. The Requestors and the Regional Contracting Officer do not believe that the simplified grant format provides the required "contractual" coverage that USAID can expect to obtain by using the current project grant agreement format (including the standard provisions annex). In fact, Mission staff involved with the SIA have expressed concern that the simplified grant format would not receive the same level of "respect" from the Grantees—it is a matter of perception. The faith of USAID/El Salvador in the project grant agreement format has been borne out by the minimal losses that USAID/El Salvador experienced in the SIA. During the last thirteen years, USAID/El Salvador has written off losses associated with only two sub-projects.

Finally, given the type of sub-projects and the limited financial resources available to the community organizations involved in the SIA, the Requestors believe that advances must be provided to these organizations. Based on the excellent record that the Grantees have had over the last thirteen years, there is no reason to believe that providing advances to these organizations presents unacceptable risks to USAID resources.

Based on the foregoing special circumstances and given that the project grant agreement format includes all of the substantive provisions of the simplified grant format, the Requestors and the Regional Contracting Officer have concluded that this deviation is clearly in the best interest of the U.S. Government.

D. AUTHORITY

ADS Section 303.5.3b) provides that deviations to grants and cooperative agreements to non-U.S. organizations, issued overseas shall be approved either by the Director, Office of Procurement, or by Mission Directors.

E. RECOMMENDATION

That you approve, for a period of three (3) years from the date of this Action Memorandum, this request for a blanket deviation from (i) the conditions for the simplified grant format set forth in ADS Section 303.5.15 and (ii) the simplified grant format included as a mandatory reference to ADS Chapter 303 in order to permit the continued use of the project grant agreement format, including the standard provisions annex, for grants to non-U.S. organizations under the SIA.

APPROVED: *Mark Selman*
DISAPPROVED: _____
DATE: 7/25/01

Drafted by: PEcheverria, SO4 *PE* date 07/23/01
Cleared by: SPartridge, OCG *SP* date 07/23/01
DHarrison, SDO *DH* date 07/23/01
BMyers, RLA *BM* date 07/23/01
RGoughnour, D/DIR *RG* date 7/24/01

Deviation.sia USAID also consulted with USAID/W office of Procurement. *MS*

MODEL DOCUMENT

**Addendum to the Summary and Checklist for the
Small Infrastructure Activity (SIA), No. 519-0094
Request to the Mission Director for an Exception to the Maximum Grant Amount
for SIA Sub-Projects**

Maximum Grant Amount: The current maximum for individual SIA sub-projects, which is currently equivalent to FORTY THOUSAND United States (US) Dollars (US\$40,000), was established in (a) Section II.I of Sub-Chapter 805, Small Infrastructure Activity, dated June 20, 2000, of the Mission Operations Manual and (b) Section II(e) of Annex G, Infrastructure Component Program Description, as amended in August 2003, to the Technology/Marketing/Infrastructure Results Package (the "Results Package"), approved on January 29, 1998.

Committee Approval: The SIA Project Selection Committee, established under Article III, Implementation Procedures, of Annex G to the Results Package, as amended, is responsible for reviewing and approving sub-project proposals submitted under the SIA. The Committee has reviewed the proposal for the _____ sub-project (the "_____ Sub-project") and the related environmental mitigation measures recommended by the U.S. Army Corps of Engineers and has determined that the _____ Sub-project complies with the terms and conditions of the SIA with the exception that the estimated budget for the _____ Sub-project, which is \$ _____, exceeds the maximum grant amount for individual SIA sub-projects. The SO1-SIA Project Selection Committee has approved the _____ Sub-project, subject to the approval by the Mission Director of this exception to the maximum grant amount..

