



USAID
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ACTION MEMORANDUM FOR THE MISSION DIRECTOR

FROM: Lawrence Rubey, Economic Growth Director
Brad Carr, WE Team Leader

SUBJECT: Amendment to the Activity Approval Document (AAD) for the "Economic Growth for the 21st Century" (CRECER 21), Activity No. 519-0462, under the Strategic Objective "Economic Freedom: Open, Diversified, Expanding Economies"

ACTION REQUESTED You are requested to approve Amendment No. 1 to the CRECER 21 AAD to incorporate a full description of the Intermediate Result (IR) 4 "Improved Management and Conservation of Critical Watersheds" to help achieve the CAM Strategic Objective No. 519-022: Economic Freedom "Open, Diversified, Expanding Economies". The total estimated funding for this IR is \$10,500,000 for a four-year period (FY2006-FY2009). Planned host country counterpart contribution amounts to \$3,000,000.

I. BACKGROUND

In September 2004, the Mission approved the \$69.5 million AAD for the CRECER 21 Activity under the Strategic Objective "Economic Freedom: Open, Diversified, Expanding Economies". The AAD included a full description and funding for the following three IRs: (1) Laws, Policies, and Regulations that Promote Trade and Investment; (2) More Competitive, Market-Oriented Private Enterprises; and (3) Broader Access to Financial Markets and Services. In the approval Memorandum, the Mission stated that the program description for the fourth IR, "Improved Management and Conservation of Critical Watersheds," will be developed and initial funding provided during FY 2005.

The attached Amendment No. 1 to the CRECER 21 AAD (Attachment 1) outlines the results, basic structure and implementation mechanisms for the IR 4 above mentioned. This IR will support USAID's Strategic Objective No. 519-022 (SO2) under the Regional Strategy for Central America and Mexico (CAM Strategy) and as approved in the Country Plan for El Salvador. Interventions under this IR were developed in close consultation with key GOES agencies, NGOs, other USG agencies and other donors.

II. INTERNAL DISCUSSIONS

During April-August 2005, the Mission reviewed several drafts of the AAD amendment and held several Executive Review Meetings. Technical concerns/issues have been discussed and addressed regarding USAID's biodiversity vision under this program, how coffee farms/production contribute to biodiversity conservation and management, separation of roles between the GOES and USAID regarding people living in the protected areas, among others. These issues have been addressed in the final AAD amendment included as Attachment 1 to this Action Memorandum.

In addition, during the review process it was decided not to work in IR 4.3 "Increase harmonization and enforcement of environmental laws and regulations," which had been included in the Country Plan as a program area, due to a lack of USAID/El Salvador success in this area with its previous activities. This change to the Country Plan Framework will be notified to Washington in the next Annual Report.

Also, and to more accurately define the expected results under the activity, the Review Team is proposing to work in three program areas under the approved sub-IR 2.4.1 "Improved end use management of critical watersheds," which are described below.

III. KEY RESULTS TO BE ACHIEVED

Under the Intermediate Result Level *Improved Management and Conservation of Critical Watersheds* (IR 2.4), USAID/El Salvador will work towards the Sub-Intermediate Result: 2.4.1 "Improved end use management of critical watersheds." In order to better monitor planned results under this sub-IR, the Mission will work in the following three program components:

1. Conservation of Biodiversity in Critical Watersheds
2. Increased Access to Clean Water
3. Improved Natural Resource Management

A revised Results Framework for the Mission's Economic Freedom SO is shown in Attachment 2 to this Memorandum.

IV. USAID FINANCIAL RESOURCES AND GOES COUNTERPART CONTRIBUTION

The total estimated cost for this IR over a four-year period (FY 2006- FY 2009) is \$10,500,000 of which (a) \$9 million is for program interventions; and (b) \$1,500,000 is for USAID Management. The amount of \$10.5 million for this IR is part of the \$69.5 million approved in September 2004 for the CRECER 21 Activity.

The GOES institutions (Ministry of Environment-MARN, Ministry of Agriculture-MAG, and National Water Authority-ANDA), will provide in-kind contributions of approximately \$3,000,000. This amount is in addition to the \$7.2 million already included in the original CRECER 21 AAD.

Total USAID and counterpart resources that will be dedicated to achieving this IR are \$13,500,000. FY 2005 is the initial year of obligation and FY 2008 will be the last year to obligate funds. Program implementation will go through the end of FY 2009.

The current design assumes that a level of two-thirds biodiversity funds and one-third other environmental funds will be maintained throughout the life of the activity.

The estimated budget for each component and USAID management costs are summarized below and are also detailed in the AAD amendment (Attachment 1, Financial Tables 1 through 3).

<u>Program Components</u>	<u>Amount (US\$)</u>
1. Conservation of Biodiversity in Critical Watersheds	4,735,000
2. Increased Access to Clean Water	1,810,000
3. Improved Natural Resource Management	<u>2,455,000</u>
Subtotal	9,000,000
USAID Management (a)	<u>1,500,000</u>
TOTAL	<u>10,500,000</u>
(a) Includes \$7,200 FY 2005 Environmental Travel Authority	

The revised illustrative budget for the CRECER 21 Activity is presented in Attachment 3.

V. OBLIGATION PLAN

The planned obligation schedule for this \$10.5 million IR is presented in Attachment 1. For FY 2005 the planned obligation is \$3,948,256¹ of which \$1,303,800 are Natural Resource Management Funds and \$2,644,456 are Biodiversity funds. FY 2005 funds will be obligated through a SOAG amendment.

For activity implementation, USAID will negotiate a \$9 million task order under the existing Water IQC II.

¹ FY 2005 OYB of \$3,984,000 minus \$15,000 for Peregrine Fund, \$13,544 DA/Biodiversity for IT cost recovery, and \$7,200 Environmental Travel Authority

VI. CHECKLISTS

As per the e-mail dated January 31, 2005, USAID/Washington has approved the FY 2005 Country Checklist for USAID/El Salvador. The revised Assistance Checklist for the CRECER 21 Activity is included as Attachment 4.

VII. LEGAL AND POLICY RESTRICTIONS

The Economic Growth Office (EG) will ensure that none of the interventions to be funded under this IR will contain activities that would violate any of the U.S. legal and policy restrictions such as the Bumpers Amendment, exporting U.S. jobs, among others. EG will ensure that adequate safeguards are included in the requirements for such interventions and activities to avoid any such violations. These requirements will be included in contracts, cooperative agreements or grants, as appropriate.

VIII. INITIAL ENVIRONMENTAL EXAMINATION (IEE)

An Amendment to the current IEE is presented for your signature in Attachment 5. No funds will be obligated under the Economic Freedom SOAG until the Bureau Environmental Officer (BEO) has approved the IEE.

IX. CONGRESSIONAL NOTIFICATION

The FY 2005 obligation for this program was submitted to Congress through the FY 2006 Congressional Budget Justification (CBJ), which expired without objection on April 22, 2005. Therefore, funds may be obligated for this program.

X. AUTHORITY

Under ADS Section 103.3.14.2a, Mission Directors in the LAC Bureau are delegated authority to implement Strategic Objectives. ADS 201 sets forth the requirements for activity design. EG, WE and SDO Offices confirm that Amendment No. 1 to the CRECER 21 AAD attached to this Action Memorandum and the proposed obligation of funds are in compliance with the requirements of ADS Chapter 201 including, but not limited to, the approval requirements set forth in ADS Section 201.3.12 for "Pre-Obligation and Activity Planning Requirements." As noted above, the AAD under this Action Memorandum is consistent with USAID/El Salvador Country Plan approved by the Assistant Administrator for the Bureau for Latin America and the Caribbean (AA/LAC) under a memorandum dated July 1, 2004. Therefore, you have the authority to approve the actions requested in this Memorandum.

XI. RECOMMENDATION

It is recommended that you approve Amendment No. 1 to the CRECER 21 AAD presented herein to incorporate the full description of the Intermediate Result (IR) 4, "Improved Management and Conservation of Critical Watersheds," and to reflect other financial changes to help achieve the CAM Strategic Objective No. 519-022 Economic Freedom "Open, Diversified, Expanding Economies." The planned funding for this IR 4 is \$10,500,000 over a four-year period and a GOES contribution of \$3,000,000. The SO2 completion date is September 30, 2009. Upon your approval, an Amendment to the Economic Freedom Strategic Objective Grant Agreement will be negotiated with the GOES to modify Annex 1, Amplified Description, to incorporate changes hereby approved and to obligate \$3,948,256 in FY 2005 DA funds.

APPROVED: Tully R. Cornick
Tully R. Cornick
Acting Mission Director

DATE: 9-9-05

DISAPPROVED: _____
Tully R. Cornick
Acting Mission Director

DATE: _____

Attachments:

- 1 - Approval Document for IR 4 with financial tables
- 2 - Economic Freedom Revised Results Framework
- 3 - Revised Budget for CRECER 21 Activity
- 4 - Revised Assistance Checklist for the CRECER 21 Activity No. 519-0462
- 5 - Amendment to the IEE for Activity No. 519-0462

Drafters:
AValencia, SDO AValencia Date: 09/08/05

Cleared:
KDahlgren, SDO KDahlgren Date: 9/8/05
FBreen, CONT FBreen Date: 9/8/05
BEnroth, RCGO BEnroth Date: 9/8/05
RRakas, RLA RRakas Date: _____
LBrady, A/DDIR LBrady Date: 9-8-05

CHM
09/03/05

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Cleared:

KDahlgren, SDO _____ Date: _____

FBreen, CONT _____ Date: _____

BEnroth, RCGO _____ Date: _____

RRakas, RLA RR _____ Date: 9/2/05

LBrady, A/DDIR LB _____ Date: 9-8-05

USAID/El Salvador
Strategic Objective No. 519-022
Economic Freedom: Open, Diversified, Expanding Economies
Activity No. 519-0462 – Economic Growth for the 21st Century (CRECER 21)
Activity Approval Document Amendment Number One
Intermediate Result 4:
Improved Management and Conservation of Critical Watersheds (IR 2.4)

I. INTRODUCTION

The Activity Approval Document (AAD) for the Economic Growth for the 21st Century Activity (CRECER 21) under the SO No. 519-022, Economic Freedom: Open, Diversified, Expanding Economies, was originally approved by the USAID/El Salvador Mission in September 2004. That AAD includes only a short, illustrative description of Intermediate Result (IR) 4: Improved Management and Conservation of Critical Watersheds. This amendment provides a more detailed description, in support of USAID adequate planning requirements for IR 4.

The proposed \$10.5 million IR 4 Activity will protect and conserve biodiversity and natural resources within two Salvadoran watersheds, Barra de Santiago/El Imposible and Rio Grande de Sonsonate. These two watersheds contain 42% of El Salvador's national protected areas and a population of 634,575 people dependent on water generated from these watersheds. The Activity will facilitate the management of natural resources in a sustainable manner that will improve the lives of local residents and conserve biodiversity. Outcomes will include the enhanced conservation of biodiversity in critical watersheds through stabilization of protected areas and improved management of buffer areas and corridors, increased access to clean water through enhanced local capacity for watershed management, and improved natural resource management through adoption of environmentally-sound economic activity by local residents.

II. DEVELOPMENT CHALLENGE

Population pressures, coupled with uncontrolled economic activity, is degrading the natural resource base of El Salvador and leading to the loss of biodiversity. The rate of deforestation (4.6% per year) is among the highest in the world, and El Salvador retains only 6% of its natural forest cover. Destructive practices result in the irreplaceable loss of plant and animal species, as well as reduce the sustainable economic potential for hundreds of thousands of local residents.

El Salvador has the highest population density (304 people/km²) in Central America, approximately five times the regional average. Given the current estimated growth rate of 1.7%, population density will double in approximately 42 years. Approximately half (48%) of the population is poor, and 21% of the population lives on less than \$1 per day. Rural dwellers make their livelihood primarily from agriculture -- dairy, meat, cotton, sugar, and coffee are the primary cash crops. Suitable area available for agriculture is limited. Some slash and burn agriculture is still practiced in the few forested areas remaining.

Threats to biodiversity are severe. El Salvador has 56 species at risk of extinction according to the IUCN Red Data Book -- 30 are listed as vulnerable, 15 species endangered and 11 critically endangered. An additional 74 species are listed as near threatened or with data deficient to determine. Several species, such as the jaguar and tapir, have already become locally extinct.

Protected areas comprise less than 3% of El Salvador's total land area. Protected areas derive their status from the original forestry act, and few have been fully legally gazetted. Most remaining natural forest cover is located within protected areas. Salvadoran protected areas are considered state lands; however, in the 25 years that have passed since the expropriation process, most of these lands have

been sitting dormant and have been subject to squatting. MARN has not determined the number of people residing within these areas and their land use practices. However, since most protected areas have not been managed or even monitored for 20 years, it is likely that human residence has occurred. While their numbers are probably small, MARN considers squatters a high threat but has no legal recourse to remove them.

GOES passed the Protected Areas Law in February 2005, providing the necessary legal framework to legalize, administer, and manage the National Protected Areas System. Serious constraints to the effective management of these areas remain, including institutional capacity and financial resources of the MARN. Of particular relevance is the absence of any systematic monitoring mechanism for protected areas or watersheds and this remains one of the MARN's priorities. To address these issues, World Bank funds obtained in March 2005 are being used to resolve legal boundaries.

