United States Agency for International Development (USAID)
Request for Categorical Exclusion (RCE)

Program/Project/Activity Data:

<table>
<thead>
<tr>
<th>Activity/Project Name:</th>
<th>Public Finance and Management (PFM) + Trade, and PFM Maldives</th>
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</thead>
<tbody>
<tr>
<td>Development Objective:</td>
<td>Objective 2: Sustained and inclusive economic growth</td>
</tr>
<tr>
<td>Program Area:</td>
<td>EG.4 Financial Sector, &amp; EG.2 Trade and Investment</td>
</tr>
<tr>
<td>Country(ies) and/or Operating Unit:</td>
<td>Sri Lanka &amp; Maldives</td>
</tr>
<tr>
<td>Originating Office: Brian Wittebel, Deputy Director, EGO</td>
<td>Economic Growth Office</td>
</tr>
<tr>
<td>Date: November 22, 2018</td>
<td>DCN of Original RCE/IEE: No</td>
</tr>
<tr>
<td>PAD Level RCE: Yes ☐ No ☒</td>
<td>DCN of Amendment(s): No</td>
</tr>
<tr>
<td>RCE/IEE Amendment: Yes ☐ No ☒</td>
<td></td>
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<tr>
<td>Supplemental RCE: Yes ☐ No ☒</td>
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If Yes, Purpose of Amendment:

DCN(s) of Related EA/IEE/RCE/ER(s): N/A


Funding Amount: $30,000,000  LOP Amount: $30,000,000

Contract/Award Number (if known):

IEE Expiration Date (if any): December 31, 2023

Reporting due dates (if any): Quarterly

Recommended Determination: Categorical Exclusion

Environmental Media and/or Human Health Potentially Impacted (check all that apply):

None ☐  Air ☐  Water ☐  Land ☐  Biodiversity ☐  Human Health ☐  Other ☐

Climate Change: ☐ GCC/Adaption  ☐ GCC/Mitigation  ☐

Adaptation/Mitigation Measures: project technical assistance activities are of no or low risk, no further environmental screening is required. ¹ See Section 3.0

Additional Elements:

Government to Government: ☐  Local Procurement: ☐  Donor Co-Funded: ☐

Global Climate Risk 2019: https://www.germanwatch.org/sites/germanwatch.org/files/Global%20Climate%20Risk%20Index%202019_2.pdf
1. **Project and Activity Description**

USAID/Sri Lanka’s the PFM + Trade seeks to strengthen government functions and improve government capacity needed to advance the country’s international competitiveness and boost overall trade and investment, with a particular focus on enterprise development. Job and income growth depend on the quality and capacity of public sector institutions, as well as government policies and regulations, to support private enterprise growth. This project will support improvements in trade facilitation, logistics, infrastructure provision, and, if necessary work with private sector associations and Chambers of Commerce to increase their capacity to advocate for such changes to be made.

PFM + Trade supports Development Objective (DO) 2, Broad-Based and Inclusive Economic Growth Accelerated and Sustained, and Intermediate Result (IR 2.1) Improved policy and regulatory environment for trade and investment. This activity is expected to extend beyond the current CDCS and will be developed in line with USAID’s strategy. PFM+Trade supports USAID’s overall focus on self-reliance, and the Indo-Pacific Strategy in particular, by assisting to incentivize reforms, strengthen in-country capacity, remove barriers to private investment, and mobilize domestic resources, in support of open trade and investment environments, transparency, and improved infrastructure.

Defined objectives and activities under PFM + Trade may include the following:

**Objective 1 Improved Trade Facilitation (to be implemented in Sri Lanka only)**

The project shall provide gender-informed technical assistance to strengthen and streamline trade policies and the administration of those policies to increase private sector access to markets. As such, PFM+Trade shall identify suitable GoSL counterparts to build the capacity of the staff to support the implementation and streamlining of trade policy, tariff reforms, and their implementation. Training and mentoring shall enhancing GoSL capacity to promote policies and practices to streamline and address “at the border” challenges for the private sector, such as those related to the Value Added Tax (VAT). PFM+Trade shall facilitate the GoSL’s engagement with the private sector to ensure policy decisions include their feedback as well as increase the private sector’s understanding of changes made to policies and their implementation:

Expected Outcomes:

- Increased private sector access for men and women to international supply chains and markets.
- Strengthened trade policies and their implementation to remove bottlenecks for international trade.
It is anticipated that about 50 percent of project resources and level of effort will be utilized for this activity objective.

**Objective 2: Public Financial Resources Mobilized and Effectively Managed (Sri Lanka & Maldives)**

**Sub-objective 2.1 Mobilized Public Revenue**

This sub-objective builds on activities under Objective 1 to strengthen and streamline trade policies regarding, as it relates to public revenue and tariffs. PFM+Trade shall identify suitable GoSL counterparts to provide gender-informed technical assistance and reduce/eliminate para-tariffs, unnecessary paperwork, and bureaucratic red tape while increasing revenue collection within select Government offices. GoSL partners could include the Customs Authority, Port Authority and the MOF.

**Expected Outcomes:**
- Para-tariffs reduced or eliminated and unnecessary trade-related paperwork, bureaucratic red tape related to trade reduced; and
- Increased GoSL VAT revenue collection by Customs as it relates to trade.

**Sub-objective 2.2 Improved Public Sector Procurement Functions**

The project shall provide gender-informed technical assistance to improve public sector procurement functions with suitable GoSL counterparts by building on long-term efforts from Sri Lanka’s development partners. In doing so, PFM+Trade shall strengthen and streamline procurement processes and customs administration at the national level. This shall include complementary (but not duplicative) procurement systems strengthening including strategic planning, enhancing communications, institutional strengthening, and training; and ensuring sustainability through monitoring and evaluation programs. PFM+Trade shall also improve the GoSL’s ability to issue PPPs and ensure that principles of transparency in the various stages of the project, from planning and development to implementation, are integrated and practiced.