Authority: Both Sub-Chapter 805 and the Results Package were approved by the then Mission Director under the strategic planning authority delegated to Mission Directors in the Latin American and the Caribbean (LAC) region by the AA/LAC, as set forth in ADS Section 103.3.14.2a. In addition, as set forth in ADS Section 103.3.8.11, Mission Directors of USAID field posts were delegated the authority to negotiate, execute and amend grants and cooperative agreements other than those for foreign governments or to public international organizations in an amount not exceeding \$100,000. Accordingly, in reliance on the above-cited strategic planning authority and, considering that the resulting grant agreement will not exceed the maximum amount delegated to Mission Directors, you have the authority to approve this exception to the maximum grant amount established for individual SIA sub-projects and to sign the resulting grant agreement for the _____ Sub-project.

Recommendation: As set forth on the Summary and Checklist to which this request for an exception is an Addendum, the SIA Project Selection Committee recommends that you approve an exception to the maximum grant amount established for individual SIA sub-projects so that a grant in the estimated amount of \$ _____ can be made to the _____ for the _____ Sub-project.

Approved: _____ Date: _____

Disapproved: _____ Date: _____

Clearance list in this page: (Project Selection Committee Members)

TABLE 1
SMALL INFRASTRUCTURE ACTIVITIES (SIA)
ECONOMIC GROWTH AND EDUCATION STRATEGIC OBJECTIVE
OBLIGATIONS (IN US\$)

	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	TOTAL	FY 2003	Projected FY 2004	TOTAL
519-0094 Small Infrastructure Activity	850,000	800,000	800,000	250,000	300,000	3,000,000	1,500,000	0	4,500,000
TOTAL	850,000	800,000	800,000	250,000	300,000	3,000,000	1,500,000	0	4,500,000

NOTE: \$467,593 were obligated in FY 1997 under Special Development Authority Activities.

TABLE 2
SMALL INFRASTRUCTURE ACTIVITIES No. 519-0094
ECONOMIC GROWTH AND EDUCATION STRATEGIC OBJECTIVE

USAID MANAGEMENT COSTS
IN (US\$)

USAID STAFF	EXPENDITURES TOTAL FY 1998-FY 2002	FY 2003 PLANNED EXPENDITURES	FY 2004 AND 2005 PLANNED EXPENDITURES (June 2005*)	TOTAL
FSN PSC Activity Manager (a)	0	0	128,345	128,345
FSN PSC Assistant (b)	156,523	0	44,280	200,803
SUB-TOTAL	156,523	0	172,625	329,148

(a) The FSN PSC Activity Manager has been OE funded staff until November 2002, the date when he/she was transferred to program funded. As a result, and due to the increased level of effort devoted by the SIA Team to the Earthquake Recovery Program (ERP), ERP will cover these costs from November 2002 to September 2003. From October 2003 to June 30, 2005, these management costs will be funded under the EGE portion of the SIA.

(b) The FSN PSC Assistant has always been financed under this Activity. Management costs since FY 1998 have been: FY 98 \$19,493; FY 99 \$31,840; FY 2000 \$32,422; FY 2001 \$35,268 and FY 2002 \$37,500. From October 2003 to June 30, 2004 ERP will cover the management costs for this person for the same reason mentioned in (a) above. From July 2004 to June 2005 management costs will be funded under the EGE portion of the SIA.

u:\sdopub\so4\sia\tables 1, 2 and 3 - sheet 2

TABLE 3

**SMALL INFRASTRUCTURE ACTIVITY (SIA)
INFRASTRUCTURE ACTIVITIES FINANCED BY AND IN SUPPORT OF OTHER MISSION STRATEGIC OBJECTIVES**

	FY 2000	FY 2001	FY 2002	TOTAL	Projected FY 2003	Projected FY 2004	TOTAL
519-0443 - AGUA Activity - WE SO Small Water Systems	400,000	139,000		539,000	250,000	200,000	989,000
519-0458 - Earthquake Recovery Program							
Centros de Bienestar Infantil (CBIs)		400,000 1/	500,000 4/	900,000			900,000
Small Water Systems - WE		61,000 2/		61,000			61,000
Agriculture reactivation related projects		250,000 3/	1,000,000 5/	1,250,000			1,250,000
Sub-Total		711,000	1,500,000	2,211,000			2,211,000
TOTAL	400,000	850,000	1,500,000	2,750,000	250,000	200,000	3,200,000

