

**INITIAL ENVIRONMENTAL EXAMINATION**  
**SO2: Areas for Municipal-level Alternative Development (ADAM)**

STRATEGIC OBJECTIVE LOCATION: Colombia

TITLE: SO2: Areas for Municipal-level Alternative Development (ADAM)

ACTIVITY NUMBER: 514-008

LOP FUNDING: \$140,000,000

LIFE OF STRATEGIC OBJECTIVE: Five Years - FY 2006 to FY 2010

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**I. Description of Strategic Objective:**

USAID/Colombia has decided to combine the alternative development and local government strengthening programs into a single, integrated activity, to be implemented by a single contractor (with sub-contractors as needed) or consortium of firms. The Mission's intention is that these previous efforts now be fully integrated under a single contract mechanism, rather than managed as separate activities. Initial contact between the selected contractor and the municipality will be with municipal leaders, and the intent will be to engage them in a systematic review of both the alternative development and municipal requirements, both in terms of improved municipal governance and improved economic opportunities. Assistance to communities to develop alternative income sources and to obtain their cooperation in eradicating or preventing introduction of illicit crops will be done with the knowledge, support, and assistance of municipal authorities.

In addition, improved municipal services are a key manifestation of increased state presence, which is critical to countering the social environment that facilitates illicit activities. Improved services are also needed in order to improve and maintain roads and other infrastructure essential to new productive enterprises. And productive rural enterprises create an additional source of municipal revenues, thus making the improved municipal services self-sustaining.

**Program Objectives**

The Strategic Objective (SO) to be pursued by the contractor selected through this RFP is “Expanded Economic and Social Alternatives to Illicit Crop Production.” The Mission will contribute to achieving this objective by expanding sustainable economic alternatives (especially agricultural and forestry) and improving municipal government capacity and performance in targeted municipalities, in conjunction with agreements to upfront voluntarily eradicate and prevent the introduction of illicit crops. Achieving results will also facilitate, and be complemented by USAID efforts to promote increased private sector investment and employment, improve the national and regional policy and regulatory environment, and strengthen participatory democracy, access to and efficient administration of justice, transparency of ethical governance, and protection of human rights.

All of these initiatives contribute to the Mission goal of sustainable reduction in the production of illicit drugs and the promotion of peace in Colombia, as well as to complement the GOC’s alternative development policy efforts.

### **Expected Results**

The Intermediate Results that are the focus of this program are IR 2.1 “Improved Economic and Democratic Governance at the Local and National level” and IR2.2”Increased Economic Activity in Identified Growth Poles” .

The following are indicators that the Mission has tentatively identified as possible achievement measures:

- Number and percent of new economic activities promoted at the community level that meet targets established in business plans
- Number and percent of target municipalities that meet standards for graduation from USAID direct assistance (two separate sets of standards will be defined one for larger, more prosperous municipalities and another for poorer municipalities with different potential).
- Percent increase in sales of licit produce from assisted farmers (disaggregated by gender of farmers)
- Percent of citizens surveyed in target municipalities who rate local government performance as good as or better than the previous year (disaggregated by gender).
- Number of infrastructure projects completed in identified growth poles.
- Number and percent of target municipalities with completed social infrastructure projects involving community participation mechanisms.
- Number and percentage of targeted municipalities that have an increase of 50% or more in fiscal revenues.
- Number and percentage of target municipalities which comply with fiscal and debt performance standards set by the national government.
- Number of families benefited by the assistance (disaggregated by gender of head of household).
- Percent increase in net income for farm families participating in project activities.

- Number of jobs created at the farm and off-farm levels through program activities.

## **II. Illustrative Activities**

### **1. Alternative Development and Economic Activities**

The purpose of this activity is to expand the manual upfront eradication of illicit crops, and prevent their introduction in new areas, by creating alternative income opportunities for rural communities.

Establishing new crops in a community not only involves an assessment of the agro-climatic conditions of the community, but an assessment of the market for the product, and an understanding of handling, processing, storage, and transportation requirements. All of the elements of the productive chain need to be analyzed and a determination of actions needed must be made.

