
GRANT NUMBER TF0B5382

European Commission Trust Fund Grant Agreement

(Additional Financing for Agriculture Sector Modernization Project)

between

DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA

and

**INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION**

**acting as Administrator of the European Commission Agriculture Sector Modernization
Project Single-Donor Trust Fund**

GRANT NUMBER TF0B5382

**EUROPEAN COMMISSION TRUST FUND
GRANT AGREEMENT**

AGREEMENT dated as of the Signature Date between DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA (“Recipient”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT/INTERNATIONAL DEVELOPMENT ASSOCIATION (“Bank”), acting as administrator of European Commission Agriculture Sector Modernization Project Single-Donor Trust Fund for the purpose of providing additional financing for activities related to the Original Project (as defined in Appendix to this Agreement).

WHEREAS (A) under the Original Financing Agreement (as such term is defined in the Appendix to this Agreement), the International Development Association (“Association”) agreed to provide to the Recipient a credit in an amount equivalent to eighty nine million two hundred thousand Special Drawing Rights (SDR 89,200,000) to assist in financing the Original Project (as such term is defined in the Appendix to this Agreement); and

(B) the Recipient has requested the Bank to provide additional financial assistance in support of additional activities related to the Original Project, by making available to the Recipient a grant in an amount not to exceed two million seven hundred seven thousand five hundred Euro (EUR 2,707,500) to assist in financing scaled-up activities under the Original Project.

NOW, THEREFORE, the Recipient and the Bank hereby agree as follows:

**Article I
Standard Conditions; Definitions**

- 1.01. The Standard Conditions (as defined in the Appendix to this Agreement) apply to and form part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in the Appendix this Agreement.

Article II
The Project

- 2.01. The Recipient declares its commitment to the objectives of the project described in Schedule 1 to this Agreement (“Project”). To this end, the Recipient shall carry out the Project, through MOA, in accordance with the provisions of Article II of the Standard Conditions and Schedule 2 to this Agreement.

Article III
The Grant

- 3.01. The Bank agrees to extend to the Recipient a grant in an amount not to exceed two million seven hundred seven thousand five hundred Euro (EUR 2,707,500) (“Grant”) to assist in financing the Project.
- 3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section III of Schedule 2 to this Agreement.
- 3.03. The Grant is funded out of the abovementioned trust fund for which the Bank receives periodic contributions from the donor to the trust fund. In accordance with Section 3.02 of the Standard Conditions, the Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the donor under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.

Article IV
Recipient's Representative; Addresses

4.01. The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is its Secretary, Ministry of Finance.

4.02. For purposes of Section 7.01 of the Standard Conditions:

(a) the Recipient's address is:

Department of External Resources
The Secretariat
Colombo 1, Sri Lanka; and

(b) the Recipient's Electronic Address is:

Telephone:	Facsimile:	E-mail:
94 11 2484693	94 11 2447633	dg@erd.gov.lk info@erd.gov.lk

4.03. For purposes of Section 7.01 of the Standard Conditions:

(a) the Bank's address is:

International Bank for Reconstruction and Development
International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America; and

(b) the Bank's Electronic Address is:

Telex:	Facsimile:	E-mail:
248423 (MCI) or 64145 (MCI)	1-202-477-6391	CD-SLMV@worldbank.org

AGREED as of the Signature Date.

DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA

By



Authorized Representative

Name: _____
S. R. Attygalle

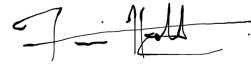
Title: _____
Secretary to the Treasury

Date: _____
17-May-2021

INTERNATIONAL BANK FOR RECONSTRUCTION AND
DEVELOPMENT/INTERNATIONAL DEVELOPMENT
ASSOCIATION

Acting as Administrator of the European Commission
Agriculture Sector Modernization Project Single-Donor Trust
Fund

By



Authorized Representative

Name: _____
Faris H. Hadad-Zervos

Title: _____
Country Director

Date: _____
13-May-2021

SCHEDULE 1

Project Description

The objectives of the Project are to support increasing agriculture productivity, improving market access, and enhancing value addition of smallholder farmers and agribusinesses in the Project areas.

The Project consists of the Original Project and the following scaled-up activities under Parts 2 and 3 of the Project:

Part 1: Productivity Enhancement and Diversification Demonstrations

1. *Modern Agriculture Technology Parks:* Developing modern agriculture technology demonstration parks in Badulla, Ampara, Killinochi, Vavuniya and Kandy, including supporting the introduction, demonstration and scale-up of innovative agriculture technology packages for smallholder farmers and producer organizations that would support productivity improvements, diversification, commercialization, more sustainable and climate resilient production patterns.
2. *Production and Market Infrastructure:* Provision of support for the construction of public agriculture production infrastructure, including: (a) up-grade and rehabilitation of small-scale irrigation infrastructure and existing water tanks and irrigation systems linked to the agriculture technology demonstrations parks; (b) improvement of selected production and market access roads and construction of new field access tracks to improve transportation, access to markets and accessibility for agricultural machinery; and (c) village level storage and product handling facilities, including drying platforms and sheds, composting facilities of crop residues, storage facilities and others.