1/ Prior Year Funds (EDIFAM)

2/ FY 01 funds from Water and Environment SO (WE)

3/ FY 01 funds from Economic Growth and Education (EGE) SO (Bridges, Schools, Health Clinic)

4/ FY 02 ESF

5/ FY 02 IDA funds (Bridges, Roads, Water and 6 schools)

u:\sdpub\so4\SIA\Tables 1,2 and 3 - sheet 3

ATTACHMENT 5**SMALL INFRASTRUCTURE ACTIVITY (SIA)**

No. 519-0094

JULY 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 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. Activity Information Sheet.** (See ADS 203.3.9) Does this activity require an Activity Information Sheet ("AIS"). If so, has it been prepared or, if there is already an AIS for the activity, has it been reviewed and updated. See Additional Help document, database for accessing Blank Activity Information Sheet (AIS) Template (<http://www.usaid.gov/pubs/ads/200/200sbj.doc>), available at <http://cdie.usaid.gov/npc/> (accessible only within the USAID firewall); or send an e-mail request to npctemplate@dec.cdie.org.
[Contact: PPC, Parrie Henderson, 202-712-1025]

Please comment

This restriction does not apply.

- 2. AGRICULTURAL ACTIVITIES (BUMPERS AMENDMENT)** (FY 2003 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.

3. **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.

4. **Adverse Economic Impact Upon the United States.**

***(a) Impact on U.S. Jobs: Relocation; Export Zones; Violation of Workers' Rights** (FY 2003 Act, Sec. 533, see ADS 225). 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;
- (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 has not been included since the FY 2002 Act but is still in PD 20]; or
- (3) For an activity that contributes to the violation of internationally recognized workers rights of workers in the recipient country. This is applied commensurate with the level of development of the recipient country and not to preclude assistance for the informal sector including micro and small-scale enterprise and smallholder agriculture. However under the provision in the FY 2003 Act, these exceptions no longer apply to the right of workers to associate, to organize and bargain collectively, and the prohibition on the use of any form of forced or compulsory labor.

Please comment.

This provision does not apply.

- (b) **Production of Surplus Commodities** (FY 2003 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.

5. Environment

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

Please comment.

The Activity is operating under an approved Initial Environmental Examination (IEE) for Activity No. 519-0094. The IEE for this Activity granted a Negative Determination. Environmental guidelines for small projects are provided to the SIA grantees and periodic monitoring visits are made to ensure that the guidelines are being followed. As the LOA funding of the Activity will be increased in FY 2003, a revised IEE will be submitted to BEO/W for approval.

- (b) **CITES - Convention on International Trade in Endangered Species of Flora and Fauna** (FY 2003 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 undegraded 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.

6. **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.

7. Family Planning.

(a) *Abortions and Involuntary Sterilizations Prohibited* (FAA Sec. 104(f); FY 2003 Act Sec. 518 and, "Child Survival and Health Programs Fund" 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) To furnish assistance to 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 furnish assistance 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 2003 Act, Title II, under heading "Child Survival and Health Programs Fund"). 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) The project must not provide payment of incentives, bribes, gratuities, or financial rewards for becoming a family planning acceptor or achieving numerical target or quota;
 - (c) The project must 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) The project must provide comprehensible information of the health benefits and risks of method chosen; and
 - (e) The project must 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 may be discriminated against because of such applicant's religious or conscientious commitment to offer only natural family planning (as a legal matter, Child Survival and Health Programs Fund account 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 2003 funds because it was not included in the FY 2003 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.

8. **INTERNATIONAL CONFERENCES** (FY 2003 Act Sec. 541, 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.

No funds under this Activity 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.

9. **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 restriction applicable? Please comment.

Ratification of the SOAG Amendment will be required. Mission does not anticipate delays that may affect the timely implementation and the accomplishment of the purpose of the assistance.

