

PD-ABN-718

NATURAL RESOURCES AND ENVIRONMENTAL  
PRACTICES PROGRAM II  
NO. 383-0121

PD-ABN-718

USAID Program Number: 383-0121

PROGRAM

GRANT AGREEMENT

BETWEEN

THE DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA

AND THE

UNITED STATES OF AMERICA

FOR

NATURAL RESOURCES AND ENVIRONMENTAL PRACTICES PROGRAM II

Date: September 18, 1996

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Program Agreement: Natural Resources and Environmental Practices Program II

**NATURAL RESOURCES AND ENVIRONMENTAL PRACTICES PROGRAM II  
PROGRAM GRANT AGREEMENT**

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Program Grant Agreement

Dated: September 18, 1996.

Between

The Democratic Socialist Republic of Sri Lanka ("Grantee")

and

The United States of America, acting through the  
United States Agency for International Development ("USAID").

Article 1: The Agreement

The purpose of this Agreement is to set out the understandings of the parties named above ("Parties") with respect to the undertaking by the Grantee of the Program described below, and with respect to the financing of the Program by the Parties.

Article 2: The Program

Section 2.1 Definition of Program

The Program, which is further described in Annex 1, is to foster effective local level partnerships and related efforts of public and private institutions to improve the management of Sri Lanka's natural resources, conserve its biodiversity, and promote environmentally-sound sustainable income-generating activities in selected areas. Annex 1, attached, amplifies this definition of the Program. Within the limits of this definition of the Program, elements of the amplified program description in Annex 1 may be changed by written agreement of the authorized representatives of the Parties named in Section 8.2, without formal amendment of this Agreement.

Section 2.2 Incremental Nature of Program

(a) USAID's contribution to the Program is expected to be Eight Million United States (U.S.) Dollars (\$8,000,000) which will be provided in increments, the initial one being

made available in accordance with Section 3.1 of this Agreement. Subsequent increments will be subject to availability of funds to USAID for this purpose, and to the mutual agreement of the Parties, at the time of a subsequent increment, to proceed.

(b) Within the overall Program Assistance Completion Date stated in this Agreement, USAID, based upon consultation with the Grantee, may specify in Program Implementation Letters appropriate time periods for the utilization of funds granted by USAID under an individual increment of assistance.

## Article 3: Financing

### Section 3.1 The Grant

(a) To assist the Grantee to meet the costs of carrying out the Program, USAID agrees to grant the Grantee under the terms of this Agreement an amount not to exceed Two Hundred and Thirty Thousand U.S. Dollars (\$230,000) ("the Grant"). The Grant may be used to finance foreign exchange costs, as defined in Section 6.1, and local currency costs, as defined in Section 6.2, of goods and services required for the Program.

(b) If at any time USAID determines that its contribution to the Program under subsection 3.1(a) exceeds the amount which reasonably can be committed for Program purposes during the current or following U.S. fiscal year, upon written notice to the Grantee USAID may withdraw the excess amount, thereby reducing the amount of the Grant as set forth in subsection 3.1(a). Actions taken pursuant to this subsection shall not revise USAID's total estimated contribution to the Program as set forth in subsection 2.2(a).

### Section 3.2 Grantee Resources for the Program

(a) The Grantee agrees to provide or cause to be provided for the Program all funds, in addition to the Grant, and all other resources required to carry out the Program effectively and in a timely manner.

(b) The resources provided or caused to be provided by the Grantee for the Program will be not less than the equivalent of Four Million U.S. Dollars (\$4,000,000), including costs borne on an "in-kind" basis. Of these resources a cash contribution equivalent to U.S. Dollar value of One Hundred Million Rupees (Rs.100,000,000) will come from funds held in the P.L. 480 Title III Special Account to support certain Program activities. The first tranche Fifty Million Rupees (Rs50,000,000), is hereby obligated for a program of assistance to the community-based organizations and the resource user groups.

### Section 3.3 Program Assistance Completion Date

(a) The Program Assistance Completion Date ("PACD"), which is September 30, 2001, or such other date as the Parties may agree to in writing, is the date by which the Parties estimate that all services financed under the Grant will have been performed and all goods financed under the Grant will have been furnished for the Program as contemplated in this Agreement.