Remaining natural forest is fragmented, with the majority of these small areas insufficient in size to retain their biodiversity. Edge effects, such as temperature and humidity differences, gradually change the species composition of the outer forest. Given lack of connectivity between isolated forest areas, animals and plants have less opportunity to expand into new habitats. Lack of connectivity may also lead to extinctions from disease, inbreeding and natural disasters.

Fuel wood is the primary source of energy for approximately 70% of the population. The average family uses about 13 cubic meters of wood per year. Current fuel wood requirements exceed sustainable yield levels for present forest cover. Based on a recent energy study by the United States Trade and Development Agency, residential and non-residential use of biomass (primarily fuel wood) in El Salvador is expected to increase by 33-85% over the next 15 years. Energy demand, in general, is rising at the rate of 3% per year.

Over 59 million metric tons of topsoil are lost annually. Water quality and abundance is a serious problem throughout the country. Practically all surface waters are contaminated from a combination of sediment and domestic sewage. Salt-water intrusion is occurring in some coastal areas, and rivers and stream flows are being degraded.

Coastal and marine ecosystems are also under severe pressure, partially as a result of watershed mismanagement. Mangroves are being converted for shrimp farms and for fuelwood. Sedimentation from improper land use, pollution and carbonate mining are all threatening remaining coral reefs. Mangroves and corals are the primary breeding grounds for the fisheries industry. Based on value, fish exports have risen over 50% since 1980. Lobster and shrimp have been severely over-harvested. Destructive fishing practices, including the use of dynamite, and bottom trawling are major problems in the area.

In remaining forest areas, fire risks have risen substantially. Climatic events, natural disasters, degradation of forests, and agricultural practices are all contributory factors. Degraded forests often have larger spaces between trees, retain less moisture, and therefore the understory and soil tend to be much dryer, raising susceptibility to fire.

There is little understanding among residents of the linkages between the natural resource base and economic well-being and quality of life. Deforestation, the destructive use of pesticides, agricultural practices that degrade the soil base and domestic pollution are carried out with little regard for downstream inhabitants or the natural habitat that supports biodiversity. Education and awareness of these issues are critical in order to bring about behavioral change. Even if awareness is raised, capacity of local groups to cooperate in managing watersheds is minimal.

III. PLANNED INTERVENTIONS

Program Summary

The development challenge is to support the consolidation and effective management of Salvadoran protected areas, habitats and natural resources, while promoting responsible economic growth. Planned interventions for this \$10.5 million activity will establish a more sustainable resource base for economic growth, conservation of biodiversity, and increased water quality and abundance.

Geographic Site Focus

Two watersheds, Rio Grande de Sonsonate and El Imposible/Barra de Santiago, have been selected for Activity site selection based on Ministry of Environment and Natural Resources (MARN) biodiversity conservation priorities. The Rio Grande watershed was also selected because of its high level of economic growth potential that could be achieved in response to improved watershed management practices. As such, the relative focus of USAID interventions within each watershed will vary in their mix of sustainable economic development, natural resource protection and biodiversity protection activities.

MARN has identified priority protected areas and has created fifteen conservation cluster areas within the country to improve coordination and management of biodiversity. These conservation areas include national protected areas and protected area complexes comprised of national parks, and potential buffer zones and biological corridors. Apaneca–Lamatepec and Los Cobanos (in the Rio Grande watershed), El Imposible/Barra de Santiago and Los Cobanos (in El Imposible/Barra de Santiago watershed), Montecristo, Jiquilisco Bay, and Lago Guija-San Diego-La Barra are MARN's highest priorities.

Through the World Bank Global Environment Fund (GEF), MARN will be implementing a protected areas consolidation and administration project in the Jiquilisco Bay conservation area and the Lago Guija-San Diego-La Barra protected areas complex. This project will begin in 2006, but will not include the Apaneca–Lamatepec, El Imposible/Barra de Santiago and Los Cobanos areas. Given the importance of these three conservation areas, MARN has asked USAID for direct support.

In 2004, USAID AGUA grantees carried out a study to identify the watersheds with the highest potential for economic growth. In 2005, USAID contracted CATIE for a more detailed analysis of the top three watersheds. This work indicates that while the Rio Paz watershed also had high economic growth potential, much of the watershed is in Guatemala and, as well, is not as high a biodiversity conservation priority. The Rio Grande watershed, which is a conservation priority, has the second greatest potential for economic growth, notably due to the availability of water and relatively fertile land, as well as substantial coffee, sugarcane, cattle, grains and vegetable production. Biodiversity interventions in the Rio Grande de Sonsonate watershed will extend slightly into the Rio Paz watershed around boundaries in protected areas that overlap with the Activity area.

Accordingly, USAID will concentrate activity effort in the protected areas, buffer zones and corridors of the Apaneca–Lamatepec, El Imposible/Barra de Santiago and Los Cobanos conservation areas that total 154,038 hectares contained within the two selected watersheds. According to the GOES poverty map, extreme poverty levels range from low to moderate in the Apaneca–Lamatepec area, with high levels in the Barra de Santiago area, which raise the importance of working in these zones.

Lessons Learned from Previous Watershed Activities

USAID's AGUA Activity recently concluded its watershed management activities in the El Imposible/Barra de Santiago, Jiquilisco, and Corinto watersheds. The project found that most small subsistence farmers carry out destructive practices such as slash and burn agriculture and deforestation, leading to a reduction in biodiversity habitat, and poor soil and water conservation. Local empowerment to manage resources, technical assistance to raise capacity, and the use of agricultural

extension programs were found to be very effective at reducing these destructive agricultural practices. The practice of burning, for instance, was found by the Activity evaluation to be virtually eliminated within Activity areas. The development of water system infrastructure was a powerful mechanism to generate financial resources to fund the conservation of the watersheds. There was a demonstrated "willingness to pay" for access to clean water, and the importance of developing local capacity to carry out watershed conservation was viably demonstrated. Many municipalities developed ordinances that regulated environmental protection. The project also demonstrated that local partners have the capacity to implement complex projects.

Eighteen watershed committees were established through the AGUA Activity and are active today. Four of these are legalized. Legalization was very slow and improving this process was a major policy focus of the Activity. These watershed organizations served an important role in several areas. The development of management plans was an important step towards assessing resources, problems, threats and mitigations. Awareness and understanding of the relationship between managing resources wisely and the quality of life of residents was a major outcome. The organizations also provided a forum to vet problems among users. With legalization, these organizations were able to carry out interventions, charge for services, maintain a bank account and provide monitoring and information - making them a viable implementer of conservation efforts.

Donor Coordination

The Ministry of Agriculture (MAG) is implementing PREMODER, a rural agricultural modernization project funded by the United Nations International Agricultural Development Fund. This project is being carried out in five departments including Ahuachapan and Sonsonate that contain this proposed Activity's focus area. PREMODER offers many partnering opportunities including technical assistance for area farmers, improved rural roads, better access to markets, and a seed grant program for agricultural improvements. Efforts will be coordinated in order not to duplicate any of these interventions.

The World Bank's new Country Assistance Strategy for El Salvador is projecting a disbursement of \$485 million in loans starting in 2007 for the following activities:

- equitable, broad-based growth, including small and medium enterprise access to the benefits of trade;
- land administration and education reforms;
- social protection and local development and continued public sector modernization; and
- a pilot program for the payment of environmental services.

SO Coordination

This IR will be closely linked with the cleaner production activities within SO2, and will share information and engage in joint work planning where possible. Coordination with other USAID economic growth activities in the same geographic areas will be made, particularly with respect to market access, agricultural diversification and small infrastructure activities. This IR will also work closely with the SO3 team to encourage linkages with health education and hygiene initiatives in selected critical watersheds. Education activities will be carried out in yet-undefined municipalities in Sonsonate through a proposed public-private development alliance.

Development Alliances

This IR will consider public-private alliances for the implementation of water delivery systems and watershed management and conservation, should acceptable proposals be received. Potential partners include municipal governments, the private sector, other international donors and non-government organizations.

Gender and Disability Issues

To the extent possible, indicator data will be desegregated by gender. Activity proposals will be directed to include gender planning as a part of implementation and will be included as selection criteria

for award. Implementer work plans will contain provisions for the encouragement and support of equitable gender balance within activity tasks, particularly including leadership roles for women in community groups, councils, and training activities. Efforts will be made to identify barriers to gender equity.

Environmental Considerations

An amended Initial Environmental Examination (LAC-IEE-04-62) is attached for your signature. No funds will be obligated until this IEE has been approved by the LAC Bureau Environmental Officer.

IV. RESULTS TO BE ACHIEVED

In accordance with the CAM Strategy and previously approved SO2 AAD, one of the SO level results anticipated by the end of this activity is the "Improved Management of a Critical Watershed." However, given the biodiversity focus, this result is amended to: *Improved Management and Conservation of Critical Watersheds*.

In order to more accurately define the expected results of the Activity, the Mission will implement the following program components:

1. *Conservation of Biodiversity in Critical Watersheds*
2. *Increased Access to Clean Water*
3. *Improved Natural Resource Management.*

Expected Results

The expected results by the end of the project are:

- Increase of \$5.2 million in farm sales per year for 4,000 farms (increased income for 20,000 total family members)
- Increased access to potable water for 50,000 people
- Increased access to sanitation through new or repaired latrines for 50,000 people and improved water resources for 330,000 people
- Generate \$60,000/year locally to be used for watershed conservation
- Directly improve environmental management of the three selected conservation areas through implementation of management plans, local generation of 75% of operating costs, and management of 30 protected areas by local organizations.
- Expand effective conservation areas by 30% (by adding new buffers zones and corridors)
- Improve management through implemented management plans in at least three protected areas (Apaneca-Lamantepec, El Imposible/Barra de Santiago and Los Cobanos) with 75% of operating costs covered by locally generated funds and 30 protected areas managed by local organizations
- Delineate 10,000 hectares of protected areas
- Increased conservation of six critical sub-watersheds (approximately 8,000 ha) through implementation of improved management practices
- Development of six watershed management plans, increased local awareness of importance of biodiversity and watershed management, and implementation of a watershed monitoring plan.
- Formation of three farmer associations.

V. DETAILED DESCRIPTION OF ACTIVITIES

Background

Despite severe environmental degradation, El Salvador still contains significant biological diversity and plays an important regional role in supporting migratory birds in transit. Direct threats to biodiversity include: deforestation (from agriculture and urbanization, fuelwood collection and fire); the small size and fragmentation of remaining forest which threatens plant and animal species; destructive fishing

practices and hunting and collection of threatened species. Indirect threats to biodiversity include: a growing population without access to sufficient economic resources; the lack of appropriate land use planning; and poor enforcement of regulations.

Local residents live both within, and adjacent to, protected areas, in the three target areas of the two selected watersheds. The new protected areas law approved in January 2005 acknowledges this situation, and provides use rights per norms that are being developed by MARN. The majority of the residents are farmers living below the poverty level. According to the most recent CATIE study¹, of the estimated 13,500 farms present in the Activity areas, 60% are less than three hectares and are used for subsistence cultivation of basic grains. Approximately 25% of these are coffee farms. Other activities in these areas will be identified in the land use studies that will be developed through the Activity.

Target Conservation Areas

The Apaneca–Lamatepec conservation area contains 24 important protected areas, including Los Volcanes, and is considered by the Salvadoran Ministry of the Environment to be the second most critical conservation area in the country. Most of this conservation area falls within the Rio Grande de Sonsonate watershed. Approximately 68% of the area (31,800 ha) is made up of coffee plantations. High altitude coffee, known for its quality, is grown in the area that connects the Complejo Los Volcanes with Parque El Imposible.

The El Imposible/Barra de Santiago is MARN's third most important conservation area, and is one of only five containing predominantly native species of vegetation. El Imposible is the largest national park in El Salvador and contains numerous threatened and endangered species, including the crested hawk-eagle, ocelot and margay. Barra de Santiago is one of the largest mangrove forests in the country, providing habitat to yellow-naped parrots and caimans, and is a breeding area for aquatic species. The Barra de Santiago appears to be suffering the effects (i.e. increased salination) of decreased river flows from the upper sub-watersheds of El Imposible as a result of poor water resource management.

Los Cobanos conservation area contains the only national reef system between Mexico and Costa Rica. Little information is available on the status of the coral reefs in Los Cobanos. In addition, dry forests, wetlands, and mangroves are also found in the upper Los Cobanos area.

Program Components in support of the IR 2.4 Improved Management and Conservation of Critical Watersheds, Sub IR 2.4.1 Improved End Use Management of Critical Watersheds.

In the first stage of the Activity, a risk mitigation assessment followed by supporting studies will be carried out for biodiversity, and which will also identify critical natural resources, within the two major watersheds. A prioritized list of the 43 protected areas will be prepared. Approximately six sub-watersheds will be selected based on a preponderance of protected areas and natural resources, potential for economic activity, and population density. In addition, the status of water demand and supply will be determined based on the current groundwater and demand studies being carried out by El Salvador's water authority, ANDA. Land use diagnostics will also be carried out, particularly within protected areas populated by squatters in target watersheds. The analysis will direct and prioritize the interventions listed below.