10. Loans

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

- (1) Information and conclusion on the capacity of the country to repay the loan at a reasonable rate of interest.
- (2) Does the activity give reasonable promise of assisting long-range plans and programs designed to develop economic resources and increase productive capacities?
- (3) If repayable in dollars, the interest rate must be at least 2 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.

(b) **Productive enterprises competing with U.S. enterprises** (FAA Sec. 620(d)). No FAA loan 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 provision does not apply.

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

Is this restriction applicable? Please comment.
This restriction does not apply.

12. **NUCLEAR RESOURCES – EXPORT OF** (FY 2003 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.

13. **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, 119 and 534 of the FAA and 536 and 582 of FY 2003 Act).

Is this restriction applicable? Please comment.
This restriction does not apply.

14. **PUBLICITY, PROPAGANDA AND LOBBYING** (FY 2003 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.

15. **PVOs -- Funding Sources for U.S. PVOs** (FY 2003 Act Sec. 501). If assistance is to be made to a United States private voluntary organization (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.

This provision does not apply.

PART B. CONGRESSIONAL NOTIFICATIONS.

- *1. **General Notification** (FY 2003 Act Sec. 515; FAA Sec. 634A). Obligations must be notified to Congress. This is usually accomplished through the annual Congressional Presentation. It may be the 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 10 percent from that previously notified.

Is this applicable? Please comment.

This provision applies. The FY 2004 CBJ, notifying FY 2003 and 2004 obligations, was sent to the Hill on March 17, 2003 and expired without objection on March 31, 2003. In addition a Congressional Notification notifying the additional \$1.0 million ESF for SIA under the EGE SO was sent to the Hill on July 18, 2003 and expired without objection on August 1, 2003.

2. **Special Notification.** For activities, countries, and other actions requiring special notification see the attached memo entitled "Changes Made by the FY 2003 Foreign Operations Appropriations Act to Current Law."

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 provides 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.

There are no plans to procure motor vehicles under this Activity.

- 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 does not apply.

- (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*

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

Please comment.

This provision does not apply, because we do not plan to use engineering services from advanced countries.

2. **CASH TRANSFERS -- REQUIREMENT FOR SEPARATE ACCOUNT** (FY 2003 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 (for example, 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.

While the total level of funding obligated under the Small Infrastructure Activity exceeds \$1 million, obligations are made through individual projects that may not exceed a maximum total obligation per project of \$40,000. Therefore, the Mission Director's certification is not necessary.

- b. **Developmentally sound projects** (Jobs Through Export Act of 1992, Sections 303 and 306(b)), Pub.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.

All capital activities planned under SIA are designed as a quick-response mechanism to improve rural productivity and/or improve rural access to marketing and social services in a sustainable way. SIA is national in scope, but gives priority to proposals that meet USAID/EI Salvador poverty criteria, particularly in the poorest 49 municipalities.

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

Please comment.

Under this Activity USAID/EI Salvador finances small-scale infrastructure projects carried out at the community level with the participation of the beneficiary communities and local firms. Due to the small-scale of the projects developed, USAID/EI Salvador does not anticipate using any U.S. engineering services.

4. Assistance Generating Local Currency (FY 2003 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 was is not in the FY 2003 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 or study under this Activity will be in excess of \$25,000.

6. **Alcoholic Beverages and Certain Entertainment Expenses** (FY 2003 Act Sec. 549). 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** (see ADS 349). 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.

The obligation under this Activity is less than \$25,000,000. The cumulative obligation is also under \$25,000,000.

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

- (a) engineering, financial or other plans necessary to carry out the assistance; and
- (b) a reasonably firm estimate of the cost to the U.S. of the assistance.

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 te Activity and are still current.