For communities growing illicit crops, new, sustainable economic activities will be promoted to provide initial support and promote alternative crops, tied to upfront community eradication of all illicit crops. Assistance will be provided both to create short-term substitute income sources (short term crops, off farm employment), as well as to adopt crop activities with longer term income potential. Assistance will include production, organizational strengthening, post-harvest handling and marketing, and limited infrastructure assistance (via municipal activities described below).

#### **Potential activities to be promoted**

Given that the intent of the program is to find alternative economic activities that farmers of illicit crops can adopt, it is logical that agricultural activities will be proposed. There may be some associated income generation from processing and certainly marketing activities, but the primary source of income will come from production agriculture.

The most recent study of agricultural and rural competitiveness (Norton and Balcázar, November 2003) recommended that Colombia focus on the following sub-sectors in developing licit crops under the future programs for 2006-2010:

- Fruits and vegetables: (bananas and others) Colombia has a notable comparative advantage in fruit and vegetable crops, [and] their high rate of employment creation per hectare means they have significant benefits in terms of poverty reduction and social equity in rural areas. Long-cycle tree crops (oil palm, cacao, coffee):
- Livestock (dairy)
- Forestry: Colombia has the resource base to be competitive in this sector, and exports have been rising even though the industry is characterized as being poorly regulated and deficient. A separate planned USAID project will provide

support to improvement of commercial forestry in Colombia, and could provide essential market outlets for small scale forestry activities under ADAM.

- Others (specifically organic coffee, palm oil, mango, sugar, cacao, flowers, bamboo, and bananas).

For the National Market: Bee Keeping and Honey, Beef, Natural Rubber and Rubber Products, Hot Climate Fruits and Vegetables, Cooler Climate Fruits and Vegetables, Dairy and Dairy Products, Heart of Palm, Potatoes and Other Tubers, Fish and Fish Culture, Medicinal Plants.

For the World Market: African Oil Palm, Bamboo Flooring, Cocoa, Natural Rubber and Rubber Products, Picture Frames, Moldings, Furniture and Doors, Heart of Palm, Black Pepper, Medicinal Plants, Vanilla, Yucca (starch)

Finally, USAID/Colombia has been implementing several related activities that may be able to contribute to the determination of alternative sources of licit income. These activities include the Dairy Alternative Development Colombia Program, the Colombia Specialty Coffee Program, and the Colombia Forestry Development Program.

In selecting alternative crops and activities, the implementing contractor will need to assess the marketing, processing, and transportation requirements, in effect the entire productive chain, to determine if the estimated additional production will be absorbed. Past experience of USAID indicates that in some cases, investment in other points of the productive chain may be necessary.

The implementing contractor should prepare a business plan that provides a multi year projection of income and expenses, up front human, financial, and other resources, underlying assumptions, and other pertinent information. This plan should clearly demonstrate the financial sustainability of the proposed new economic activity, and progress of the activity should be reported against the projections of this plan.

Specific attention must be given during implementation to assure that any internally displaced persons and other vulnerable groups within the municipality also benefit from income generation activities, such as off-farm employment and, where appropriate, credit programs. Specific attention should also be given to the needs of female heads of farm households.

## **2. Strengthening Municipal Governments**

Component 1. Technical assistance and training for improved municipal management, development planning, public services, finance and revenue, and public information.

*Description:* Technical assistance and training will be provided to selected municipalities to improve their administrative and service provision capacity, as well as to instill new processes to assure active citizen

participation in setting municipal priorities and overseeing local government activities. Five different aspects of municipal administration will be addressed under this component. Assistance to municipalities may include all or a subset of the proposed activities depending on specific needs.

The first set of tasks focuses on improving the skills of municipal staff in the area of budgeting, management of services, public sector leadership skills, and general administration. Efforts to improve the skills of municipal employees are complemented by initiatives to increase public oversight of the municipal service activities and budgets.

The second set of tasks will strengthen development planning at the municipal level. The contractor will provide expert advice in preparation of municipal development plans and promote involvement of community groups in reviewing and improving these plans.