During implementation, incentives will be identified with residents to help ensure participation in the Activity. Preliminary incentives include: 1) technical assistance to increase farmer agricultural productivity and market access, while reducing economic and environmental costs through best practices (e.g., extension, demonstration farms, farmer associations, provision of recommended crop varieties and supplies), 2) increased access to potable water systems; 3) training in economic alternatives (e.g., handicrafts and ecotourism); 4) improved market access; 5) payment for environmental services, and 6) assistance in implementing the Ministry of Agriculture's "Bono Forestal"

¹ *Identification of Watersheds with High Economic Potential, Final Consultancy Report.* Centro Agronómico Tropical de Investigación y Enseñanza and catholic Relief Services presented to USAID/El Salvador, January 31, 2005.

program which provides financial incentives for tree plantations. These incentives will be tied to community conservation agreements, with communities assuming responsibility to undertake actions to conserve biodiversity. Biodiversity funds will be spent for communities located within protected areas, buffer zones or connecting corridors.

To achieve the expected results the following program components have been developed:

1. Conservation of Biodiversity in Critical Watersheds

The objective of the biodiversity component is to increase the survivability of plant and animal species in Activity areas. Assessments will identify human populations living within protected areas, their livelihood and impact. Destructive impacts will be addressed by promoting alternatives to agriculture, such as providing services to the protected areas, artisan markets, eco-tourism, and others depending on local markets. This component will also ensure that agricultural practices are as low impact as possible. Activity farming methods can be employed along with site specific interventions, such as tree plantations, that can improve biodiversity conditions.

Buffer zones and connecting corridors between protected areas will be chosen according to established criteria vetted in a participatory manner. These areas will be identified and managed by residents living in the zones. Farm management interventions that were highly successful under USAID's AGUA Activity may be employed here. The establishment of corridors between protected areas and protected area complexes will be an important result of this intervention. An important area is the region between the Los Volcanes protected area complex and the El Imposible park, characterized by high altitude shade coffee. The shade forest has created a natural corridor and a primary goal is its preservation and appropriate management. A green certification program will play a major role in insuring that the majority of farms in this corridor meet environmental management standards. Currently there are 44 certified farms covering 2,164 hectares. Another 66 farms of 4,171 hectares are in the process of certification. Additional efforts, to be identified in risk analysis, may be needed to maximize the effectiveness of the corridor for biodiversity.

Another important corridor is the region between the El Imposible Park and the Barra de Santiago mangrove system. The mangroves depend on freshwater generated in the upper areas of the watershed, including the park. There are seven rivers connecting the park with the mangroves. One of the most critical threats to the mangroves is that river flows are diminishing and in some cases disappearing altogether. The primary cause of this is thought to be diversion for irrigation. A natural corridor would be one or more of these rivers. Further study is needed to select which rivers and the optimum size/width of the corridor. The corridor would help insure the transfer of biological diversity as well as critical water resources.

Participant farms in the farmer-to-farmer extension program will be utilized to "bridge" these areas, employing management plans, best practices, and farmer associations. Conflicts over water use can also be more effectively communicated and resolved. No approved corridors currently exist in El Salvador, and there are few in the region, so the establishment of viable mechanisms is critical.

Buffer zones will also be selected and developed to increase the effective size of protected areas, provide protection from outside threats, and insure the conservation of specific regions essential to the protected areas. Of interest is the Tacuba area above the El Imposible Park that generates large portions of water the park uses. Tacuba is one of the poorest areas of El Salvador and destructive human practices within the watershed have been degrading this area for years. Inhabitants of the El Imposible watershed are beginning to suffer the consequences of reduced stream flows. Activity interventions can help insure that the Tacuba area adopts more effective farm practices that increase water flows while increasing local income.

Protection and management of the protected areas imbedded in these watersheds will be improved through the reduction of further encroachment within and around selected protected areas, appropriate land-use activities in buffer zones, the reduction in illegal harvesting, hunting or collection of threatened

and endangered species, implementation of appropriate management activities, and development of staff capacity to protect the area from harmful human use. Technical assistance will be provided to MARN to produce land use maps and surveys of boundaries of some target protected areas for MARN's use in officially delineating protected area boundaries with Centro Nacional de Registros (CNR). USAID will provide no direct assistance to CNR, ISTA or be involved in land titling. MARN will then be able to apply the Environmental Law or Protected Area Law to better protect and manage these areas.

2. Increased access to clean water

Provision of sustainable clean water systems will be a primary mechanism for generating revenues for conserving Activity watersheds, based on the model provided in the previous AGUA Activity. Approximately 60% of rural inhabitants of target areas do not have access to clean water.

USAID will provide design and management services to facilitate the financing and implementation of water system infrastructure and will help link these systems to conserving upstream water sources through the development of a watershed management fund. USAID will not finance water and sanitation infrastructure but will mobilize other resources to do so.

Technical support will be given to facilitate new and rebuild existing rural water systems in need of diagnostic, repair and administrative improvements. The principal cause of failed rural water systems is technical issues related to pumping or because of administrative inadequacies. Support will include design, construction management and administrative training for new systems. Rehabilitated systems will receive diagnostics, training, and the provision of some equipment to insure operational sustainability in areas such as water metering/administration, disinfection and maintenance. This equipment is not expected to exceed 5% of the total system value. USAID funding will strive to leverage local contributions at a rate of five to one. Environmental education and training in business administration technical support will help insure that each system has the capacity to support water source conservation. In addition, new water systems will be facilitated where appropriate. Water storage for small-scale irrigation will also be considered depending on the likelihood of financing.

Communities, municipal governments, ANDA, the Salvadoran Social Investment Fund (FISDL) and other donors are expected to provide 80% of the required funding to build or repair approximately 32 water systems, and provide clean water access to 50,000 people. Private financing will likely cover some capital costs. For example, private banks could provide loans to municipalities to build water systems as Scotia Bank has done in the past with municipalities. USAID's DCA loan guarantee incentive may also be used. In this case, the water system could be a privately operated business and as a small or medium enterprise could use a DCA loan to finance part of the water system. Selection criteria for the application of this specific incentive include the existence or ability to obtain proper sanitation infrastructure, location within a critical watershed area, protected area buffer zone or corridor, community willingness to participate and support project objectives, and local financial support. Project funds will not be spent for construction materials.

As a condition of assistance, community water systems will be required to include a line item in monthly service charges for conservation of the watershed, a practice that worked well with USAID's AGUA Activity. By the end of this Activity, this water tariff is expected to generate up to \$60,000 annually for watershed conservation, which will be under the control of legally established WSOs.

MARN is drafting a water law that will provide the legal mechanism for the formation, operation and financing of watershed organizations (WSO). WSOs will be formed in selected sub-watersheds to build local management capacity, coordinate activities and help protect biodiversity. The WSOs will be core stakeholders in the process of developing and implementing conservation area plans with MARN. Watershed organization representation will include local farmers, water system administrators, municipal councils, national agencies for health, water, and agriculture, other development actors, and the private sector. The watershed organization will serve a primary role as a communication forum for water users and to assist in voluntary enforcement and compliance at the local level. Voluntary

enforcement and compliance at the local level will be possible through WSOs supporting municipal ordinances, monitoring, and reporting infractions. The WSOs will help with the transfer of information and create a community of support for behavioral changes.

The recent passage of CAFTA, along with its side agreement, the Environmental Cooperation Agreement (ECA), provides GOES an incentive to move quickly on environmental policy issues in order to stay compliant. The approval of the new Protected Areas Management law in February 2005, exemplifies this and provides an excellent opportunity to achieve significant impact. Use norms are required to regulate the activities of people living within protected areas and MARN is currently developing these. A participatory process, incorporating WSO input, could result in public buy-in to appropriate norms for use, and increase the effectiveness of the watershed management plans being developed and implemented through the Activity. If technical assistance in this area is requested, USAID could provide this assistance.

Each WSO will develop and implement a management plan that will identify critical needs, organization members, principal risks to the watershed, including biodiversity threats to protected areas, mitigation measures, and means of financial support.

Increased demand for water can create disputes over appropriate land use and ownership. The WSOs can play a role in the implementation of studies, hiring environmental promoters, managing watershed data, and distributing information to mitigate such disputes. Additionally, they can associate themselves with other WSOs in the country to influence broader initiatives such as national policy reform. These groups are essential to building long-term, broad-scale commitment to the landscape level conservation necessary to protect the highly fragmented biodiversity. The formation and administration of these organizations will be based on the successful model provided by USAID's AGUA Activity.

3. Improved Natural Resource Management

In order to reduce the degradation of watershed resources, which impact on the availability of clean and abundant water, residents will be trained in best agricultural practices through a farmer-to-farmer extension program. Destructive practices related to subsistence farming will be replaced with diversified, managed and environmentally friendly methods for 4,000 farms and 8,000 hectares. Approximately 400 farms will be selected as demonstration sites and those farmers will be trained to provide extension services and training to around nine neighboring farms. Each demonstration farm site will be selected based on proximity to protected areas and criteria that measure the potential of generating natural resources such as water and timber, current destructive land use practices, and the area's hydrologic influence on large population centers.

Best practices will include enrichment planting and reforestation, biodiversity risk mitigation, habitat improvement, soil and water conservation, integrated pest management, alternative land clearing methods, and crop diversification. Participant farmers will receive business oriented, farm management training. Farm plans will be used by each farmer to organize interventions and to track outcomes, sales and expenditures. Farmer associations will be formed to improve efficiency and sustainability of individual farms, a methodology that was successful in USAID's AGUA Activity. It is expected that each buffer zone and/or corridor will form associations of participant farmers to plan interventions, receive training and maintain focus on principal objectives.

Shade coffee farms will be a major focus of best practice activities at altitudes that produce quality coffee, above 800 meters, particularly the Los Volcanes and El Imposible corridor. A green certification program will be an important component of this Activity, providing market incentives to coffee farms in these areas in return for certification. Certification will require that farms carry out only approved practices that minimize habitat destruction and conserve the shade forest. Depending on the results of threat analysis it may be necessary to implement mitigation measures in addition to those required by certification such as enriching the shade canopy with tree species more conducive to local biodiversity. Farm diversification at lower altitudes, such as potential corridors between the Imposible and Barra de Santiago conservation areas and in lower areas of Sonsonate, will be promoted using the farmer-to-

farmer program with emphasis on diversification. The goal with these farms is the conservation of the shade forests, which benefits watershed management and many plant and animal species.

The threats analysis will define specific technical assistance regarding best practices for other economic activities to be undertaken, involving other alliance opportunities with partners such as the DCA for cleaner production and a green certification program.

Given low levels of environmental knowledge among local residents and their government representatives, targeted outreach campaigns will focus on providing the information necessary to raise comprehension of ecological processes and linkages with their economic well-being. The "RARE" (an NGO dedicated to awareness and training) model of participatory environmental outreach activities will be implemented to help instill pride, change attitudes, and lead to behavioral changes. Pre- and post-campaign attitude surveys and behavioral measures will be used to measure effectiveness.

The Activity will seek synergies with other USAID programs (e.g., Agritech21, Expro, ATA) to identify appropriate sustainable economic alternatives (e.g., organic vegetables, and flowers/herbs, ecotourism, handcrafts, agroforestry) for assisted farmers. Assistance will be aimed at farmers and local business associations to strengthen their technical, marketing, production, and processing capacities leading to increase sales either for domestic or export markets.

USAID/Washington Support

Technical assistance may be requested from EGAT regarding biodiversity interventions, conservation finance and forestry.

Sustainability Assumptions

This IR will develop and support sustainable use of natural resources and the conservation of biodiversity conservation. This will be accomplished by reducing environmentally degrading activities within critical watersheds, and through improved management practices in and around protected areas. The sustainability of these interventions is directly dependent on the provision of economic incentives for local participation, and the generation and investment of local financing for conservation efforts.

It is assumed that through interventions under this IR, 1) communities managing water delivery systems facilitated by this IR will pay tariffs destined for watershed conservation, 2) watershed management practices will improve, 3) threats to biodiversity will be reduced, 4) local organizations will use generated income to carry out conservation efforts, and 5) residents will increase their personal income and net worth.

The recently created protected areas law provides for the development of operative plans for protected areas in the absence of regulations to the law. These plans will be developed and approved at the ministry level. MARN is moving forward with the development and passage of the regulations but does not consider a lack of regulations to be an obstacle to management of the protected areas.

Human residence within protected areas is regarded as a threat in of itself and should be kept to an absolute minimum. However, since most protected areas have not been managed or even monitored for 20 years, it is likely that human residence has occurred. Activity funded assessments will determine the magnitude of human populations living within protected areas, their livelihood and impact on biodiversity. Appropriate mechanisms will be established to mitigate these impacts within protected areas. The desired results of these mechanisms are the reduction of human inhabitation, the reduction or elimination of agriculture as a livelihood, and the reduction or elimination of destructive agricultural practices. While MARN has made it clear that protected area residents have no right to permanently inhabit the protected area lands or to pass them on to descendents through inheritance, no relocation efforts will be funded under this Activity.

Payment for environmental services (PES) provided through the maintenance of forest cover (such as water quality and abundance, fisheries productivity, carbon sequestration, biodiversity conservation, etc.) is a relatively new concept that is gaining acceptance. In essence, land owners are paid for maintaining these environmental services. This is another option for sustainable financing that could be explored under this Activity.