(b) Except as USAID may otherwise agree in writing, USAID will not issue or approve documentation which would authorize disbursement of the Grant for services performed subsequent to the PACD or for goods furnished for the Program subsequent to the PACD.

(c) Requests for disbursement, accompanied by necessary supporting documentation prescribed in Program Implementation Letters, are to be received by USAID or any bank described in Section 7.1 no later than nine (9) months following the PACD, or such other period as USAID agrees to in writing. After such period, USAID, giving notice in writing to the Grantee, may at any time or times reduce the amount of the Grant by all or any part thereof for which requests for disbursement, accompanied by necessary supporting documentation prescribed in Program Implementation Letters, were not received before the expiration of said period.

## Article 4: Condition(s) Precedent to Disbursement

### Section 4.1 First Disbursement

Prior to the first disbursement under the Grant, or to the issuance by USAID of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to USAID in form and substance satisfactory to USAID, a statement of the name of the person holding or acting in the office of the Grantee specified in Section 8.2., and of any additional representatives, together with a specimen signature of each person specified in such statement.

### Section 4.2 Notification

When USAID has determined that the condition precedent specified in Section 4.1 has been met, it will promptly notify the Grantee.

### Section 4.3 Terminal Date for Condition(s) Precedent

If the condition specified in Section 4.1 has not been met within forty five (45) days from the date of this Agreement, or such later date as USAID may agree to in writing, USAID, at its option, may terminate this Agreement by written notice to the Grantee.

## Article 5: Special Covenants

### Section 5.1. Program Evaluation

The Parties agree to establish an evaluation plan as part of the Program. Generally, it is planned to conduct an interim evaluation approximately two years after initiation of the program activities described in Annex 1 to this Agreement. A final evaluation will be conducted just prior to the PACD.

Each interim evaluation will assess the progress made in meeting Program targets and the cumulative impact. Based on the findings of this evaluation, recommendations for changes in design and implementation procedures will be made, as appropriate, in order to increase the probability that the investment will meet its purpose.

The evaluations will have four objectives, as follows:

- a. To assess the extent to which the program is meeting its purpose and contributing to the strategic objective 2. Based on an analysis of the progress, the evaluation will recommend changes or modifications in intermediate results targets and implementation approach, if appropriate.
- b. To assess the effectiveness and to recommend strategies for improving program implementation through an analysis of obstacles and bottlenecks as well as achievements in program management and administration;
- c. To determine the impact of the program to the date of the evaluation on the various performance indicators listed in the table of indicators; and
- d. To determine the effectiveness of the technical assistance, training and other inputs funded and recommend modifications, as appropriate, on the delivery mechanisms for TA, and other inputs.

### Section 5.2. Access to Program Benefits and Services

The Grantee agrees that all program activities will be conducted without discrimination on the basis of sex, religious beliefs, age, or ethnic or national origin.

### Section 5.3 Government Service upon Completion of Training

The Grantee will ensure that each Government employee who receives training outside of Sri Lanka will, immediately upon completion or termination of his or her training, return to work in the same post for the Government of Sri Lanka, or in another Government post requiring the same technical skills and expertise, for a period of not less than two years, or twice the period of the training, whichever is greater. Upon the failure of any trainee to comply with this requirement, USAID shall be entitled to obtain

from the Grantee, in accordance with Section D. 2 of Annex 2, a refund of the total cost of that person's training.

## Article 6: Procurement Source

### Section 6.1. Foreign Exchange Costs

Disbursements pursuant to Section 7.1 will be used exclusively to finance the costs of goods and services required for the Program having, with respect to goods, their source and origin, and with respect to the supplier of goods and services, their nationality, in the United States (Code 000 of the USAID Geographic Code Book as in effect at the time orders are placed or contracts entered into for such goods or services) ("Foreign Exchange Costs"), except as USAID may otherwise agree in writing, and except as provided in the Program Grant Standard Provisions Annex, Section C.1(b) with respect to marine insurance. Ocean transportation costs will be financed under the Grant only on vessels under flag registry of the United States, except as USAID may otherwise agree in writing.