Prepared:	NMata, A/SDO	<u>LM</u>	Date	<u>7/21/03</u>
Cleared:	BCarr, A/WE	<u>BC</u>	Date	<u>21 Jul 03</u>
	BMyers, RLA	<u>BM</u>	Date	<u>8/22/03 (with comments)</u>

ATTACHMENT 6

AMENDED INITIAL ENVIRONMENTAL EXAMINATION (LAC-IEE-98-08)

Activity Location: El Salvador

Activity title: Small Infrastructure Activity (SIA)

Project Number: 519-0094

Funding: Increase by \$1,500,000, for a new total of \$4,500,000 (Please note that funding for the SIA from other Mission SOs was included and described under the IEEs for relevant Activities under such SOs)

Life of Project: Extend the Activity Completion Date (ACD) to June 30, 2005

IEE prepared by: Elizabeth de Gonzalez 
WE Office
USAID/El Salvador

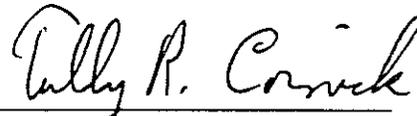
Recommended Threshold Decision: Negative Determination with Conditions

Mission Threshold Decision: Concur with Recommendations

Date prepared: August 21, 2003

RECOMMENDED THRESHOLD DECISION:

Negative Determination for all small infrastructure construction Activities. Because of the small scale nature of these projects and their minimal impact on the environment, we are recommending a *Negative Determination with conditions*. The condition will be that grantee community will continue using guidelines already approved by the Agency. The grant agreement signed by USAID and the communities will include all the environmental considerations that the grantee should follow in order to comply with requirements established by USAID and local authorities.



Tully R. Cornick
Mission Director, a.i.

8-21-03

Date

SMALL INFRASTRUCTURE ACTIVITY (SIA)

No. 519-0094

BACKGROUND:

SIA is designed as a quick-response mechanism to improve rural productivity and/or improve rural access to marketing and social services by financing small-scale projects, which are proposed by and carried out at the community level. SIA conducts projects jointly with the participating community. The communities should demonstrate active participation and involvement in development of municipal action plans that prioritize local development projects. Most of the SIA projects will be drawn from these municipal action plans.

ILLUSTRATIVE INTERVENTIONS:

SIA is an on-going and cross-cutting mechanism, which is financed primarily under the Economic Growth and Education Strategic Objective (SO); notwithstanding, as needed, other Mission SOs may finance through SIA small scale infrastructure projects that fit within the scopes of their programs. However, the funding for and the related descriptions were included in the IEEs for relevant Activities under such other SOs.

SIA small-scale infrastructure projects may include, among other things, rural tertiary farm-to-market roads, small bridge or culvert construction; the repair of public roadways that provide access to commodity markets and input supplies for farmers or small water systems; or the extension of an electric power line to a community that would enable private operators to tie into the power grid and carry out grain processing and marketing activities.

SIA projects should provide benefits to the entire community and not just a limited group within the project zone. In general, USAID prefers productive infrastructure projects (e.g. construction or repair of rural (public) roadways, small bridges or water systems); however this does not mean that socially beneficial infrastructure such as health clinics and schools will not be permitted under SIA. There is an obvious causal connection between health and economic growth, as there is between education and economic growth. However, in light of the relatively limited budget for small-scale infrastructure, and recognizing that GOES has other program that may fund "social" infrastructure such as school. project requests of this nature must be reviewed on a case-by-case basis. A proposed balance between economically and socially beneficial projects could be 70% and 30%, respectively.

DISCUSSION OF CURRENT IEE COMPLIANCE

The original IEE (LAC-IEE-98-08) was approved on February 6, 1998 and granted a Negative Determination. The grantees are given an environmental guideline, and then they submit a completed questionnaire and a mitigation plan for approval to USAID. They are following recommendations that may include: hydrological studies for bridges and water quality/quantity testing for each water project. Field visits to monitor the implementation of the required mitigation measures prove that the guidelines are being followed. The Activity Manager/Cognizant Technical Officer (CTO) or designee visits the site before and during implementation and provides guidance.