V. IMPLEMENTATION AND MANAGEMENT PLAN

Result 4: Improved Management and Conservation of Critical Watersheds (IR2.4)

Budget and Use of Earmarks/Directives

The current design assumes that a level of two-thirds biodiversity funds and one-third natural resource management funds will be maintained throughout life of activity. Biodiversity funds will be outside the biodiversity sub-IR where certain activities are coded as partially or fully supporting biodiversity objectives.

<u>Program Components</u>	<u>Amount (U.S.\$)</u>
1. Conservation of Biodiversity in Critical Watersheds	4,735,000
2. Increased Access to Clean Water	1,810,000
3. Improved Natural Resource Management	<u>2,455,000</u>
Subtotal	9,000,000
USAID Management (Staffing, Support and Evaluations) (a)	<u>1,500,000</u>
TOTAL	<u>10,500,000</u>
(a) Includes \$7,200 FY 2005 Environmental Travel Authority	

Procurement Instruments

The El Salvador Mission needs to have strong oversight and control over the activities in order to achieve the goals and objectives. The Mission has reviewed available contracting options and current IQCs. A \$9 million task order under the Water IQC II will be issued for all of the major activities of this IR. The IQC mechanism is expected to field a project implementation team composed of a Chief of Party, a watershed management specialist, and a biodiversity specialist. This team will be responsible for sub-contracting and supervising local organizations to carry out direct implementation. The USAID CTO will be a key member of the team and will participate in sub-contracting, work plan development, and provide general direction. Examples of possible local organization sub-awardees are Salvanatura, World Vision, CATIE, CARE, Project Concern International, Fundamuni, Sacdel, Catholic Relief Services, ICCA (an agricultural extension NGO) Camagro, Cooperative Housing Foundation, The Nature Conservancy, WCS, WWF, and Conservation International.

Key Partners

Ministry of Environment and Natural Resources, municipal governments/FISDL, the United Nations International Agricultural Development Fund (PREMODER project, SALVANATURA, the World Conservation Union, the Ministry of Agriculture (MAG - Bono Forestal project), AMS, World Bank/Global Environment Fund (GEF), and Ahuachapan en Marcha. Potential financial resources include payments from downstream water systems and other users, the Ministry of Agriculture Bono Forestal, visitor payments, the UNDP's Equator Ventures loan program, and managed resources harvesting. A green certification program will be explored as a measure to enhance the effectiveness of participant coffee farms to conserve and protect biodiversity in areas in and outside of the primary target area.

Procurement Restrictions

Restrictions already detailed in the original AAD and the attached assistance checklist will be adhered to. The purpose of this provision is to ensure that none of the interventions to be funded under this IR will contain activities that would violate any U.S. legal restrictions.

VI. Consultation Process

The watershed development interventions were prepared based on discussions with environmental NGOs, MARN, ANDA, the Biodiversity and Tropical Forestry Analysis prepared by Chemonics, and previous evaluations undertaken of the watershed program. In addition, the Mission coordinated closely the regional environmental program and the EGAT Biodiversity Team.

VII. Staffing and Program Management

All interventions under this IR can be managed by one U.S. direct hire and one FSN.

A steering committee composed of USAID, prime contractors, the Ministry of Environment, the Ministry of Agriculture, and ANDA will be formed and will provide input on Activity direction and annual work plans.

VIII. Performance Monitoring Plan/Monitoring and Evaluation

At the SO level, USAID/EI Salvador will use the new Agency-wide program component indicators being developed, including for biodiversity. USAID/EI Salvador will develop an Activity-specific Performance Management Plan (PMP) with indicators, baseline data and targets for the IR level. For this IR the Mission will periodically revise expected results in terms of impacts on management and conservation of target watersheds. In addition, the contractor for this IR will be required to report on program activities and impacts and provide performance data on selected indicators.

Potential Indicators may include:

- Sales for participating farmers in the selected areas
- Number of people with access to clean water in the selected areas
- Surface water abundance and/or aquifer levels
- Number of hectares under improved land use practices
- Funds paid for conserving protected areas and critical watersheds
- Number and size (area) of corridors and buffer zones, and increase in effective size of protected areas
- Implementation of land use management plans for protected areas and sub-watersheds within selected areas
- Population and distribution of selected keystone, threatened or indicator species within the selected areas.

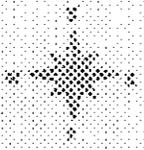
IX. Financial Plan

The total estimated cost for this IR over a four-year period (FY 2006 – FY 2009) is \$10.5 million of which \$9 million is for program interventions. The \$10.5 million will be obligated through annual amendments to the Strategic Objective Grant Agreement for Economic Freedom (519-022) signed with the Government of El Salvador in September 2004. A summary of planned obligations schedule and projected costs are presented in Table 1.

The expected GOES counterpart contribution based on one third of program costs (\$3 million) is: MARN - \$1.7 million; MAG - \$0.4 million; and ANDA - \$0.9 million.

X. Annexes

- Maps showing IR 2.4 watersheds and protected areas
- Financial Tables – (Obligations, Expenditures, Management Costs).



El Salvador Selected Watersheds and Protected Areas

Guatemala

Honduras

Pacific Ocean

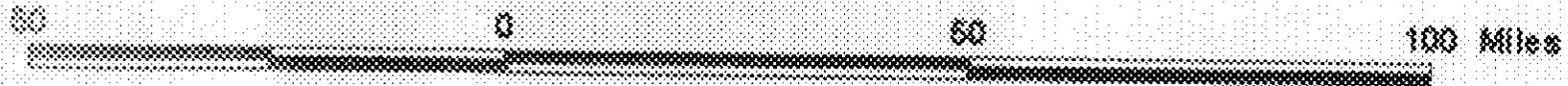
El Salvador Vector

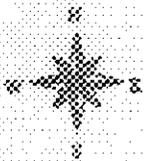
Selected Watersheds and Protected Areas

- El Estero
- El Estero Aguacatal
- El Estero
- El Estero
- El Estero Aguacatal
- El Estero

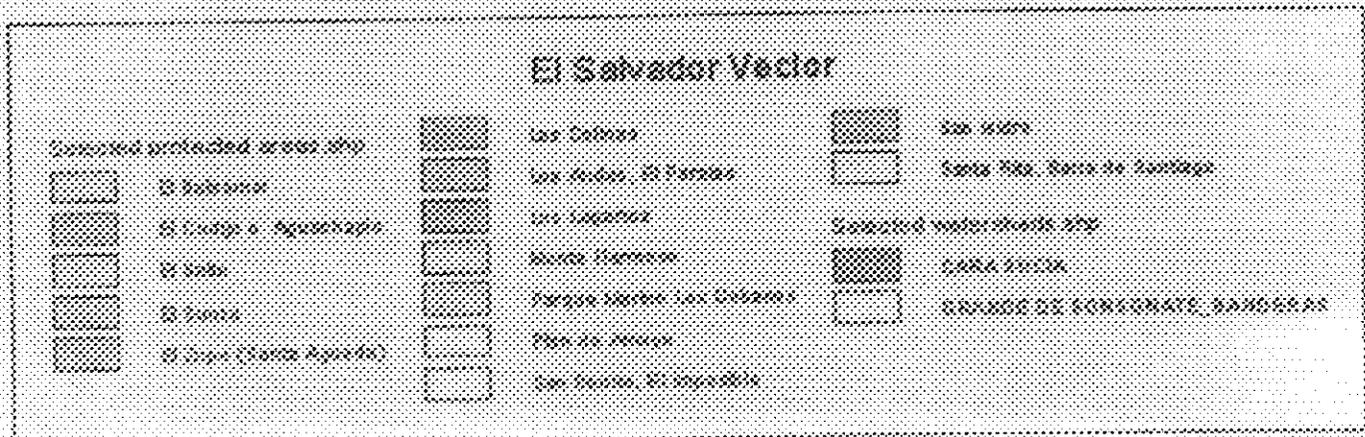
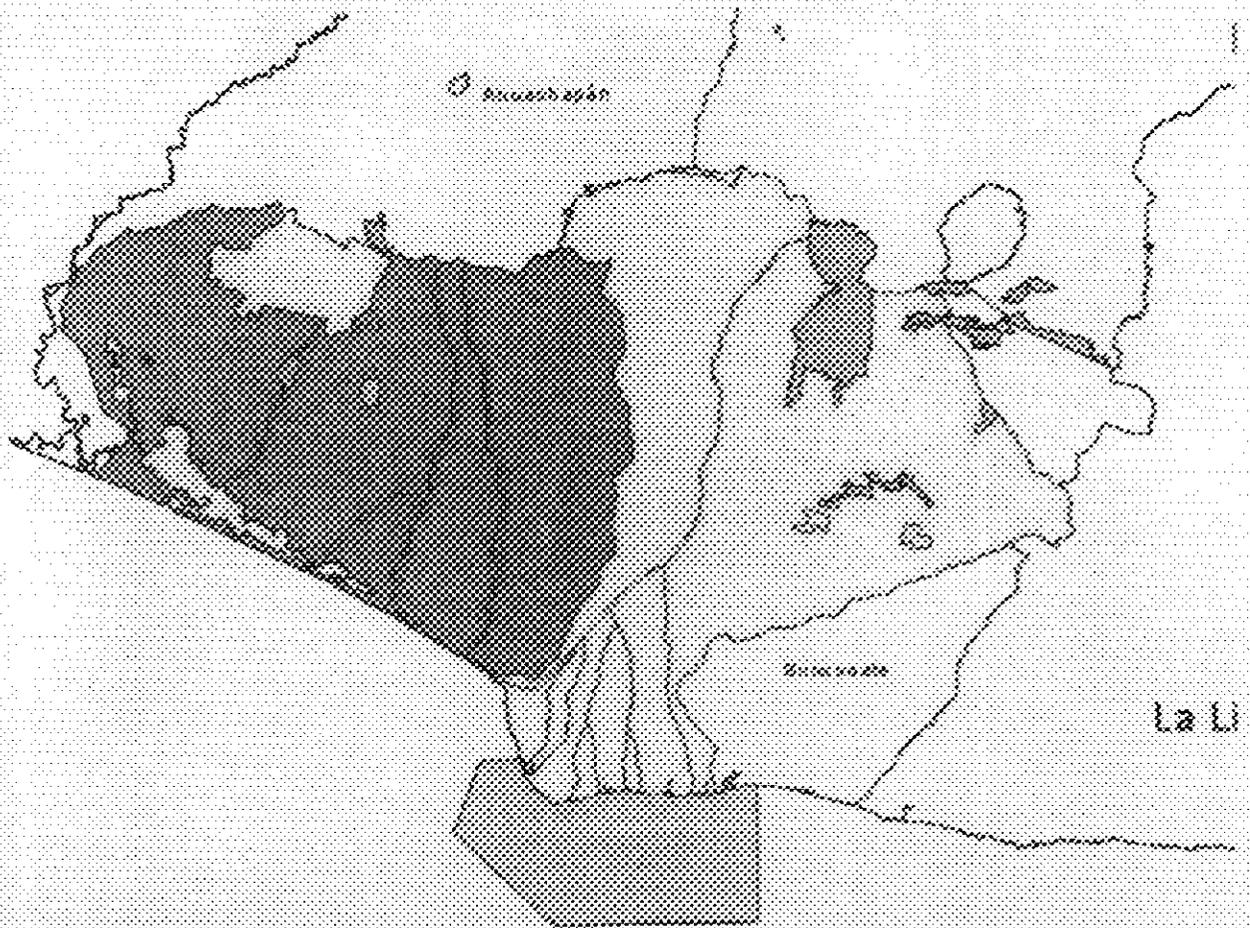
Selected Watersheds

- Selected Watersheds





USAID Close up Selected Work Area



**FINANCIAL TABLE
PROJECTED EXPENDITURES BY COMPONENTS**

STRATEGIC OBJECTIVE ECONOMIC FREEDOM: OPEN, DIVERSIFIED, EXPANDING ECONOMIES

USAID ACTIVITY No. 519-0462 "Economic Growth for the 21st Century (CRECER 21)"

IR 2.4 "Improved Management and Conservation of Critical Watersheds"

(U.S. DOLLARS)

	FY-2005	FY-2006	FY-2007	FY-2008	FY-2009	TOTAL
PROGRAM COMPONENTS						
		1,780,000	2,346,975	2,402,808	3,570,337	9,000,000
Conservation of Biodiversity in Critical Watersheds		937,219	1,183,088	1,265,086	1,349,609	4,735,000
Increased access to clean water		357,716	451,520	482,853	517,911	1,810,000
Improved Natural Resource Management		485,145	512,369	654,369	702,617	2,455,000
USAID staffing (*)	7,200	357,000	707,000	873,000	390,000	2,504,200
TOTAL	7,200	2,437,480	2,611,673	2,725,908	2,960,337	10,500,000

(*) Includes \$7,200 for Environmental Travel Authority

**FINANCIAL TABLE
PLANNED OBLIGATIONS, EXPENDITURES AND PIPELINE**

**STRATEGIC OBJECTIVE "ECONOMIC FREEDOM: OPEN, DIVERSIFIED, EXPANDING ECONOMIES"
USAID ACTIVITY No. 519-0462 "Economic Growth for the 21st Century (CRECER 21)"
IR 2.4 "Improved Management and Conservation of Critical Watersheds"
(U.S. DOLLARS)**

	FY-2005	FY-2006 (Control)	FY-2007 (Base level)	FY-2008	FY-2009	TOTAL
Beginning Pipeline	0	3,948,256	3,974,776	3,520,101	2,960,737	
+ Obligations	3,955,456 (1)	2,154,000	2,164,000	2,218,544	0	10,500,000
= Total Available	3,955,456	6,112,256	6,138,776	5,738,645	2,960,737	
- Planned Expenditures	7,200	2,137,480	2,618,675	2,775,900	2,960,737	
= Ending Pipeline	3,948,256	3,974,776	3,520,101	2,960,737	0	0

(1) Planned Obligation FY 2005: \$3,984,000 minus \$15,000 de-obligated for Peregrine Fund (WA's request), and \$13,544 OAGB/direct for IT cost recovery. Includes \$2.6 million in Biodiversity earmark.