The third set of tasks focuses on the provision of municipal services. Technical assistance and training will be provided to municipal employees responsible for such services as water and sanitation, road maintenance, etc. This set of tasks will also include improving the regulatory environment at the local level and promoting public/private partnership initiatives for infrastructure; promoting the concept of “paying” for public services received, and pursuing the creation/improvement of public service providers such as regional associations such as Aguas Del Putumayo.

The fourth set of tasks focuses on finance and revenue. In order to improve service delivery, the municipality must increase local tax receipts. The contractor will work with municipal staff to update urban cadastre records for local property taxes, as well as business registries in order to increase business license revenues

The fifth set of tasks focuses on improving the flow of information from the municipality to the community, particularly concerning municipal development plans, annual budgets, and annual budget execution.

## Component 2: Economic/social infrastructure fund projects

*Description:* The social infrastructure projects are small scale municipal investments in roads, water systems, sanitation systems, schools, health posts, etc. The contractor will assist the municipality to prioritize projects with public participation, engineering design, environmental review, financing, contracting, and construction oversight. Funds are budgeted for an average of eight small scale infrastructure projects for each assisted municipality where illicit crops are being eradicated, and a reduced number in municipalities without such crops.

USAID will want a portion of these projects to support other specific objectives. The infrastructure improvements required to assist internally displaced persons and other vulnerable groups in the 81 ADAM municipalities should be done through the contract to be awarded under this RFP,

Component 3: Residual support for “graduated” municipalities to insure sustainability

*Description:* These municipalities will require continued technical support to monitor implementation of the new systems for at least one additional year.

Component 4: Public policy and other national concerns

*Description:* Assistance will be provided to identify national policy issues that affect the development of local governments and seek appropriate remedies. Specific assistance will be provided to strengthening national legislative capacity to address local governance issues and needs.

In addition, special attention will be given to strengthening local social capital with a focus on at-risk youth and other vulnerable groups (internally displaced persons (IDPs), Afro-Colombians, Indigenous).

### **III. Justification for Environmental Determination:**

The following activities of ADAM are not expected to have significant impacts on the environment: training, technical assistance to be provided to farmer organizations, municipalities, and NGOs; assistance to community organizations and NGOs to identify projects, negotiating with national and regional organizations, developing organization skills, and establishing the basis for monitoring the results and self evaluation; transfer of technology; provision of capital for processing and marketing; pre-investment activities; business organization and management technologies; assessments on climatic, socio-economic and market conditions, productive chain analysis, and marketing activities. These classes of actions are not subject to the procedures set forth in 216.3, except to the extent provided herein: These activities qualify for a categorical Exclusion under 22 CFR; 216.2(c)(2):

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

- (xiv) Studies, projects or programs intended to develop the capability of recipient countries to engage in development planning;
- (xv) Studies, projects or programs intended to develop the capability of recipient countries to engage in development planning, except to the extent designed to result in activities directly affecting the environment (such as construction of facilities, etc.).

Certain components of ADAM projects could have potential environmental impacts. These might include new productive enterprises for licit sustainable activities, such as:

1. Livestock, dairy
2. Natural rubber
3. Cocoa
4. African palm
5. Coffee
6. Sugar
7. Hearts of palm
8. Agro-forestry
9. Diversification and combination of trees
10. Forage crops and animals
11. Basic productive infrastructure to facilitate production related activities (such as processing plants, and produce collection centers)
12. Wood processing industries
13. Supply of wood from managed forests,
14. Bee keeping and honey
15. Beef
16. Hot climate fruits and vegetables
17. Tempered climate fruits and vegetables
18. Potatoes and other tubers
19. Fish and fish culture
20. Medicinal plants
21. Vanilla
22. Black pepper

Some crops may include the use of pesticides.

Environmental impacts are also expected from the provision of infrastructure such as:

- Public services and infrastructure for transportation
- Communication
- Electrification
- Potable water
- Sewerage systems
- Health and education facilities
- Other basic productive infrastructure (e.g. Roads and bridges)
- Other projects such as garbage or solid waste disposal, and electrical connections.