**Expected Outcomes:**
- Increased transparency and accountability in Improved GoSL procurement processes;
- Improved institutional capacity and GoSL their ability to issue PPPs; and
- Improved public access to procurement information.

**Sub-objective 2.3 Public Sector Audit Capacity Improved**
The project shall improve the operations of the AGDSL to adequately address findings by improving by response (and completion) rates of audits. This project shall support the oversight function of the Parliament and build on previous USAID work in supporting the Committee of Public Accounts and the Committee on Public Enterprises. With the above in mind, PFM+Trade shall address the gaps identified in the EU assessment to help AGDSL operationalize best practices of audit techniques, and consider other assistance requests put forward by the AGDSL that support the sub-objective.

Expected Outcomes:
- Consistent application of quality control and quality assurance processes; and
- Improved GoSL internal audit capacity within AGDSL and within select line ministries and subnational entities.

It is anticipated that about 50 percent of project resources and level of effort will be utilized for this activity objective.

2. Justification and Recommended Determination for Categorical Exclusion Determination

PFM + Trade is not expected have an effect on the natural or physical environment and are among the classes of activities listed in 22 CFR 216.2(c)(2). Therefore, under §216.2(c)(1), neither an IEE nor an EA will be required for these activities. Instead, a categorical exclusion threshold determination is recommended for the four components under:

- §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.);
- §216.2(c)(2)(iii) Analyses, studies, academic or research workshops and meetings.

3. Recommended Environmental Compliance Actions

The abridged 2016 Sri Lanka CDCS screened the entire DO 2 as being low risk with no adaptation or mitigation actions required (See Annex 1). Although climate risk is screening high for Maldives, the nature and scope of proposed public financed management activities are similar to those in Sri Lanka, and Mission accepted the risk and decided that no further adaption, mitigation and climate screening is required at activities level in both countries. To provide cushion of comfort to USAID that the project will support overall Sri Lanka and Maldives commitment to sustainable development and addressing climate risk, the conditions outlined below are stipulated.

3.1 To ensure compliance with GOSL and GOM legislation and policies for environmental protection and climate change as well as with GOSL and GOM obligations under ratified
international environmental agreements and conventions, including those under the WTO, ILO, and to help GOSL and GOM, and the private sector to mitigate and adapt to potential effects of climate change, scope of work for individual activities shall be reviewed by A/COR and MEO/CIL, with advice from REA/SCA & OAPA and BEO/Asia as warranted, to ensure that environmental, social and climate change aspects are duly addressed as warranted.

3.2 To ensure compliance with 22 CFR 216 and applicable stipulations in USAID ADS, e.g.
ADS 220, 204, 249, 303, 308, as these related to use of different procurement
instruments, A/COR shall consult with A/COR and MEO/CIL, with advice from
REA/SCA & OAPA and BEO/Asia as warranted

3.3 Implementing partner(s) shall regularly report to USAID on compliance with stipulations
established in 3.1 and 3.2 above

3.4 At the “post-award conference” A/COR together with MEO/CIL shall explain this RCE
as approved.

4. Revisions

Under §216.3(a) (9), if new information becomes available that indicates that activities covered by
the categorical exclusion might be considered major and their effect significant, or if additional
activities are proposed that might be considered major and their effect significant, this categorical
exclusion determination will be reviewed and, if necessary, revised by the A/COR and MEO/CIL
with concurrence by the BEO/Asia. It is the responsibility of the USAID A/COR to keep the
MEO/CIL and BEO/Asia timely informed of any new information or changes in the activity that
might require revision of this determination.

Approval:

Reed Aeschliman Mission Director

Date

Clearance:

By email
Andrei Barannik
REA/SCA & OAPA

Date

Clearance:

Brian Wittnebel
Acting Director Office of Economic Growth

Date

Clearance:

By email
Andrei Barannik
MEO/CIL (Acting)

Date
Concurrence:

William Gibson
Asst Bureau Environmental Officer

Distribution:
A/COR Files
MEO Tracking
OAA
RLO

Date
February 19, 2019
### Climate Change Risk Screening Matrix: Sri Lanka & Maldives - Sustained and Inclusive Economic Growth

**March 2016**

<table>
<thead>
<tr>
<th>Planned Areas of Emphasis</th>
<th>Decision Timeframe</th>
<th>Geography</th>
<th>Temperature</th>
<th>Precipitation/ Flooding</th>
<th>Drought</th>
<th>SLR/Storm Surge</th>
<th>Winds/Other Storms</th>
<th>Overall Impact on Mission Activities</th>
<th>Adaptive Capacity</th>
<th>Mission Opportunities for Addressing Climate Risk</th>
</tr>
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<tbody>
<tr>
<td>DO2: Sustained and Inclusive Economic Growth. I.R. Improved Policy and Regulatory Environment for Trade and Investment</td>
<td>Medium – 5-30 years</td>
<td>National</td>
<td>N/A</td>
<td>• Damage to infrastructure</td>
<td>• Damage to natural resources, biodiversity, ocean</td>
<td>• Damage to infrastructure</td>
<td>• Damage to infrastructure</td>
<td>Low</td>
<td>Physical infrastructure may be damaged if not properly sited and designed</td>
<td>Medium</td>
</tr>
<tr>
<td>• Research</td>
<td></td>
<td></td>
<td></td>
<td>• Damage to infrastructure</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Medium</td>
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