ECONOMIC FREEDOM PROGRAM RESULTS FRAMEWORK FY 2004-FY 2009

USAID State Goals: Private sector-led growth, macro-economic stability and poverty reduction, enhanced food security and agricultural development, increased trade and investment, secure and stable financial and energy markets, and partnerships, initiatives and treaties that protect the environment.

USAID State Performance Goals: 1) ensure, law, and/or the other private sector-led growth, macro-economic stability, and poverty reduction; 2) increased macro-economic stability and growth through increased international investment and better integration of developing countries into the trading system; and 3) Partnership, initiatives, and implemented international treaties and agreements that protect the environment and promote efficient energy use and sustainable technologies.

Economic Freedom: Open, Diversified Expanding Economies

SD Indicators:

- Exports as percentage of GDP
- Growth Competitiveness Index Score

IR 1: Laws, Policies and Regulations that Promote Trade and Investment

- 1.1 Improved capacity to negotiate and implement trade agreements
- 1.2 Reduced barriers to trade, investment, and traded intellectual property
- 1.3 Commercial laws and regulations more consistent with WTO international commitments and trading partners

IR 2: More Competitive, Market-Oriented Private Enterprises

- 2.1 Increased access to market information and business management and technical assistance
- 2.2 More competitive business climates and improved business practices through use of market participation technologies
- 2.3 Increased access to technology and market services

IR 3: Broader Access to Financial Markets and Services

- 3.1 Increased access to rural financial services
- 3.2 More productive use of remittances

IR 4: Improved Management and Conservation of Critical Watersheds

- 4.1 Improved water use management of critical watersheds

STRATEGIC OBJECTIVE ECONOMIC FREEDOM: OPEN DIVERSIFIED, EXPANDING ECONOMIES
ACTIVITY NO. 519-0462 ECONOMIC GROWTH FOR THE 21ST CENTURY (CREER 21)
REVISED LIFE OF ACTIVITY FUNDING AND OBLIGATION SCHEDULE (U.S. \$000)

RESULTS	CURRENT LOA (1)	CHANGES TO LOA (1)	REVISED LOA	OBLIGATIONS					Counterpart Contribution
				Actual FY 04	Planned FY 05	Planned FY 06	Planned FY 07	Planned FY 08	
1. Laws, Policies, and Regulations that Promote Trade and Investment	11,300	0	11,300	4,230	3,110	2,150	1,150	840	2,670
1. Implementation of key requirements of CAFTA and other trade agreements	3,650	0	3,650	1,800	650	600	300	250	1,300
(a) Administration of rules of origin and instituting a risk management system	1,300	0	1,300	800	350	300	200	150	
(b) Strengthening the capacity to address selected SPS standards	1,750	0	1,750	800	300	300	150	100	
2. Removal of barriers to expanding public and private sector investments and increasing exports	3,150	0	3,150	900	200	550	800	400	1,050
3. Promotion of fiscal policy reform leading to increased tax collection	4,350	0	4,350	1,700	1,500	600	200	100	1,400
4. Baseline and row strategy development	500	0	500	150	100	100	150		
2. More Competitive, Market-Oriented Private Enterprises	37,200	0	37,200	8,650	8,650	5,350	6,950	8,500	3,530
1. Export Promotion and Technology Program II (EXPROTECH2)	18,200	0	18,200	4,300	5,450	3,500	2,850	3,300	900
(a) USAID EXPROTECH2 Extension	4,700	0	4,700	3,700	1,000	-	-	-	140
(b) Handicraft sector Development Extension	500	0	500	500	-	-	-	-	
(c) USAID EXPROTECH2	13,100	0	13,100	-	4,450	2,500	2,850	3,300	900
2. Agriculture Development, Marketing and Technology (USAID AgrTech)	14,800	0	14,800	2,450	2,450	2,050	2,300	4,350	1,550
(a) USAID IDEA Extension	1,800	0	1,800	1,800	-	-	-	-	
(b) USAID AgrTech2	11,800	0	11,800	800	3,000	2,050	2,300	4,350	1,550
(c) USAID AgrTech2	1,000	0	1,000	550	450	-	-	-	
(d) Sanitary and Phytosanitary Extension	200	0	200	200	-	-	-	-	
3. Improved enterprises processes through cleaner production and energy efficiency	2,100	0	2,100	500	300	400	500	350	750
4. Small scale infrastructure	2,000	0	2,000	450	400	450	400	550	735

STRATEGIC OBJECTIVE ECONOMIC FREEDOM: OPEN DIVERSIFIED, EXPANDING ECONOMIES
 ACTIVITY NO. 519-0462 ECONOMIC GROWTH FOR THE 21ST CENTURY (CRECER 21)
 REVISED LIFE OF ACTIVITY FUNDING AND OBLIGATION SCHEDULE (U.S. \$000)

RESULTS	CURRENT LOA (1)	CHANGES TO LOA (1)	REVISED LOA	OBLIGATIONS					Counterpart Contribution
				Actual FY 04	Planned FY 05	Planned FY 06	Planned FY 07	Planned FY 08	
3. Broader Access to Financial Markets and Services	5,000	0	5,000	2,500	1,500	900	800	300	
1. Financial Institution Strengthening to increase SME lending	5,000	0	5,000	2,500	1,200	800	800	300	
(a) Micro Finance Institution Strengthening (FOKBR II)	1,000	0	1,000	1,000	-	-	-	-	
(b) Micro Finance Institution Development	750	0	750	500	350	-	-	-	
(c) SME Financial Product Development/Finance Institution Risk Mitigation	3,250	0	3,250	935	950	800	800	300	
2. LCA loan portfolio guarantee	300		300	-	300	-	-	-	
4. Improved Management and Conservation of Critical Watersheds	9,000	(600)	9,000	-	3,600	1,800	1,735	1,868	3,000
1. Conservation of Biodiversity in Critical Watersheds	-	4,735	4,735	-	1,297	949	913	976	
2. Increase Access to Clean Water	-	1,810	1,810	-	725	363	349	373	
3. Improved Natural Resource Management	-	2,455	2,455	-	984	492	479	505	
4. Program interventions	9,000	(9,825)	-	-	-	-	-	-	
5. USAID Management, Assets and Evaluations	4,000	0	4,000	100	1,200	1,124	1,400	1,508	
SUBTOTAL	69,300	0	69,300	15,499	18,238	11,228	11,328	13,187	10,300
Field Support - Global Water Partnership	300		300	300	-	-	-	-	
GRAND TOTAL	69,600	0	69,600	15,800	18,238	11,228	11,328	13,187	10,300

Notes:

(1) Source: Action Memorandum signed by the Mission Director on June 7, 2005.

III. ASSISTANCE CHECKLIST

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

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

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

Part A. Planning (in alphabetical order)

1. **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 AIS Template (<http://www.usaid.gov/policy/ads/200/200sbi.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.

Please comment.

THIS PROVISION DOES NOT APPLY.

2. **AGRICULTURAL ACTIVITIES (BUMPERS AMENDMENT).** (FY 2005 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 the activity:
 - (a) Is 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) Is a research activity intended primarily to benefit American producers.

Is this restriction applicable? Please comment.

NO CRECER 21 ACTIVITIES/INTERVENTIONS WILL DIRECTLY COMPETE WITH UNITED STATES AGRICULTURAL PRODUCTION. IMPLEMENTERS WILL BE DIRECTED TO COMPLY WITH THE BUMPERS AMENDMENT.

3. **COMMUNIST ASSISTANCE.** (FAA Sec. 620(h)). Arrangements should be made to ensure 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 any country that is a Communist country for purposes of FAA section 620(f).

Please comment.

THIS RESTRICTION 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 2005 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 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 is not to preclude assistance for the informal sector including micro and small-scale enterprise and smallholder agriculture.

Please comment.

PROVISION (1): THE CRECER 21 ACTIVITY IS RESTRICTED FROM PROVIDING ANY ASSISTANCE THAT WILL INDUCE ANY U.S. BUSINESS TO RELOCATE IN EL SALVADOR. THE CONTRACTORS AND GRANTEEES THAT IMPLEMENT CRECER 21 WILL BE GIVEN INSTRUCTIONS IN THEIR CONTRACTS OR AGREEMENTS THAT PROHIBIT SUCH ACTIONS. FURTHER, IMPLEMENTORS, WILL BE REQUIRED TO CONDUCT MARKET BASED ANALYSIS ON A PRODUCT BY PRODUCT BASIS TO BE SURE THAT THE PROGRAM IS IN COMPLIANCE WITH THESE RESTRICTIONS. IMPLEMENTERS WILL ALSO BE REQUIRED TO MAINTAIN COPIES OF THIS ANALYSIS AND MAKE THEM AVAILABLE FOR INSPECTION AND FOR END USE MONITORING. PROVISION (2): PLANNED INTERVENTIONS UNDER THE CRECER 21 ACTIVITY DO NOT CONTRIBUTE TO THE VIOLATION OF INTERNATIONALLY RECOGNIZED RIGHTS OF WORKERS IN THE RECIPIENT COUNTRY. THE MISSION IS NOT AWARE OF ANY

COMPLAINT OR NOTIFICATION OF VIOLATION UNDER OTHER USAID ACTIVITIES THAT PROVIDE ASSISTANCE TO THE INFORMAL SECTOR, MICRO, SMALL, OR MEDIUM-SCALE ENTERPRISE.

(b) **PRODUCTION OF SURPLUS COMMODITIES.** (FY 2005 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 PROVISION DOES NOT APPLY.

5. **ENVIRONMENT.**

(a) **ENVIRONMENTAL REVIEW.** (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.

NO FUNDS WILL BE OBLIGATED UNTIL THE BUREAU ENVIRONMENTAL OFFICER (BEO) HAS APPROVED THE IEE.

(b) **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.

(c) **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.

IMPLEMENTORS WILL BE INFORMED THAT THEY MAY NOT SUPPORT THE USE OR TRADE IN TROPICAL FOREST WOOD PRODUCTS OR PRODUCTS FROM NATIONAL PARKS OR LEAD TO THE CONVERSION OF TROPICAL FOREST LANDS TO AGRICULTURE USE. NO SMALL SCALE INFRASTRUCTURE ACTIVITY WILL BE APPROVED THAT RESULTS IN THE CONSTRUCTION OF ANY INFRASTRUCTURE THAT DEGRADES OR DESTROYS TROPIC FORESTS.

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 2005 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.
- (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 2005 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.

8. **INTERNATIONAL CONFERENCES.** (FY 2005 Act Sec. 540, 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 THE CRECER 21 ACTIVITY WILL BE USED TO PAY FOR THE PARTICIPATION OF A GOVERNMENT 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 ORIGINAL SOAG AND THE AMENDMENT TO INCORPORATE THE FULL DESCRIPTION OF PROGRAM INTERVENTIONS UNDER IR 4 – IMPROVED MANAGEMENT AND CONSERVATION OF CRITICAL WATERSHEDS 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.

NO LOANS FOR ANY PRODUCTIVE ENTERPRISE WILL BE PROVIDED UNDER CRECER 21.

11. **MILITARY PURPOSES.** (FAA Sec. 531(e)). Congress has explicitly provided that ESF funds may not be used for military or paramilitary purposes (e.g., combat training programs and exercises or support for the military).

Is this restriction applicable? Please comment.

THIS PROVISION DOES NOT APPLY.

12. **POLICE AND PRISONS.** (FAA Sec. 660). Assistance may not be used to provide training, advice, or any financial support for police, prisons, or other law enforcement forces (see exceptions in sections 660, 119 and 534 of the FAA; Section 536 of the FY 2004 Act (permanent provision of law); Sections 534(a) (only with regard to Afghanistan), 534(g) (extends 660(b)(6) to regional activities), and 564 (community-based police assistance) of the FY 2005 Act).

Is this restriction applicable? Please comment.

THIS PROVISION DOES NOT APPLY.

13. **PUBLICITY, PROPAGANDA, AND LOBBYING.** (FY 2005 Act Sec. 539; Anti-Lobbying Act, 18 U.S.C. 1913). Assistance may not be used, intended, or designed to influence a Member of Congress, a jurisdiction or any official of any government in the United States, to favor, adopt, or oppose, by vote or otherwise, any legislation, law, ratification, policy, or appropriation; 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.¹ There are some exceptions to this general rule; please consult your ACG or RLA.

Is this applicable? Please comment.

THIS PROVISION DOES NOT APPLY.