### Section 6.2. Local Currency Costs

Except as USAID may otherwise agree in writing, disbursements pursuant to Section 7.2 will be used exclusively to finance the costs of goods and services required for the Program having their source, origin and nationality in Sri Lanka ("Local Currency Costs"); provided, however, that the eligibility of local goods and services shall be limited in accordance with Section 311 of the USAID Automated Directives System, or any successor provision. To the extent provided for under this Agreement, "Local Currency Costs" may also include the provision of local currency resources required for the Program.

## Article 7: Disbursement

### Section 7.1. Disbursement for Foreign Exchange Costs

(a) After satisfaction of the condition precedent, the Grantee may obtain disbursement of funds under the Grant for the Foreign Exchange Costs of goods or services required for the Program in accordance with the terms of this Agreement, by such of the following methods as may be mutually agreed upon:

- (1) by submitting to USAID, with necessary supporting documentation as prescribed in Program Implementation Letters, (A) requests for reimbursement for such goods or services, or, (B) requests for USAID to procure commodities or services in the Grantee's behalf for the Program; or,

(2) by requesting USAID to issue Letters of Commitment for specified amounts (A) to one or more U.S. banks, satisfactory to USAID, committing USAID to reimburse such bank or banks for payments made by them to contractors or suppliers, under Letters of Credit or otherwise, for such goods or services, or (B) directly to one or more contractors or suppliers, committing USAID to pay such contractors or suppliers for such goods or services.

(b) Banking charges incurred by the Grantee in connection with Letters of Commitment and Letters of Credit will be financed under the Grant unless the Grantee instructs USAID to the contrary. Such other charges as the Parties may agree to in writing, may also be financed under the Grant.

### Section 7.2 Disbursement for Local Currency Costs

(a) After satisfaction of the condition precedent, the Grantee may obtain disbursements of funds under the Grant for Local Currency Costs required for the Program in accordance with the terms of this Agreement, by submitting to USAID, with necessary supporting documentation as prescribed in Program Implementation Letters, requests to finance such costs.

(b) The local currency needed for such disbursements may be obtained:

(1) by acquisition by USAID with U.S. Dollars by purchase; or

(2) by USAID requesting the Grantee to make available the local currency for such costs, and thereafter reimbursing an amount of U.S. dollars equal to the amount of local currency made available by the Grantee. The U.S. dollar equivalent of the local currency made available hereunder will be the amount of U.S. dollars required by USAID to obtain the local currency at the rate of exchange described in Section 7.4 below.

### Section 7.3 Other Forms of Disbursement

Disbursements of the Grant may also be made through such other means as the Parties may agree to in writing.

### Section 7.4 Rate of Exchange

Except as may be more specifically provided under Section 7.2, if funds provided under the Grant are introduced into Sri Lanka by USAID or any public or private agency for purposes of carrying out obligations of USAID hereunder, the Grantee will make such arrangements as may be necessary so that such funds may be converted into currency of Sri Lanka at the highest rate of exchange which, at the time the conversion is made, is not unlawful in Sri Lanka.

**Article 8: Miscellaneous**

**Section 8.1. Communications**

Any notice, request, document, or other communication submitted by either Party to the other under this Agreement will be in writing or by telegram or cable, and will be deemed duly given or sent when delivered to such party at the following addresses:

To the Grantee:

Mail Address: Director-General  
External Resources Department  
Ministry of Finance  
Colombo 1, Sri Lanka

Alternate Address for cables: FORAID  
COLOMBO, SRI LANKA

To USAID:

Mail Address: Director, USAID/Colombo  
American Embassy  
Colombo, Sri Lanka

Alternate Address for cables: USAID, AMEMBASSY  
COLOMBO, SRI LANKA

All such communications will be in English, unless the Parties otherwise agree in writing. Other addresses may be substituted upon the provision of written notice.