POTENTIAL IMPACTS OF PROPOSED ACTIVITIES:

The water systems that may be financed under this Activity will be similar to those developed in the first phase and the same environmental guidelines and mitigation plans discussed above will be carried out.

Catchments and storage structures will be treated as water systems with the same guidelines will be applied. One of the activities that may have an impact on the environment is the construction of roads. Specific guidelines for the appropriate constructions with environmental considerations will be provided to each grantee, and those guidelines will be reviewed and approved by the Mission Environmental officer. The construction work will not be approved until the guidelines are presented. The SIA team will also carry out a risk analysis (primarily for flooding and landslide) for each site being proposed for funding and will confirm compliance with the recommended mitigation measures included in the guidelines.

RECOMMENDATIONS

Because of the small scale nature of these projects and their minimal impact on the environment, and that similar activities were considered under a Programmatic Environmental Assessment developed recently by USAID, we are recommending a *Negative Determination with conditions*; the condition is that grantee community will continue using guidelines already approved by the Agency. Therefore, these activities qualify for a Negative Determination under Section 216.3 (3) (ii), "the agency has previously prepared a programmatic Statement or Assessment, " of 22CFR.

Cleared:

WPatterson, WE	<u>WJP</u>	date	<u>8/21/03</u>
NMata, A/SDO	<u>lilly</u>	date	<u>8/21/03</u>
BMyers, RLA	<u>Bm</u>	date	<u>8/21/03</u>



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

LAC-IEE-98-08

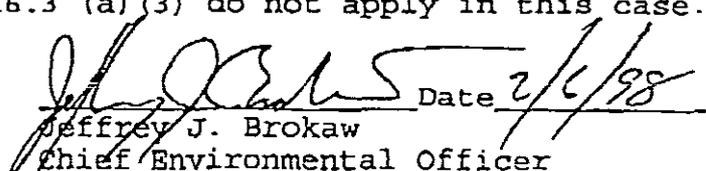
ENVIRONMENTAL THRESHOLD DECISION

Project Location : El Salvador
Activity Title : Small Infrastructure Activity (SIA); formally, Small Development Activity (SDA)
Project Number : 519-0094
Funding : \$600,000 obligated annually
Life of Project : 5 years
IEE Prepared by : Peter Gore, USAID/El Salvador
Recommended Threshold Decision: Negative Determination
Bureau Threshold Decision : Concur with Recommendation

Comments

A Negative Determination is issued to these activities because they are (1) small in scale, (2) they will have minimal impact on the environment, (3) Mission-approved and field tested mitigations measures will be used, and (4) MEO will monitor activities for compliance with mitigation measures.

The conditions of Section 216.3 (a) (3) do not apply in this case.


Date 2/6/98
Jeffrey J. Brokaw
Chief Environmental Officer
Bureau for Latin America
and the Caribbean

Copy to : Kenneth Ellis, USAID/El Salvador
Copy to : Peter Gore, USAID/El Salvador
Copy to : Tracy Parker, USAID/Guatemala, REA
Copy to : Cam Wickham, LAC/SPM-CAC
Copy to : IEE file



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

LAC-IEE-98-08

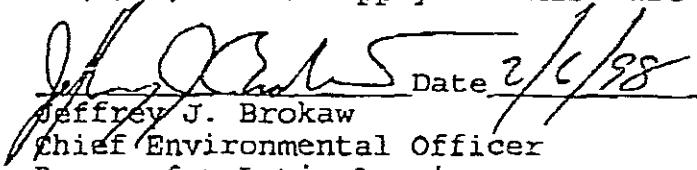
ENVIRONMENTAL THRESHOLD DECISION

Project Location : El Salvador
Activity Title : Small Infrastructure Activity
(SIA); formally, Small
Development Activity (SDA)
Project Number : 519-0094
Funding : \$600,000 obligated annually
Life of Project : 5 years
IEE Prepared by : Peter Gore, USAID/El Salvador
Recommended Threshold Decision: Negative Determination
Bureau Threshold Decision : Concur with Recommendation

Comments

A Negative Determination is issued to these activities because they are (1) small in scale, (2) they will have minimal impact on the environment, (3) Mission-approved and field tested mitigations measures will be used, and (4) MEO will monitor activities for compliance with mitigation measures.