14. **RESTRICTIONS ON VOLUNTARY CONTRIBUTIONS TO U.N. AGENCIES.** (FY 2005 Act Sec. 502). Assistance may not be used to pay any voluntary contribution of the United States to the United Nations (including the United Nations Development Program) if the United Nations implements or imposes any taxation on any United States persons. [New provision for FY 2005]

Is this restriction applicable? Please comment.

THIS PROVISION DOES NOT APPLY.

Part B. Congressional Notifications

1. **GENERAL NOTIFICATION.** (FY 2005 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. FY 2005 OBLIGATION FOR THIS ACTIVITY WAS SUBMITTED TO USAID/WASHINGTON THROUGH THE FY 2006 CONGRESIONAL BUDGET JUSTIFICATION (CBJ), WHICH EXPIRED WITHOUT OBJECTION ON APRIL 22, 2005. THEREFORE, FUNDS MAY BE OBLIGATED FOR THIS ACTIVITY.

2. **SPECIAL NOTIFICATION.** For activities, countries, and other actions requiring special notification see the Annex, "Changes Made by the FY 2005 Foreign Operations Appropriations Act to Current Law."

Is this applicable? Please comment.

THIS PROVISION DOES NOT APPLY.

¹See also GC Memorandum dated 5/9/97 by Jan Miller discussing OMB Circular A-122 restrictions regarding lobbying and other advocacy activities.

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, including the DFA Procurement Guidance. If planning procurement elsewhere, a waiver must be obtained.

Please comment.

THE AGREEMENT PROVIDES PROCUREMENT FROM THE UNITED STATES (GEOGRAPHIC CODE 000) AND, IN ACCORDANCE WITH LOCAL PROCUREMENT POLICY, FROM EL SALVADOR. SHOULD PROCUREMENT FROM ELSEWHERE BECOME NECESSARY, WAIVERS WILL BE OBTAINED IN ACCORDANCE WITH AGENCY NORMS AND REGULATIONS.

- (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 the U.S., unless a waiver is obtained.

Please comment.

ALL POSSIBLE VEHICLES WILL BE PURCHASED FROM U.S. MANUFACTURERS UNLESS NOT DEEMED APPROPRIATE, WHEREFORE PROPER WAIVERS WILL BE OBTAINED.

- (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.

BASED ON THE DEFINITION OF AGRICULTURAL COMMODITIES SET FORTH IN ADS E3.12.5.3a, NO AGRICULTURAL COMMODITIES OR PRODUCTS WILL BE FINANCED UNDER CRECER 21.

- (d) **CONSTRUCTION OR ENGINEERING SERVICES.** (FAA Sec. 604(g)). No engineering or construction services may be procured from advanced developing countries² eligible under Code 941 that have attained competitive capability in international markets, *unless*:

² While GC has not formally defined the term "advanced developing countries," GC has considered both World Bank and OECD/DAC definitions of that phrase. Any questions should be brought to the relevant regional AGC.

- (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.

2. **CASH TRANSFERS – REQUIREMENT FOR SEPARATE ACCOUNT.** (FY 2005 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.

THIS PROVISION DOES NOT APPLY.

- (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.

THIS PROVISION DOES NOT APPLY.

- (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.

THIS PROVISION DOES NOT APPLY.

4. **ASSISTANCE GENERATING LOCAL CURRENCY.** (FY 2005 Act Sec. 529(a)). If assistance is furnished to a foreign government under arrangements that result in the generation of local currencies, then:
- (a) USAID must:
 - (1) Require that local currencies be deposited in a separate account established by the recipient government;
 - (2) Enter into an agreement with that government providing the amount of local currencies to be generated and the terms and conditions under which the currencies so deposited may be utilized; and
 - (3) Establish by agreement the responsibilities of USAID and the host government to monitor and account for deposits into and disbursements from the separate account.
 - (b) Local currencies, or an equivalent amount of local currencies, can be used only to carry out the purposes of the Development Assistance or Economic Support Fund chapters of the FAA (depending on which chapter is the source of the assistance) or for the administrative requirements of the United States Government.
 - (c) USAID should take all necessary steps to ensure that the equivalent of local currencies disbursed from the separate account is used for the agreed purposes.
 - (d) If assistance is terminated to a country, unencumbered balances of funds remaining in a separate account should be disposed of for purposes agreed to by the recipient government and the United States Government.

Please comment.

THIS PROVISION DOES NOT APPLY.

5. **PRINTING COSTS.** The Bureau for Legislative and Public Affairs (LPA) must approve printing costs of a report of study (except feasibility, design, or evaluation reports or studies) more than \$25,000. [Note: While the requirement for this review is not in the FY 2005 Act, the USAID guidance still applies.]

Please comment.

ALL REPORTS OF STUDIES (EXCEPT FEASIBILITY, DESIGN, OR EVALUATION REPORTS OR STUDIES) OVER \$25,000 WILL BE SENT TO LPA FOR APPROVAL OF PRINTING COSTS BEFORE THEY ARE SENT TO THE PRINTING HOUSE. HOWEVER, IT IS NOT EXPECTED THAT A REPORT OF STUDIES UNDER THE ACTIVITY THAT ARE BEING AUTHORIZED AT THIS TIME WILL BE IN EXCESS OF \$25,000.

6. **ALCOHOLIC BEVERAGES AND CERTAIN ENTERTAINMENT EXPENSES.** (FY 2005 Act Sec. 548). Child Survival and Health Programs Funds, 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 and Circular 175). The date of signing and the amount involved must be cabled to State's Office of Assistant Legal Adviser for Treaty Affairs (L/T) immediately upon signing and the full text of the agreement should be pouched to State/L/T within 20 days of signing.

Please comment.

THIS PROVISION DOES NOT APPLY SINCE FUTURE AMENDMENTS WILL NOT OBLIGATE \$25 MILLION OR MORE (AS PER REVISED ADS SECTION E350.5.5.(a) 2).

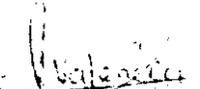
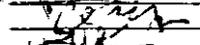
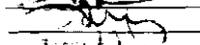
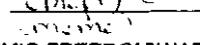
8. **ENGINEERING AND FINANCIAL PLANS.** (FAA Sec. 611). Before an obligation of more than \$500,000, there must be:

- (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.

REASONABLY FIRM ESTIMATES OF COSTS HAVE BEEN DEVELOPED AND INCLUDED IN THE DESIGN DOCUMENTATION OF THE ACTIVITY. THESE ESTIMATES ARE BASED ON ANALYSES MADE BY MISSION STAFF FROM EGE, WE, CONT AND RCG OFFICES.

Prepared by: AValencia, SDO		Date: 6/20/05
KDahlgren, SDO		Date: 3/11/05
BCarr, WE		Date: 1/28/05
LRubey, EG		Date: 6/22/05
RRakas, RLA		Date: 6/22/05

P:\sdo.pub\sdopub\SO ECONOMIC FREEDOMWATER OEA\FY 2005 Assistance Checklist Activity 519-0462_Aug29.doc

INITIAL ENVIRONMENTAL EXAMINATION

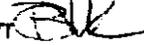
Activity Location: El Salvador

Activity Title: Economic Growth for the 21st Century (CRECER 21);
IR4: Improved Management and Conservation of
Critical Watersheds

Activity number: 519-0462

Funding: \$69.5 million for all four IRs under CRECER 21
\$10.5 million for IR 4

Life of Activity: FY 2004-2009 for CRECER 21
FY 2006-2009 for IR 4

IEE Prepared By: Brad Carr 
Mission Environmental Officer

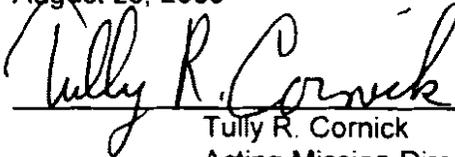
Approved By: Lawrence Rubey 
Director, Economic Growth

Recommended Threshold Decision: **Categorical Exclusion** under 22CFR216.2(c)(2)(i) for
all Activity training, education, organizational
strengthening efforts, and biodiversity threats analysis
and studies.
Negative Determination with Conditions for
Component 1 Conservation of Biodiversity in Critical
Watersheds
Negative Determination with Conditions for
Component 2 Increased Access to Clean Water.
Negative Determination with Conditions for
Component 3 Improved Natural Resource
Management.

Mission Threshold Decision:

Date Prepared:

August 29, 2005



Tully R. Cornick
Acting Mission Director

9-9-05

Date

Purpose of this amendment to the IEE:

This IEE addresses only proposed interventions under the IR 4 referenced below.

The Threshold Decision approved under LAC-IEE-04-62 for the other three IRs under the CRECER 21 Activity remains unchanged.

Activity Description

The Economic Growth for the 21st Century Activity (CRECER 21 in Spanish) will stimulate equitable, sustainable economic growth and expand job creation in order to reduce poverty and improve natural resource management by assisting the GOES and the private sector to utilize the favorable macro-economic policy structure and opportunities presented by the Central American Free Trade Agreement (CAFTA). CRECER 21 is comprised of the four components that mirror the CAM Strategy Intermediate Results (IRs): (1) Laws, Policies, and Regulations that Promote Trade and Investment; (2) More Competitive, Market-oriented Private Enterprises; (3) Broader Access to Financial Markets and Services; and (4) Improved Management and Conservation of Critical Watersheds. Activities under the first three IRs were obligated in FY 2004 and the Environmental Threshold Decision was approved in 2004.

The fourth IR, Improved Management and Conservation of Critical Watersheds, will be obligated in FY 2005. This IEE describes the Activity components, potential environmental impacts, the recommended environmental threshold decision for the components, and the conditions for mitigating the identified potential impacts. The total estimated USAID contribution for this Activity is \$10.5 million over a four-year implementation period (FY 2006-2009). GOES counterpart contribution is estimated at \$3 million.

IR 4: Improved Management and Conservation of Critical Watersheds (IR 2.4)

- Under IR 2.4 (*Improved management and conservation of critical watersheds*) CRECER 21 will protect and conserve biodiversity and natural resources within two Salvadoran watersheds, Barra de Santiago/El Imposible and Rio Grande de Sonsonate. Interventions will facilitate the management of natural resources in a sustainable manner that will improve the lives of local residents and conserve biodiversity. Primary objectives include:
 - Reducing environmentally destructive livelihood practices and other identified threats;
 - Increasing incomes through sustainable resource use;
 - Increasing access to clean water;
 - Stabilizing protected areas, increasing their effective area, and improving connectivity between them;
 - Improving local and national capacity to manage protected areas and watershed resources.

By the end of the Activity, the following will be achieved:

- Increase of \$5.2 million in farm sales per year for 4,000 farms (increased income for 20,000 total family members)
- Increased access to potable water for 50,000 people
- Increased access to sanitation through new or repaired latrines for 50,000 people and improved water resources for 330,000 people
- Generate \$60,000/year locally to be used for watershed conservation
- Directly improve environmental management of the three selected conservation areas through implementation of management plans, local generation of 75% of operating costs, and management of 30 protected areas by local organizations.
- Expand effective conservation areas by 30%

- Improve management through implemented management plans in at least three protected areas (Apaneca-Lamantepec, El Imposible/Barra de Santiago and Los Cobanos) with 75% of operating costs covered by locally generated funds and 30 protected areas managed by local organizations
- Delineate 10,000 hectares of protected areas
- Increased conservation of six critical sub-watersheds (approximately 8,000 ha) through implementation of improved management practices
- Development of six watershed management plans, increased local awareness of importance of biodiversity and watershed management, and implementation of a watershed monitoring plan.
- Formation of three farmer associations.

Program Components

A risk mitigation assessment followed by supporting studies will be carried out for biodiversity and critical natural resources within the two Activity watersheds. The analysis will identify and prioritize threats and direct the interventions listed in the Activity's three program components below.

1. Conservation of Biodiversity in Critical Watersheds

The objective is to increase the survivability of plant and animal species within Activity watersheds. Management of the protected areas imbedded in these watersheds will be improved through the reduction of further encroachment, improved land-use activities, the reduction in illegal harvesting, hunting or collection of threatened and endangered species, implementation of appropriate management activities, and development of staff capacity to protect the area from harmful human use.

Assessments will identify human populations living within protected areas, their livelihood and impact. Destructive impacts will be addressed by promoting alternatives to agriculture and ensuring that agricultural practices carried out are as low impact as possible. Technical assistance will be provided to the Ministry of the Environment (MARN) to produce land use maps and surveys of boundaries of some target protected areas for their use in officially delineating protected area boundaries with Centro Nacional de Registros (CNR).

Buffer zones and connecting corridors between protected areas will be identified and managed by residents living in the zones. Participant farms in the farmer-to-farmer extension program will be utilized to "bridge" these areas, employing management plans, best practices, and farmer associations.

2. Increased access to clean water

Provision of sustainable water delivery systems will be a primary mechanism for generating revenues for conserving Activity watersheds, based on the model provided in the previous AGUA Activity. Approximately 60% of rural inhabitants of target areas do not have access to clean water. USAID will provide design and management services to facilitate the financing and implementation of approximately 32 water systems, providing clean water access to 50,000 people. As a condition of assistance, community water systems will be required to include a line item in monthly service charges for conservation of the watershed. By the end of this Activity, this water tariff is expected to generate \$60,000 annually for watershed conservation, which can be under the control of legally established WSOs.