**Section 8.2. Representatives**

For all purposes relevant to this Agreement, the Grantee will be represented by the individual holding or acting in the office of Director-General, External Resources Department, Ministry of Finance and USAID will be represented by the individual holding or acting in the Office of Director, USAID Mission to Sri Lanka, each of whom, by written notice, may designate additional representatives for all purposes other than exercising the power under Section 2.1 to revise elements of the amplified description in Annex 1. The names of the representatives of the Grantee, with specimen signatures, will be provided to USAID, which may accept as duly authorized any instrument signed by such representatives in implementation of this Agreement, until receipt of written notice of revocation of their authority.

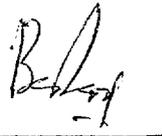
Section 8.3. Standard Provisions Annex

A Program Grant Standard Provisions Annex (Annex 2) is attached to and forms part of this Agreement.

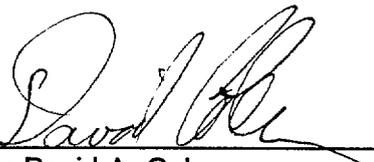
IN WITNESS WHEREOF, the Grantee and the United States of America, each acting through its duly authorized representatives, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

GOVERNMENT OF THE DEMOCRATIC  
SOCIALIST REPUBLIC OF SRI LANKA

By:   
Name: M. F. Mohideen  
Title: Director General  
External Resources Department

By:   
Name: B. C. Perera  
Title: Secretary  
Ministry of Finance and Planning

GOVERNMENT OF THE  
UNITED STATES OF AMERICA

By:   
Name: David A. Cohen  
Title: USAID Mission Director

By:   
Name: A. Peter Burleigh  
Title: Ambassador

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

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

### 1.0 SUMMARY

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

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

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

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

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

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

The Natural Resources Environmental Practices Program (NAREP II) will address these problems. It will build on the progress made under NAREP I and SCOR and reflects the recommendations resulting from evaluations of these programs. In essence, NAREP II will provide resources to support public and private sector efforts to promote a balance between economic use and conservation of natural resources and biodiversity. This balance is crucial to attain sustainable development and gradually increase productivity and income for poor people in selected representative ecologically critical areas of the country where the activities will be carried out. The details of these activities are described below.

## **2.0 THE EXPECTED RESULTS**

The results expected from this Program are described in Table 2-1 below. The expected results will contribute to the attainment of the Program's overall objective of "Improved Environmental Practices to Support Sustainable Development" and "Improved Private Sector Employment and Income", as well as to the related final results of "Increased Local Management and Shared Control of Natural Resources" and "Improved Environmental Institutions, Policies and Plans." As a Program whose ultimate customers are poor people who have a survival economic stake in its success and sustainability, the extent of its success will be measured in terms of the main indicators listed in Table 2-1. These indicators may be revised, and periodic benchmarks established, during the annual workplan preparation process, as indicated in Section 4.2 of this document. Although the activities described below are expected to achieve these results, they will be changed as necessary to ensure the results are achieved.

**Table 2-1: NAREP II Expected Performance Indicators by the End of the Program**

Result Level	Performance Indicator*
<p><b>Strategic Objective 1:</b> Improved Private Sector Employment and Income.</p> <p><b>Strategic Objective 2:</b> Improved Environmental Practices to Support Sustainable Development.</p>	<p>1. An increase of 10,000 people employed through environmentally-sound local level enterprises.</p> <p>1. Cumulative increase in total direct beneficiaries of environmentally-sound practices to 750,000. (Baseline 302,862)</p> <p>2. Cumulative increase in targeted land with conservation practices to a minimum of 15,000 hectares. (Baseline 3,528 hectares)</p>
<p><b>Intermediate Level Result 1</b> Improved Environmental Institutions, Policies and Plans.</p>	<p>1. 10 natural resource management and biodiversity conservation plans developed and implemented by NGOs, CBOs, and local government agencies.</p> <p>2. 60% implementation of coastal management plan. (Baseline N/A)</p> <p>3. Financial and programming commitments by GSL &amp; NGOs to biodiversity conservation (to be determined once the final BAP is available).</p> <p>4. 10 NGOs strengthened with increased capability to carry out natural resources management and biodiversity conservation.</p> <p>5. The GSL Biodiversity Secretariat strengthened as evidenced by staff and equipment in place.</p>
<p><b>Intermediate Level Result 1 (continuation)</b></p>	<p>6. Local governments in target sites strengthened as evidenced by staff and equipment in place.</p> <p>7. 10 Environmental Policy studies completed and approved.</p> <p>(Note: approximately 2,000 persons from the above entities will be trained as part of the institutional strengthening effort).</p>