The conditions of Section 216.3 (a) (3) do not apply in this case.

 Date 2/6/98
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Small Infrastructure Activity (SIA)
(519-0094)

Background

The Small Development Activity (SDA), now called the Small Infrastructure Activity (SIA), was a part of the National Reconstruction Program to provide communities with small grants for specific infrastructure projects that could be quickly financed to meet a specific, limited, community need. With the closeout of the National Reconstruction Program on September 30, 1997, the SDA/SIA was transferred to the Economic Growth Strategic Objective, SO1, under Results Package 3c, "Technology/Marketing/Infrastructure."

I. Activity Description

Under the Economic Growth Strategic Objective, SO1, the Small Infrastructure Activity will provide communities who offer at least 25% counterpart, financing of up to \$40,000 for small-scale water projects, road rehabilitation, short connections to the national electrical grid which support increased economic production and, under special circumstances, schoolroom, and clinic construction. The Selection Committee, which includes the Mission Environmental Officer, reviews proposals and makes recommendations to the project manager. Between 10 and 20 projects are expected to be approved and implemented each year under the SIA. All construction activities are supervised by Mission personnel and usually have engineering designs.

II. Recommendation

The Mission Environmental Officer has reviewed each type of small infrastructure project eligible for financing under the Small Infrastructure Activity and has considered the foreseeable effect on the environment of each such project. Based on this review, the Mission Environmental Officer has determined that none of the eligible small infrastructure projects will have a significant effect upon the environment and, therefore, a negative determination is warranted.

According to the regulations, small water projects under SO1's Small Infrastructure Activity, would not be subject to an EA because of 216.2 (d) (xi) (xi) "Potable water and sewerage projects other than those that are small-scale." The road rehabilitation projects and the other types of projects SIA supports should be covered by this blanket IEE which recommends a Negative Determination of environmental effect for all the new SIA projects because of their small-scale nature and their minimal effect on the environment.

USAID's infrastructure projects have been carried out in the past under the guidelines of an Environmental Assessment made by Kenneth Greene in 1995, and, in addition, for road rehabilitation, using the manual developed for roads by Jerry Bauer in the Guatemala Mission, and adopted by the GOES Ministry of Public Works.

These guidelines identify each of the potential environmental impacts for each type of project and the appropriate mitigations to minimize harmful effects on the environment. A copy of the guidelines will be annexed to the agreement USAID signs with each community and fully explained to the grantee by the SIA project officer.

Because of the small-scale nature of the small infrastructure projects, their minimal effect on the environment, and the fact that they will be carried out using mitigations already approved by the Agency, this IEE requests a blanket Negative Determination for all new SIA projects.

The 216.3 (a) (3) regulation states:

(3) Negative Declaration. The Assistant Administrator, or the Administrator in actions for which the approval of the Administrator is required for the authorization of financing, may make a Negative Declaration, in writing, that the Agency will not develop an Environmental Assessment or an Environmental Impact Statement regarding an action found to have a significant effect on the environment when (i) a substantial number of Environmental Assessments or Environmental Impact Statements relating to similar activities have been prepared in the past, if relevant to the proposed action, (ii) the Agency has previously prepared a programmatic Statement or Assessment covering the activity in question which has been considered in the development of such activity, or (iii) the Agency has developed design criteria for such an action which, if applied in the design of the action, will avoid a significant effect on the environment.

In view of the above discussion, we recommend that no additional environmental investigation be performed for the Small Infrastructure Activity. However, in order to minimize any possible negative effect on the environment, we also recommend that the participants be required to follow the mitigations recommended under previous small-scale infrastructure projects. Monitoring of compliance with these mitigations will be carried out by the Mission Environmental Officer.