Technical support will be given to facilitate new and rebuild existing rural water systems in need of diagnostic, repair and administrative improvements, including design, construction management and administrative training for new systems. Rehabilitated systems will receive diagnostics, training, and the provision of some equipment to insure operational sustainability. Environmental

education and training in business administration and technical capacity will help insure that each system is auto-sustainable and can support water source conservation.

Selection criteria for potential water systems include the existence or ability to obtain proper sanitation infrastructure, location within a critical watershed area, protected area buffer zone or corridor, community willingness to participate and support project objectives, and local financial support.

Watershed Organizations (WSOs) will be formed to build local management capacity, coordinate conservation activities and help protect biodiversity. The WSOs will be core stakeholders in the process of developing and implementing conservation area plans with the MARN and will serve a primary role as a communication forum for water users and to assist in voluntary enforcement and compliance at the local level. Each WSO will develop and implement a management plan that will identify critical needs, organization members, principal risks to the watershed, including biodiversity threats to protected areas, mitigation measures, and means of financial support.

3 Improved Natural Resource Management

In order to reduce the degradation of watershed resources, which impact on the availability of clean and abundant water, residents will be trained in best agricultural practices through a farmer-to-farmer extension program. Destructive practices related to subsistence farming will be replaced with diversified, managed and environmentally friendly methods for 4,000 farms and 8,000 hectares.

Best practices will include enrichment planting and reforestation, biodiversity risk mitigation, habitat improvement, soil and water conservation, integrated pest management, alternative land clearing methods, and crop diversification. Participant farmers will also receive business oriented, farm management training. Farm plans will be used by each farmer to organize interventions and to track outcomes, sales, and expenditures. Farmer associations will be formed to improve efficiency and sustainability of individual farms.

Shade coffee farms will be a major focus of best practice activities at altitudes that produce quality coffee, above 800 meters. A green certification program will be an important component of this Activity, providing market incentives to coffee farms in these areas in return for approved practices certification. Farm diversification at lower altitudes will be promoted using the farmer-to-farmer program with the goal of conserving the shade forests that benefit watershed management and many plant and animal species.

Given low levels of environmental knowledge among local residents and their government representatives, targeted outreach campaigns will focus on providing the information necessary to raise comprehension of ecological processes and linkages with their economic well-being.

Application of Procedures

The Environmental Procedures 22 CFR 216.2 provides for the classification and determination of the potential environmental effects of USAID funded activities and in selected cases for the Categorical Exclusion from these requirements. Section 216.2 (c) (2) provides for Categorical Exclusions for:

- (i) Education, technical assistance, or training programs except to the extent such programs include activities directly affecting the environment (such as construction of facilities, etc.);
- (iii) analyses, studies, academic or research workshops and meetings;

Under Section 216.2(d), the Environmental Procedures defines classes of action that normally have a significant effect on the environment and these always require a Positive Determination and

the preparation of an Environmental Assessment. Activities such as construction, irrigation, including dams and impoundments, road and bridge construction, all require a Positive Determination. Under Section 216.3 (3) (iii), the activity qualifies for a Negative Determination if "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."

Determination

All of the education, training, biodiversity risk analysis, and supporting studies funded under CRECER 21 for Improved Management and Conservation of Critical Watersheds qualify for a **Categorical Exclusion** under 216.2.c.2.(i) "Education, technical assistance, or training programs...) and in (iii) Analyses, studies, academic or research workshops.

A Negative Determination with conditions is recommended for efforts associated with conserving biodiversity under Program Component 1 and mitigating destructive human practices and natural resources management under Program Component 3. These include efforts to reduce destructive agricultural and other human practices, improve farm income through diversification and more efficient methods, and increase the effective area and management of protected areas. Destructive human practices such as non sustainable agriculture, burning, deforestation, and use of agro-chemicals, will be reduced or eliminated through Activity interventions. Interventions will improve management and conservation of natural resources such as soil and water by working with participant farmer plots of less than 3 hectares (average).

Successful environmental methods developed under the previous USAID AGUA Activity will be employed here. These methods were shown in evaluations and Activity results to be effective in the reduction of environmental destruction relating to the degradation of watersheds. The conditions will include the use of these experiences and lessons learned in the design of the new Activity. An additional condition is that USAID LAC Environmental Guidelines for Development Activities will be made part of agreements with implementers and will be used to further mitigate any potential negative environmental impact. Of particular importance are interventions related to small scale irrigation, and integrated pest management. For these, USAID will use LAC Guidelines' Chapter 8, Agriculture and Watershed Management, with references to C. Small Scale Drainage and Irrigation Systems, and D. Pesticides and IPM. As per these guidelines, all reforestation efforts to be carried out within protected areas will be done so with native species. No purchase or use of agro-chemicals is contemplated under this Activity; nevertheless, a Pesticide Evaluation Report and Save Use Action Plan (PERSUAP) will be carried out by Activity implementers on an annual basis and reported in their annual report to USAID.

A Negative Determination with conditions is recommended for efforts under Program Component 2, Increased Access to Clean Water. Included is the development of water systems and basic sanitation in rural areas. Of primary concern are environmental conditions for wells and latrine construction. Sub-projects to be carried out under this Activity will be similar to those carried out under other USAID activities, and this Activity will use similar methodologies, experiences, and lessons learned in the design and implementation processes. Experiences and lessons learned as well as environmental guidelines approved and utilized by the USAID AGUA Activity for water systems and PROSALUD for latrines will be applied by the implementer. Salvadoran Ministry of Public Health Regulations governing the design and construction of rural latrines will also be adhered to. In addition, USAID LAC Environmental Guidelines for Development Activities, Chapter 2: Small Scale Infrastructure will be used in the design of sub-projects under this Activity and will be made part of agreements with implementers to further mitigate any potential negative environmental impact.

Monitoring and Evaluation

Monitoring and evaluation of compliance with the conditions set forth in this IEE and the effectiveness of these conditions to mitigate potentially negative environmental impacts of this Activity will be carried out by USAID working with the implementer. The implementer will be tasked, as part of his/her agreement with USAID, with developing a monitoring and evaluation plan as part of the annual work plan, subject to approval by USAID. The monitoring and evaluation plan will detail the results of interventions aimed at satisfying the conditions of compliance set forth in this IEE and will describe the effectiveness of the interventions as well as any negative environmental impacts either measured or observed. Interventions and conditions may be modified to improve their effectiveness of mitigating negative environmental impacts, depending on the results of monitoring and evaluation. USAID will also perform periodic inspections to assess the effectiveness of interventions aimed at mitigating negative environmental impacts.



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523-5900
OFFICE OF REGIONAL SUSTAINABLE DEVELOPMENT

FAX MESSAGE

DATE: 9-21-05
TO: BRAD CARR, USAID EL Salvador
FAX#: _____
TEL#: _____
OF PGS. 12
FROM: VICTOR BULLEN
TEL#: 202-712-4634

FAX# 202-216-3262 - (5.09 - 062U)

REMARKS:

ETD for CRECER 1R4



USAID
FROM THE AMERICAN PEOPLE

LAC-IEE-05-37

ENVIRONMENTAL THRESHOLD DECISION

Country: El Salvador

Activity Title: Economic Growth for the 21st Century (CRECER 21); IR4: Improved Management and Conservation of Critical Watersheds

Activity Number: 519-0462

Life of Project: FY 2006 – FY 2009

Life of Project Funding: \$10.5 million for IR 4 (\$69.5 million for all four IRs under CRECER 21)

IEE Prepared by: Brad Carr
Mission Environmental Officer

Date Prepared: September 20, 2005

Recommended Threshold Decision: Categorical Exclusion/Negative Determination with Conditions

Bureau Threshold Decision: Categorical Exclusion/Negative Determination with Conditions

Comments:

Pursuant to 22 CFR 216.2 (c)(2),

- (i) Education, technical assistance, or training programs except to the extent such programs include activities directly affecting the environment (such as construction of facilities, etc.);

LAC-IEE-05-37

(iii) Analyses, studies, academic or research workshops and meetings;

a **Categorical Exclusion** be issued for all components of SO4- Improved Management and Conservation of Critical Watersheds including training, education, organizational strengthening efforts, and biodiversity threats analysis and studies.

A **Negative with Conditions with Conditions** is recommended for activities associated with conserving biodiversity under Program Component 1. Conditions will include using successful environmental methods developed under the previous USAID AGUA Activity, and employing USAID LAC Environmental Guidelines, especially Chapter 8 on Agriculture and Watersheds. The proposed green certification program for coffee activities will be approved by the Mission Environmental Officer (with a copy to the Bureau Environmental Officer).

A **Negative Determination with Conditions** is recommended for Program Component 2, Increased Access to Clean Water. Conditions will include using the attached Environmental Guidelines for Well Drilling in the development of water systems and basic sanitation in rural areas, employing experiences and lessons learned as well as environmental guidelines approved and utilized by the USAID AGUA Activity for water systems and PROSALUD for latrines. In addition, USAID LAC Environmental Guidelines, Chapter 2: Small Scale Infrastructure will be used in the design of sub-projects under this activity (e.g., all water systems will include appropriately designed sanitation systems and hygiene education).

The project implementer will develop an environmental monitoring and evaluation plan as part of the annual work plan, subject to approval by USAID/El Salvador MEO. Other monitoring and evaluation activities will be carried out as mentioned in the attached IEE. At the end of each fiscal year a report on environmental compliance will be submitted to the MEO for review and approval, with a copy to the BEO.

No purchase or use of pesticides or agro-chemicals is permitted under this SO unless a pesticide IEE prepared (as per 22 CFR 216.3 (b)) is previously approved by the BEO.

CTOs are responsible for making sure environmental conditions are met. It is the responsibility of the SO Team to ensure that activity related SOAGs, MAARDs and contracting documents contain specific instructions reflecting this Threshold Decision. Local implementing partners will be made fully aware of the environmental mitigation and monitoring requirements presented in this IEE.

Victor H. Bullen Date 9-20-05

Victor H Bullen

Bureau Environmental Officer

Bureau for Latin America & the Caribbean

LAC-IEE-05-37

Copy to: Mark Silverman, Mission Director
USAID/El Salvador

Copy to: Larry Rubey, EGE, USAID/El Salvador
Julio Segovia, SDO Annie Valencia,
SDO USAID/El Salvador
Bradley Carr, MEO, Carey Yeager, Ann
Dix, Water and Environment, USAID/El
Salvador

Copy to; Mike Donald, Regional Environmental
Advisor, USAID/DR

Copy to: Robert Kahn, David Jessee
Michael Maxey, LAC/CAM

Copy to: IEE File

Attachment: IEE

File: P:\LAC.RSD.PUB\RSDPUB\EES\Reg 216\IEE\IEE05\JEE05-36.ETD(EL SA - IR
4 Watersheds).doc

ATTACHMENT 5

INITIAL ENVIRONMENTAL EXAMINATION

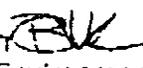
Activity Location: El Salvador

Activity Title: Economic Growth for the 21st Century (CRECER 21):
IR4: Improved Management and Conservation of
Critical Watersheds

Activity number: 519-0462

Funding: \$69.5 million for all four IRs under CRECER 21
\$10.5 million for IR 4

Life of Activity: FY 2004-2009 for CRECER 21
FY 2006-2009 for IR 4

IEE Prepared By: Brad Carr 
Mission Environmental Officer

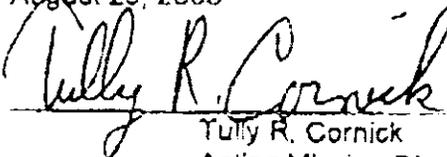
Approved By: Lawrence Rubay 
Director, Economic Growth

Recommended Threshold Decision: **Categorical Exclusion** under 22CFR216.2(c)(2)(i) for
all Activity training, education, organizational
strengthening efforts, and biodiversity threats analysis
and studies.
Negative Determination with Conditions for
Component 1 Conservation of Biodiversity in Critical
Watersheds
Negative Determination with Conditions for
Component 2 Increased Access to Clean Water.
Negative Determination with Conditions for
Component 3 Improved Natural Resource
Management.

Mission Threshold Decision:

Date Prepared:

August 29, 2005


Tully R. Cornick
Acting Mission Director

9-9-05
Date

Purpose of this amendment to the IEE:

This IEE addresses only proposed interventions under the IR 4 referenced below.

The Threshold Decision approved under LAC-IEE-04-02 for the other three IRs under the CRECER 21 Activity remains unchanged.

Activity Description

The Economic Growth for the 21st Century Activity (CRECER 21 in Spanish) will stimulate equitable, sustainable economic growth and expand job creation in order to reduce poverty and improve natural resource management by assisting the GOES and the private sector to utilize the favorable macro-economic policy structure and opportunities presented by the Central American Free Trade Agreement (CAFTA). CRECER 21 is comprised of the four components that mirror the CAM Strategy Intermediate Results (IRs): (1) Laws, Policies, and Regulations that Promote Trade and Investment; (2) More Competitive, Market-oriented Private Enterprises; (3) Broader Access to Financial Markets and Services; and (4) Improved Management and Conservation of Critical Watersheds. Activities under the first three IRs were obligated in FY 2004 and the Environmental Threshold Decision was approved in 2004.