Result Level	Performance Indicator*
<p><b>Intermediate Level Result 2</b></p> <p>Increased Local Management &amp; Shared Control of Natural Resources.</p>	<ol style="list-style-type: none"> <li>1. Cumulative increase in total number of user groups (each with a minimum of 10 members) with joint responsibility of management of natural resources to 3,600 by the year 2001. (Baseline 1,066)</li> <li>2. 30 new partnerships ratified through agreements on conservation of biodiversity.</li> <li>3. 50 CBOs legally registered and with authority to carry out natural resources management and biodiversity conservation plans, as well as to raise funds from multiple sources for such purpose. (Baseline N/A)</li> </ol>

\* Baseline as of June 1996.

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

#### 3.1 The Program

NAREP II consists of four components, which will be carried out under a unified contract mechanism with a qualified United States firm: 1. Natural Resources Management and Biodiversity Conservation; 2. Sustainable, Environmentally-Sound Employment and Income-Generating Opportunities; 3. Institutional Strengthening; and, 4. Studies. The scope of these components is summarized below.

##### 3.1.1 Natural Resources Management and Biodiversity Conservation Component

The purpose of this component is to support the efforts of Sri Lankans to adopt and implement a cost-effective plan for managing natural resources and conserving the biodiversity in the target sites. As implied, the attainment of this purpose requires effective partnerships, participation and coordination by concerned national and local GSL institutions, private sector organizations, and communities in the target sites.

The participatory approach is crucial, since after conclusion of the Program, continuation of the natural resource and ecosystems management and conservation efforts depends largely on the inhabitants of the target and surrounding areas. Because of their location, people living in the target watershed and adjacent protected areas and coastal communities are a vital element of the participatory process during Program implementation. Accordingly, NAREP II staff, (from the USAID-funded contractor, concerned GSL agencies, and partner NGOs and CBOs) will develop and implement a plan to establish a presence in target communities; design and install effective mechanisms to enhance community participation and establish consensus; and increase the capability of communities in areas of special

importance to their socio-economic development. A vital part of the mechanisms to be established consists of partnerships arrangements through which CBOs, NGOs and local authorities commit themselves to adopt and implement tailor-made natural resources management plans that consider the unique characteristics of the community and its natural-resource base.

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

Ultimately, through the above and other mechanisms to be designed during Program implementation, the Program staff will establish a cost-effective replicable approach for managing natural resources and conserving the biodiversity in the target sites. Close coordination will be maintained with the companion USAID-sponsored Citizens' Participation Project and other USAID-sponsored activities which may be carried out in the NAREP II areas. Under this approach, the people in the communities would be expected to cease to be petty violators of the rules controlling resource extraction. Rather, they would participate in decision-making over resource allocation and in the application of those decisions in the target sites. Once this approach is tested and used in the target communities, it is expected that the GSL will be able to reduce its enforcement presence and concentrate on the most serious threats to the environment and its biodiversity, while simultaneously achieving greater compliance with resource allocation policies. This should result in a cost-efficient process to use and manage well Sri Lanka's natural resources and conserve its biodiversity.

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

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

The purpose of this component is to develop environmentally and economically sustainable income-producing and job securing as well as job creation opportunities for poor people in selected areas. As stated earlier, the underlying rationale for this component is that people will continue to intensify their pressures and, therefore, their dependency on the country's natural resources to satisfy their economic needs. Unless they adopt sound management practices to use those resources, their unchecked use will not be sustainable and the

ecosystems will be permanently damaged or lost. The opportunities developed through this component will serve as catalysts to encourage people in target areas to adopt sustainable natural resources conservation practices or to adopt alternative income generation activities with lower impacts on the natural resources base. The rationale is that impacts due to individual and unplanned use of natural resources can be mitigated by facilitating community members to form user/producer groups that will ensure longer term sustainability. These micro groups will need to be developed into larger enterprises and linked to markets and financial services for sustainability.