In year 2004, USAID/Colombia, prepared and submitted to USAID/LAC/BEO, for approval the following Environmental Assessments, which were approved with the following Environmental Threshold Decisions (ETDs):

- Programmatic Environmental Assessment For SO1, SO2 and SO3 USAID/Colombia Strategic Objectives. The PEA was approved by USAID/LAC/BEO on 4/28/03.
- Natural rubber, ETD, ETD USAID/LAC-EA-04-06 issued on 3/19/04
- Hearts of palm, ETD USAID/LAC-EA-04-01 issued on 2/11/04
- Cocoa, ETD USAID/LAC-EA-04-14 issued on 6/18/04
- Passion fruit, ETD USAID/LAC-EA-04-09 issued on 6/02/04
- Yucca (cassava), ETD USAID/LAC-EA-04-02 issued on 2/11/04
- African oil Palm, ETD USAID/LAC-EA-04-03 issued on 2/13/04
- Colombia Forestry Development Program, ETD USAID/LAC-IEE-03-25 issued on 5/13/04

USAID/Colombia Mission through Chemonics and ARD-CAPP prepared a Pesticides Evaluation report and Safer Use Action Plan (PERSUAP), which covers more than 80 different crops. Attached is the list of the crops included in the PERSUAP (Annex 1). USAID/LAC/BEO approved such PERSUAPs with Environmental Threshold Decisions Nos. USAID/LAC-IEE-04-03 and USAID/LAC-IEE-04-24 dated 1/27/04 and 5/31/04.

The environmental impacts of most agricultural crops production and processing are analyzed in the different environmental guidelines developed by USAID/Colombia, USAID/LAC, and the Colombia Ministry of Environment. These environmental guidelines make a full analysis of the crop production and processing steps and indicate



clear and affordable mitigation measures. These guidelines cover most of the crops to be developed by ADAM program. Attached is the list of the crops for which USAID/Colombia Mission has environmental guidelines (annex 2).

USDAID/Colombia also has a set of environmental guidelines for small infrastructure and industrial projects, developed by USAID/LAC. These guidelines cover the activities of rural roads construction and improvement, small scale construction, small water and sanitation systems, housing, renewable energy, leather processing, food processing, and wet textile operations.

#### **IV. Recommendation:**

Based on the above discussion, it is recommended that the USAID/LAC Bureau Environmental Officer (BEO) approve:

- a) A **Categorical Exclusion** is recommended for the following ADAM activities: training, technical assistance to be provided to farmer organizations, municipalities, and NGOs (see exception under b) below); planning assistance to municipalities, technical assistance and training to municipalities to improve management, development planning, public services, and finance revenues; assistance to community organizations and NGOs to identify projects, negotiating with national and regional organizations, developing organization skills, and establishing the basis for monitoring the results and self evaluation; transfer of technology; provision of capital for processing and marketing; pre-investment activities; business organization and management technologies; assessments of climatic, socio-economic and market conditions, productive chain analysis, and marketing activities.
- b) A **Negative Determination with conditions** is recommended for technical assistance and training to be provided to municipal employees responsible for municipal services (the third set of tasks of Component 1 under Strengthening of Municipal Services). The condition is that all appropriate environmental guidelines and procedures be incorporated as a component of this technical assistance and training activity.
- c) A **Negative Determination with conditions** is recommended for the activities of producing and processing natural rubber, hearts of palm, cassava, passion fruit, cacao, oil palm, forestry and agro-forestry, with the condition that the recommendations from the prior prepared by the Mission and approved by the USAID/LAC/BEO Environmental Assessments for these activities, will continue to be applied and full used in the implementation of the projects. The Mission Environmental Officer, and CTO will oversee the implementation of these EAs with their contracting organizations. Reports on these matters will be submitted by the Mission to the USAID/LAC/BEO on an annual basis.