The fourth IR, Improved Management and Conservation of Critical Watersheds, will be obligated in FY 2005. This IEE describes the Activity components, potential environmental impacts, the recommended environmental threshold decision for the components, and the conditions for mitigating the identified potential impacts. The total estimated USAID contribution for this Activity is \$10.5 million over a four-year implementation period (FY 2006-2009). GOES counterpart contribution is estimated at \$3 million.

IR 4: Improved Management and Conservation of Critical Watersheds (IR 2.4)

- Under IR 2.4 (*Improved management and conservation of critical watersheds*) CRECER 21 will protect and conserve biodiversity and natural resources within two Salvadoran watersheds, Barra de Santiago/El Imposible and Rio Grande de Sonsonate. Interventions will facilitate the management of natural resources in a sustainable manner that will improve the lives of local residents and conserve biodiversity. Primary objectives include:
 - o Reducing environmentally destructive livelihood practices and other identified threats;
 - o Increasing incomes through sustainable resource use;
 - o Increasing access to clean water;
 - o Stabilizing protected areas, increasing their effective area, and improving connectivity between them;
 - o Improving local and national capacity to manage protected areas and watershed resources.

By the end of the Activity, the following will be achieved:

- Increase of \$5.2 million in farm sales per year for 4,000 farms (increased income for 20,000 total family members)
- Increased access to potable water for 50,000 people
- Increased access to sanitation through new or repaired latrines for 50,000 people and improved water resources for 330,000 people
- Generate \$60,000/year locally to be used for watershed conservation
- Directly improve environmental management of the three selected conservation areas through implementation of management plans, local generation of 75% of operating costs, and management of 30 protected areas by local organizations.
- Expand effective conservation areas by 30%

- Improve management through implemented management plans in at least three protected areas (Apaneca-Lamantepec, El Imposible/Barra de Santiago and Los Cobanos) with 75% of operating costs covered by locally generated funds and 30 protected areas managed by local organizations
- Delineate 10,000 hectares of protected areas
- Increased conservation of six critical sub-watersheds (approximately 8,000 ha) through implementation of improved management practices
- Development of six watershed management plans, increased local awareness of importance of biodiversity and watershed management, and implementation of a watershed monitoring plan.
- Formation of three farmer associations.

Program Components

A risk mitigation assessment followed by supporting studies will be carried out for biodiversity and critical natural resources within the two Activity watersheds. The analysis will identify and prioritize threats and direct the interventions listed in the Activity's three program components below.

1. Conservation of Biodiversity in Critical Watersheds

The objective is to increase the survivability of plant and animal species within Activity watersheds. Management of the protected areas imbedded in these watersheds will be improved through the reduction of further encroachment, improved land-use activities, the reduction in illegal harvesting, hunting or collection of threatened and endangered species, implementation of appropriate management activities, and development of staff capacity to protect the area from harmful human use.

Assessments will identify human populations living within protected areas, their livelihood and impact. Destructive impacts will be addressed by promoting alternatives to agriculture and ensuring that agricultural practices carried out are as low impact as possible. Technical assistance will be provided to the Ministry of the Environment (MARN) to produce land use maps and surveys of boundaries of some target protected areas for their use in officially delineating protected area boundaries with Centro Nacional de Registros (CNR).

Buffer zones and connecting corridors between protected areas will be identified and managed by residents living in the zones. Participant farms in the farmer-to-farmer extension program will be utilized to "bridge" these areas, employing management plans, best practices, and farmer associations.

2. Increased access to clean water

Provision of sustainable water delivery systems will be a primary mechanism for generating revenues for conserving Activity watersheds, based on the model provided in the previous AGUA Activity. Approximately 60% of rural inhabitants of target areas do not have access to clean water. USAID will provide design and management services to facilitate the financing and implementation of approximately 32 water systems, providing clean water access to 50,000 people. As a condition of assistance, community water systems will be required to include a line item in monthly service charges for conservation of the watershed. By the end of this Activity, this water tariff is expected to generate \$60,000 annually for watershed conservation, which can be under the control of legally established WSOs.

Technical support will be given to facilitate new and rebuild existing rural water systems in need of diagnostic, repair and administrative improvements, including design, construction management and administrative training for new systems. Rehabilitated systems will receive diagnostics, training, and the provision of some equipment to insure operational sustainability. Environmental

education and training in business administration and technical capacity will help insure that each system is auto-sustainable and can support water source conservation.

Selection criteria for potential water systems include the existence or ability to obtain proper sanitation infrastructure, location within a critical watershed area, protected area buffer zone or corridor, community willingness to participate and support project objectives, and local financial support.

Watershed Organizations (WSOs) will be formed to build local management capacity, coordinate conservation activities and help protect biodiversity. The WSOs will be core stakeholders in the process of developing and implementing conservation area plans with the MARN and will serve a primary role as a communication forum for water users and to assist in voluntary enforcement and compliance at the local level. Each WSO will develop and implement a management plan that will identify critical needs, organization members, principal risks to the watershed, including biodiversity threats to protected areas, mitigation measures, and means of financial support.

3 Improved Natural Resource Management

In order to reduce the degradation of watershed resources, which impact on the availability of clean and abundant water, residents will be trained in best agricultural practices through a farmer-to-farmer extension program. Destructive practices related to subsistence farming will be replaced with diversified, managed and environmentally friendly methods for 4,000 farms and 8,000 hectares.

Best practices will include enrichment planting and reforestation, biodiversity risk mitigation, habitat improvement, soil and water conservation, integrated pest management, alternative land clearing methods, and crop diversification. Participant farmers will also receive business oriented, farm management training. Farm plans will be used by each farmer to organize interventions and to track outcomes, sales, and expenditures. Farmer associations will be formed to improve efficiency and sustainability of individual farms.

Shade coffee farms will be a major focus of best practice activities at altitudes that produce quality coffee, above 800 meters. A green certification program will be an important component of this Activity, providing market incentives to coffee farms in these areas in return for approved practices certification. Farm diversification at lower altitudes will be promoted using the farmer-to-farmer program with the goal of conserving the shade forests that benefit watershed management and many plant and animal species.

Given low levels of environmental knowledge among local residents and their government representatives, targeted outreach campaigns will focus on providing the information necessary to raise comprehension of ecological processes and linkages with their economic well-being.

Application of Procedures

The Environmental Procedures 22 CFR 216.2 provides for the classification and determination of the potential environmental effects of USAID funded activities and in selected cases for the Categorical Exclusion from these requirements. Section 216.2 (c) (2) provides for Categorical Exclusions for:

- (i) Education, technical assistance, or training programs except to the extent such programs include activities directly affecting the environment (such as construction of facilities, etc.)
- (iii) analyses, studies, academic or research workshops and meetings.

Under Section 216.2(d), the Environmental Procedures defines classes of action that normally have a significant effect on the environment and these always require a Positive Determination and

destructive
what?
whom?

the preparation of an Environmental Assessment. Activities such as construction, irrigation, including dams and impoundments, road and bridge construction, all require a Positive Determination. Under Section 216.3 (3) (iii), the activity qualifies for a Negative Determination if "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."

Determination

All of the education, training, biodiversity risk analysis, and supporting studies funded under CRECER 21 for Improved Management and Conservation of Critical Watersheds qualify for a **Categorical Exclusion** under 216.2 c.2 (i) "Education, technical assistance, or training programs..." and in (iii) Analyses, studies, academic or research workshops.

A **Negative Determination with conditions** is recommended for efforts associated with conserving biodiversity under Program Component 1 and mitigating destructive human practices and natural resources management under Program Component 3. These include efforts to reduce destructive agricultural and other human practices, improve farm income through diversification and more efficient methods, and increase the effective area and management of protected areas. Destructive human practices such as non sustainable agriculture, burning, deforestation, and use of agro-chemicals, will be reduced or eliminated through Activity Interventions. Interventions will improve management and conservation of natural resources such as soil and water by working with participant farmer plots of less than 3 hectares (average).

Successful environmental methods developed under the previous USAID AGUA Activity will be employed here. These methods were shown in evaluations and Activity results to be effective in the reduction of environmental destruction relating to the degradation of watersheds. The conditions will include the use of these experiences and lessons learned in the design of the new Activity. An additional condition is that USAID LAC Environmental Guidelines for Development Activities will be made part of agreements with implementers and will be used to further mitigate any potential negative environmental impact. Of particular importance are interventions related to small scale irrigation, and integrated pest management. For these, USAID will use LAC Guidelines' Chapter 8, Agriculture and Watershed Management, with references to C. Small Scale Drainage and Irrigation Systems, and D. Pesticides and IPM. As per these guidelines, all reforestation efforts to be carried out within protected areas will be done so with native species. No purchase or use of agro-chemicals is contemplated under this Activity; nevertheless, a Pesticide Evaluation Report and Save Use Action Plan (PERSUAP) will be carried out by Activity implementers on an annual basis and reported in their annual report to USAID.

included in attachment

A **Negative Determination with conditions** is recommended for efforts under Program Component 2, Increased Access to Clean Water. Included is the development of water systems and basic sanitation in rural areas. Of primary concern are environmental conditions for wells and latrine construction. Sub-projects to be carried out under this Activity will be similar to those carried out under other USAID activities, and this Activity will use similar methodologies, experiences, and lessons learned in the design and implementation processes. Experiences and lessons learned as well as environmental guidelines approved and utilized by the USAID AGUA Activity for water systems and PROSALUD for latrines will be applied by the implementer. Salvadoran Ministry of Public Health Regulations governing the design and construction of rural latrines will also be adhered to. In addition, USAID LAC Environmental Guidelines for Development Activities, Chapter 2: Small Scale Infrastructure will be used in the design of sub-projects under this Activity and will be made part of agreements with implementers to further mitigate any potential negative environmental impact.

15

Monitoring and Evaluation

Monitoring and evaluation of compliance with the conditions set forth in this IEE and the effectiveness of these conditions to mitigate potentially negative environmental impacts of this Activity will be carried out by USAID working with the implementer. The implementer will be tasked, as part of his/her agreement with USAID, with developing a monitoring and evaluation plan as part of the annual work plan, subject to approval by USAID. The monitoring and evaluation plan will detail the results of interventions aimed at satisfying the conditions of compliance set forth in this IEE and will describe the effectiveness of the interventions as well as any negative environmental impacts either measured or observed. Interventions and conditions may be modified to improve their effectiveness of mitigating negative environmental impacts, depending on the results of monitoring and evaluation. USAID will also perform periodic inspections to assess the effectiveness of interventions aimed at mitigating negative environmental impacts.

LAC-IEE-05-37

Environmental Guidelines for Well Drilling

The National Administration of Water and Sewage (ANDA) provided USAID with guidelines that will be followed for well drilling. They contain the following:

- A. General Information
- B. Mobilization
- C. Perforation and Construction
- D. Well Characteristics
- E. Plan view
- F. Excavations and soil movements
- G. Terms on Quantity and Costs
- H. Project site map
- I. Liabilities and contractor guarantees.

The implementor will also provide a detailed Hydro-Geological study on each site to be developed with the following content:

1) GEOLOGY

- a. Determination of Geology of the area.
- b. Historical geology
- c. Differentiated geological formations

2) HYDROLOGY

- a. Climate
- b. Rain fall
- c. Soil permeability, (based on geological formation)
- d. Underground water availability (Superficial drainage, flow direction)
- e. Hydric Balance
 - Rain fall at the site
 - Drainage
 - Evotranspiration
 - Infiltration

ENVIRONMENTAL MITIGATION

One of the outputs of the AGUA Activity is a watershed diagnostic for the watersheds in the activity area. These studies will help indicate where to implement remedial environmental actions and how to manage the impact of additional wells. Specific remedial activities that will be considered are:

- a. Delimitation of Infiltration areas
- b. Soil protection measures
- c. Reforestation
- d. Environmental Education
- e. Watershed conservation activities

RECOMMENDATIONS

LAC-IEE-05-37

The grantee has assisted USAID in the preparation of this amended IEE, and has agreed to follow the recommendations contained in this amended IEE to avoid any significant negative effects on the environment or the availability of underground water resources.

A negative determination with conditions is issued for well drilling activities. The Mission Environmental Officer will monitor implementation of both the guidelines and mitigation measures.

RECOMMENDED CONDITIONS

The following conditions are necessary to grant a Negative determination and should be complied with by the grantee or any of their sub-contractors.

A. DESIGN

1. The implementer will conduct a hydro-geologic study for each well.
2. The implementer will maintain compliance with an appropriate Watershed Management Plan (if such plan exists in the watershed where the sub-project is being implemented).

B. CONSTRUCTION

1. Soil material excavated during well drilling activities (barrow) should be deposited in protected areas such as pits, to avoid sedimentation and fugitive dust.
2. Cut areas should be protected by safe slopes, re-vegetation and other appropriate techniques will be employed to avoid soil erosion and slides.
3. Waste drilling composed of bentonite and/or other drilling material must be stored and kept moist to prevent fugitive dust and buried at the end of drilling activities.
4. Special care must be exercised with the use and handling of MAX GEL (Crystalline Silica) to ensure that the dust is not inhaled or does not come in contact with skin.

Care should be taken to avoid any contamination of the well area with petroleum combustibles or lubricants.

DETAILED RESULTS

The implementer will request design approval from the National Water and Sewage (ANDA) before construction of any water project. In addition, a hydro-geological study is required for each water well sub-project.