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

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

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

Through field activities in the dry zone and coastal sites designated for their biodiversity value and potential, NAREP II will broaden previous efforts to link economic growth and biodiversity

conservation by identifying and establishing income-generating activities that explicitly maintain or enhance biodiversity and the natural resource base. The use of a management strategy that increasingly places the responsibilities of activity identification and design, organization, implementation, monitoring, and evaluation directly with community-based organizations (CBOs), NGOs, and the private sector, is expected to encourage sustainability and broader adoption of the enterprises--and thus of biodiversity conservation efforts--after NAREP II concludes.

### **3.1.3 Institutional Strengthening Component**

Despite the progress made in training people on a gamut of subjects related to natural resources management, environment and biodiversity conservation, Sri Lanka continues to face a shortage of trained people to plan and carry out activities in these areas. To deal with this problem, the Program will provide funds to cover the costs of: (a) targeted short-term technical assistance and short-term training through local workshops and seminars for personnel of partner NGOs, CBOs and GSL local and national level institutions to upgrade their capability to plan and carry out natural resources and biodiversity conservation activities; and (b) the establishment of a Biodiversity Information Monitoring Activity to support existing GSL attempts to collect available information from many sources and establish a system for its retrieval and dissemination. This will facilitate access to public and private institutions to information for making decisions related to the management of the country's natural resources and its environment.

### **3.1.4 Studies Component**

The purpose of this component is to gather and analyze information needed to complement the current information base as the basis to implement aspects of the planned natural resources and biodiversity conservation actions.

The availability of current and reliable information is a critical element of sound decisions. The GSL, with donor support, has carried out a number of studies which have been used to conceive policies affecting the country's environment, biodiversity and natural resource base. Yet, there are serious gaps in its information base which must be filled to assure that decisions which may affect the country's natural resources, and thus its economic growth prospects, are economically, technically, socially and politically feasible. Particularly, socio-economic, resource and ecological studies are required to precisely define, develop and implement the activities needed to attain the inter-linked objectives of conserving the natural resource base, protecting the ecosystems, and developing sustainable, and environmentally sound employment and income-generating opportunities for poor people.

Faced with acute economic needs, poor people are prone to continue degrading Sri Lanka's natural resource base and its ecosystems. The studies will fill gaps in the existing information base to develop sound income and employment-creation solutions. This will have an impact on poor people at the community level who have a stake in using and managing well the resources which support their economic well-being. In addition, some studies are necessary

to support decisions and action plans related to GSL policies and strategies on protected areas, the use of the natural resource base in the target areas, and the assessment of users' fees to assure the financial sustainability of some of the biodiversity and natural resources conservation initiatives.

### **3.2 The Target Areas**

Tentatively, and subject to further analysis and decision by the Program participants during the early implementation stages of the Program, the illustrative target sites are expected to include or be chosen from the following coastal and inland sites:

**3.2.1 Coastal Areas:** Hikkaduwa, Rekawa, Bundala National Park , and Mundal Lake.

**3.2.2 Inland Sites:** Mee Oya Basin, Minneriya Giritale Nature Reserve, and Ritigala Strict Nature Reserve and Environs. Other sites which show similar characteristics and concerns as Ritigala include: Kahalle Pallekelle; and Minneriya and Giritale Nature Reserve (Mahaweli Development Area).

## **4.0 IMPLEMENTATION PLAN**

### **4.1 The Implementation Approach**

The program will be carried out during a period of five years starting in September 1996 and ending on September 30, 2001. All Program components are expected to be implemented by a U.S. institutional contractor (IC) selected competitively using standard USAID practices. The contract with the selected firm will include funds for local and external technical assistance, training activities, commodities, and for possible grants or subcontracts with specialized NGOs which have a unique capability to carry out aspects of the Program. In turn, the participating NGOs will form partnerships with local authorities and CBOs to prepare resource inventories, and carry out natural resources planning and management, biodiversity conservation, and income-generating activities in selected communities in the target areas.