- d) A **Negative Determination with conditions** is recommended for the activities of small-scale infrastructure, rural road improvement, small-scale construction, small water and sanitation systems, housing, renewable energy (especially for Component 2, economic/social infrastructure fund projects under Strengthening of Municipal Services). The condition that the mentioned and listed Guidelines will be used in the implementation of these activities. The Mission Environmental Officer, CTO, and contractor(s) will oversee the use of these Guidelines and their implementation. Reports on these matters will be submitted by the Mission to the LAC/BEO on an annual basis.
- e) A **Negative Determination with conditions** for the activities of agricultural producing and processing the products mentioned and listed guidelines. The condition is that the mentioned guidelines will be fully used and applied in the implementation of these activities. The Mission Environmental Officer, CTO, and contractor(s) will oversee the use of these guidelines. Reports on these matters will be submitted by the Mission to the USAID/LAC/BEO on an annual basis.
- f) A **Negative Determination with conditions** is recommended for the use of pesticides in the production of the attached list of agricultural products included in the approved PERSUAP, with the condition that the recommendations from the PERSUAP will continue to be fully applied in the implementation of these activities. The Mission Environmental Officer, CTO and contractor(s) will oversee the implementation and use of the PERSUAP. Within the first six months of implementation of ADAM, the mission will conduct a complete evaluation of the listed Programmatic Environmental Assessments, EAs, PERSUAP and other mission environmental guidelines to determine their effectiveness. This evaluation will be approved by the Mission Environmental Officer and the USAID/LAC/BEO. Additional reports on these matters will be submitted by the Mission to the USAID/LAC/BEO on an annual basis
- g) A **Negative Determination with conditions** for the industrial activities of leather processing, food processing, and wet textile operations with the condition being the full use and application, in the implementation of the mentioned and listed Guidelines. The use of this Guidelines and their implementation will be overseen by the Mission Environmental Officer, CTO and contractor(s). Reports on these matters will be submitted by the Mission to the LAC/BEO on an annual basis.

- h) A **Positive Determination** for the production and processing of agricultural projects not included in the list referred to points c) and g) of this approval, and for other infrastructure, and/or industrial projects that may cause significant environmental impacts. Following the present determination, the Mission will use a similar procedure to that utilized in 2002 to 2004, taking special care to follow the ER procedures established in the PEA approved by LAC/BEO on 4/28/03. Based on these procedures, the MEO will determine which activities/projects may use the ER process and which activities will require the preparation of an EA. Environmental considerations, including monitoring and training, will be included in contractual documents related to the above components of SO2.

Approval:

\_\_\_\_\_  
Gabriel Escobar  
Mission Environmental Officer

Date: \_\_\_\_\_

Concurrence:

\_\_\_\_\_  
Michael J. Deal  
Director USAID/Colombia

Date: \_\_\_\_\_

\_\_\_\_\_  
Victor Bullen, Regional REA  
Environmental Advisor

Date: \_\_\_\_\_

Approval:

\_\_\_\_\_

Date: \_\_\_\_\_

Jerry Bisson  
USAID/LAC Bureau Environmental Officer

Clearances:

Erhardt Rupprecht, AD Officer \_\_\_\_\_

D. Craig Anderson, SADO \_\_\_\_\_

Scott Taylor, SProgram Officer \_\_\_\_\_

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**Annex I: Crops included in the approved PERSUAP**

|                 |                 |                         |
|-----------------|-----------------|-------------------------|
| Aguacate        | Esparragos      | Patilla                 |
| Ahuyama         | Estevia         | Pepinos                 |
| Aji             | Fique           | Peras                   |
| Ajonjoli        | Flores          | Pimenton                |
| Algodón         | Forestales      | Pimienta                |
| Anonaceas       | Fresa           | Piña                    |
| Apio            | Frijol          | Plantaciones Forestales |
| Arroz           | Frutales        | Plantas Medicinales     |
| Arveja          | Guanabana       | Platano                 |
| Avena           | Habichuela      | Pompon                  |
| Banano          | Hortalizas      | RemoUSAID/LACha         |
| Batata          | Lulo            | Repollo                 |
| Bosques         | Maiz            | Roble                   |
| Brocoli         | Mango           | Rosas                   |
| Cacao           | Mani            | Semillas                |
| Caduciifoleas   | Manzanas        | Sorgo                   |
| Café            | Maracuya        | Soya                    |
| Canas de Azucar | Medicinales     | Stevia                  |
| Caucho          | Melon           | Tomate                  |
| Cebada          | Mora            | Tomate de Arbol         |
| Cebolla         | Ornamentales    | Trigo                   |
| Ciruelas        | Palma Africana  | Vainilla                |
| Citricos        | Palma de aceite | Viveros                 |
| Claveles        | Palmito         | Yuca                    |
| Crisantemos     | Papa            | Zanahoria               |
| Cruciferas      | Papaya          |                         |
| Cucurbitaceas   | Pastos          |                         |
| Curuba          |                 |                         |
| Durazno         |                 |                         |