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

- ▶ Under the Urban and Environmental Management component of NAREP I, USAID will continue providing technical assistance and training to promote waste minimization, waste prevention and related pollution reduction approaches for a cleaner environment.
- ▶ Under the USAID's Asia Environmental Partnership (US-AEP) regional program, USAID/SL will continue financing technical assistance, exchange programs and training to transfer U.S. environmental technologies that promote pollution abatement and energy conservation investments in Sri Lanka.

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

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

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

To assure that to the maximum extent possible, the benefits of the program accrue to poor people at the local level who have a vital economic stake in managing their natural resources and conserving the biodiversity of their environment, the GSL, USAID, NGOs, CBOs and the IC will emphasize efforts to assure their effective participation in the Program. In addition to the partnerships to be developed during Program implementation as discussed above, the CSP will, at the minimum, include the following elements:

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



monitoring process to maintain and sustain the customer focus are incorporated in the workplans, as it may be revised periodically.

### **4.3 Evaluations**

Periodic evaluations and special reviews of NAREP II's activities will be scheduled to assess implementation progress towards the objective of the Program, identify the major problems impeding progress, and identify modifications to be made to make Program implementation more effective and efficient. During the first year of the program, the USAID/SL's Evaluation Officer, in coordination with concerned personnel of the GSL, IC, and NGO/CBOs, personnel will devise an evaluation plan drawing on a mix of methodologies, including formal periodic activity evaluations, routine data sources, and ad hoc assessments. The performance monitoring system can provide an important signal--because expected results have not been achieved or because they are being achieved more efficiently and effectively than expected. In essence, the evaluation of NAREP II activities will rely on routine data sources, ad-hoc assessments, and formal evaluations.

Tentatively, at least an interim evaluation is planned to assess the progress made in meeting the Program's planned results and the cumulative impact of the Program. Based on the findings of this evaluation, recommendations for changes in design and implementation procedures will be made, as appropriate, in order to increase the probability that Program investments will meet NAREP II objectives.

An independent formal final evaluation of the Program may be carried out prior to its completion. This evaluation will:

- ▶ assess the overall development impact of the program; and
- ▶ identify and evaluate problem areas, constraints, and lessons learned during the implementation of the program.

## **5.0 FINANCIAL PLAN AND SPECIFIC COMMITMENTS**

### **5.1 Financial Plan**

The total cost of NAREP II is estimated at US\$ 12.0 million. USAID plans to contribute US\$8 million. The GSL's direct contribution is estimated at US\$2.5 million, consisting of the equivalent of approximately US\$1,795,332 in local currency generated under PL 480 Title III programs (from the PL 480 Title III NGO Special Account) and US\$704,668 in other cash and in-kind contributions. Local NGOs and other private sector organizations are expected to provide approximately US\$1.5 million, consisting mostly of in-kind contributions. The details of these contributions are contained in the NAREP II Financial Plan, attached.

Disbursements will be based on a yearly workplan that the IC will prepare for each Program component. This workplan will summarize the accomplishments during the previous period

and discuss the implementation actions that will be carried out in the subsequent period to attain the objective of the Program. A key factor to be considered in the allocation of funds will be implementation effectiveness and performance towards the objective of the Program.

## **5.2 Specific Commitments**

### **5.2.1 USAID/Sri Lanka**

USAID/Sri Lanka will:

- (1) Provide up to \$8.0 million during a five year period to complement GSL resources and other local contributions to implement the Program. These funds will be provided on an incremental basis, subject the annual provision of funds by U.S. Congress for the activities described in this Annex, and the agreement of the parties to proceed.
- (2) Contract the services of a qualified firm to: (a) provide technical assistance, training, and buy commodities for the Program; (b) support the planning, design and implementation of the income and job-creation initiatives and natural resources/biodiversity conservation activities by participating NGOs and CBOs; and, (c) help with the implementation of all other aspects of the activities planned under the above Program components.
- (3) Assign a multi-disciplinary team (Environmental Team or E-Team) to:
  - ▶ Monitor the implementation of the Program and coordinate Program activities with GSL at the national and local levels, other donors, NGOs, CBOs, the private sector in Sri Lanka, and with other USAID-sponsored programs in Sri Lanka;
  - ▶ Coordinate and manage the review, evaluation, workshop and workplan preparation processes;
  - ▶ Provide any guidance and advise which any of the participants in the Program implementation process may need regarding the use of USAID-provided funds; and,
  - ▶ Make any necessary arrangements for incorporating into the NAREP II Program design any adjustments or recommendations resulting from evaluations, workshops, workplans, changing circumstances.

### **5.2.2 Government of Sri Lanka**

#### **5.2.2.1 Financial and In-kind Contributions**

The GSL will provide \$2.5 million in cash and in-kind contributions to support the

implementation of the Program. This amount will consist of the equivalent of approximately US\$1,795,332 in local currency generated under PL 480 Title III programs (from the PL 480 Title III NGO Special Account) and US\$704,668 in other cash and/or in-kind contributions. In-kind contributions may include salaries for personnel assigned directly to participate in the implementation of the Program; logistic support such as office space, secretarial personnel, office equipment, etc. The GSL will track these contributions and provide a related report to USAID/SL, at least annually. This estimated contribution plus the estimated contributions which other local entities (local governments, NGOs, and CBOs) are projected to provide will total at least 33 percent of the total cost of the Program.

#### **5.2.2.2 Policy Commitments**

The GSL will:

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

### **5.3 Audits and Records**

Regarding audits for subrecipients receiving funds directly from USAID under the Agreement, such as the IC, in lieu of an audit plan required under subsection (e) of Section B.5 in Annex 2, the USAID agreement with these entities will contain appropriate audit requirements (including audit thresholds) for these funds and funding for such audits from Agreement funds, as appropriate.

The GSL will maintain books and records under the Agreement concerning its contributions under the Agreement, in accordance with generally accepted accounting principles prevailing in Sri Lanka.

**USAID Program No. 383-0121**  
**Natural Resources and Environmental Practices Program II**

**Financial Plan**

PROJECT INPUTS	OBLIGATIONS		ANTICIPATED FUTURE YEARS OBLIGATIONS			TOTAL		
	USAID (US\$)	GSL (RS)	USAID (US\$)	GSL (RS)	OTHER* (RS)	USAID (US\$)	GSL (RS)	OTHER* (RS)
Technical Assistance	200,000	0	1,900,000	2,785,000	19,495,000	2,100,000	2,785,000	5,570,000
Training	0	0	1,600,000	5,570,000	11,140,000	1,600,000	5,570,000	11,140,000
Commodities	0	12,000,000	600,000	26,990,000	0	600,000	38,990,000	5,570,000
Studies	10,000	6,000,000	840,000	5,140,000	13,368,000	850,000	11,140,000	5,570,000
Biodiversity Information Monitoring Activity	0	0	300,000	5,570,000	0	300,000	5,570,000	0
Special Projects	10,000	26,000,000	1,490,000	29,700,000	28,407,000	1,500,000	55,700,000	50,130,000
Workshops	10,000	6,000,000	740,000	13,495,000	11,140,000	750,000	19,495,000	5,570,000
Evaluation and Audit	0	0	300,000	0	0	300,000	0	0
<b>TOTAL</b>	<b>230,000</b>	<b>50,000,000</b>	<b>7,770,000</b>	<b>89,250,000</b>	<b>83,550,000</b>	<b>8,000,000</b>	<b>139,250,000</b>	<b>83,550,000</b>

\* Contributions anticipated from NGOs.

Note:

1. The Program exchange rate is Rs. 55.70 to US\$1.00.
2. As provided in Section 2.2(a) of the Agreement, future USAID obligations are subject to the availability of funds and the mutual agreement of the parties to proceed.
3. Of the total GSL contribution Rs100,000,000 (U.S.\$1,795,332) will come from the PL 480 Title III Special Account.

**Program Agreement: Natural Resources and Environmental Practices Program II**

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