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**Annex II: Environmental Guidelines:**

USAID/COLOMBIA Actividades agrícolas en general  
USAID/COLOMBIA Actividades agrícolas en gran escala  
USAID/COLOMBIA Agroforestales y silvopastoriles  
USAID/COLOMBIA Cultivos anuales de subsistencia  
USAID/COLOMBIA Cultivos permanentes  
USAID/COLOMBIA Especies menores  
USAID/COLOMBIA Extracción de productos no maderables del bosque  
USAID/COLOMBIA Ganadería extensiva  
USAID/COLOMBIA Piscicultura  
USAID/COLOMBIA Plantaciones forestales y extracción forestal  
USAID/COLOMBIA Plantaciones Frutales  
USAID/COLOMBIA Procesamiento de productos de la granja  
USAID/COLOMBIA Productos no frutícolas de plantaciones  
USAID/NICARAGUA Proyectos de rehabilitación de caminos rurales  
USAID/SALVADOR Proyectos de reconstrucción  
USAID/LAC Agricultura y Aguas  
USAID/LAC Agroforestería  
USAID/LAC Carreteras Rurales  
USAID/LAC Conservación de suelos y aguas  
USAID/LAC Construcción en pequeña escala  
USAID/LAC Desechos sólidos residenciales, comerciales e industriales  
USAID/LAC Ecoturismo  
USAID/LAC Gestión Forestal  
USAID/LAC Infraestructura  
USAID/LAC Irrigación y drenaje  
USAID/LAC Manejo integrado de plagas

USAID/LAC Microcentrales eléctricas  
USAID/LAC Microempresas en General  
USAID/LAC Pequeña minería  
USAID/LAC Pequeñas y micro empresas  
USAID/LAC Procesamiento de alimentos  
USAID/LAC Procesamiento de pieles  
USAID/LAC Producción de ladrillo y baldosas  
USAID/LAC Protección de orillas de ríos  
USAID/LAC Reforestación  
USAID/LAC Residuos en centros de salud  
USAID/LAC Sector Forestal  
USAID/LAC Suministro de agua y saneamiento  
USAID/LAC Textiles  
USAID/LAC Vivienda  
MINISTERIO MEDIAMBIENTE COLOMBIA Algodón  
MINISTERIO MEDIAMBIENTE COLOMBIA Guía Ambiental para el manejo de Residuos sólidos  
MINISTERIO MEDIAMBIENTE COLOMBIA Guía Ambiental para el Sector Porcicola  
MINISTERIO MEDIAMBIENTE COLOMBIA Guía Ambiental para Horticultura y Fruticultura  
MINISTERIO MEDIAMBIENTE COLOMBIA Manejo de Residuos sólidos  
MINISTERIO MEDIAMBIENTE COLOMBIA Palma de Aceite  
MINISTERIO MEDIAMBIENTE COLOMBIA Producción de Arroz  
MINISTERIO MEDIAMBIENTE COLOMBIA Producción de Azúcar  
MINISTERIO MEDIAMBIENTE COLOMBIA Producción de Banano  
MINISTERIO MEDIAMBIENTE COLOMBIA Producción de Fique  
MINISTERIO MEDIAMBIENTE COLOMBIA Producción de Panela  
MINISTERIO MEDIAMBIENTE COLOMBIA Producción de Panela  
MINISTERIO MEDIAMBIENTE COLOMBIA Producción y mejoramiento de Café