Part 2: Project Management, Monitoring and Evaluation

Provision of support for Project management, monitoring and evaluation, including the financing of Incremental Operating Costs.

SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. Institutional Arrangements

1. The Recipient shall maintain throughout the implementation of the Project, a Central Project Coordination Committee (“CPCC”) with composition and under terms of reference satisfactory to the Bank.
2. The CPCC shall be responsible for: (a) coordination and communication between and among Project implementing entities and other stakeholders; (b) providing overall policy guidance for Project implementation; and (c) overseeing internal auditing of the Project.

B. Implementation of Part 2 of the Project

1. The Recipient shall maintain throughout the implementation of the Project, an MOA-Project Management Unit under the direction of qualified management provided with sufficient resources, and staffed with competent personnel in adequate numbers including, among others, a Project director, an environmental specialist, a social specialist; and other financial management, procurement, engineering, and administrative staff, in each case with qualifications, experience and under terms of reference satisfactory to the Bank.
2. The MOA-PMU shall be responsible for the overall implementation, coordination, and management of Part 2 of the Project in coordination and collaboration with the Participating Provinces.
3. The Recipient shall: (a) adopt an ATD- Operations Manual in form and substance satisfactory to the Bank; (b) carry out the Project in accordance with the ATD-OM; and (c) not amend, revise or waive, nor allow to be amended, revised or waived, the provisions of the ATD-OM or any part thereof without the prior written agreement of the Bank.
4. In the event of any inconsistency between the ATD-OM and this Agreement, the provisions of this Agreement shall prevail.

5. The Recipient shall cause each of the Participating Provinces to maintain throughout the implementation of the Project, a Provincial Project Management Unit under the direction of qualified management provided with sufficient resources, and staffed with competent personnel in adequate numbers including, among others, a Project director, an environmental specialist, a social specialist; and other financial management, procurement, engineering, and administrative staff, in each case with qualifications, experience and under terms of reference satisfactory to the Bank.
6. The PPMU shall be responsible for the overall implementation, coordination, and management of Part 2 of the Project in the respective Participating Province in coordination and collaboration with the MOA-PMU.
7. The Recipient shall maintain throughout the implementation of the Project, a Coordination Committee with composition and terms of reference satisfactory to the Bank. The Coordination Committee shall be responsible for coordination between the Ministry of Agriculture and the Participating Provinces on the implementation of Part 2 of the Project.

C. Safeguards

1. The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Safeguards Instruments.
2. Without limitation upon the provisions of the preceding paragraph, whenever an additional or revised Environmental Management Plan or Resettlement Action Plan shall be required for any proposed Project activity in accordance with the provisions of the respective Environmental Assessment and Management Framework, or the Resettlement Policy Framework, as the case may be, the Recipient shall, prior to the commencement of such activity, proceed to have such EMP or RAP: (a) prepared in accordance with the provisions of the EAMF or RPF, as applicable; (b) furnished to the Bank for review and approval; and (c) thereafter adopted and disclosed as approved by the Bank, in a manner satisfactory to the Bank.
3. The Recipient shall ensure that each contract for works under the Project includes the obligation of the relevant contractor to comply with the relevant Safeguards Instruments applicable to such civil works commissioned/awarded pursuant to said contract.

4. Except as the Bank shall otherwise agree in writing, the Recipient shall not assign, amend, abrogate, waive, or permit to be assigned, amended, abrogated, or waived, any Safeguards Instrument, or any provision thereof.
5. Without limitation upon its other reporting obligations under Section II.A of this Schedule, the Recipient shall take all measures necessary to regularly collect and compile, and submit to the Bank, as part of the Project Reports, information on the status of compliance with the Safeguards Instruments, providing details of:
 - (a) the measures taken in furtherance of the Safeguards Instruments;
 - (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the Safeguards Instruments; and
 - (c) remedial measures taken or required to be taken to address such conditions.
6. In the event of a conflict between the provisions of any of the Safeguards Instruments and those of this Agreement, the provisions of this Agreement shall prevail.

D. Annual Work Plans and Budget

1. The Recipient shall, throughout Project implementation, furnish to the Bank for approval as soon as available, but in any case not later than September 30 of each year, an annual work plan and budget for the Project for each subsequent fiscal year, of such scope and detail as the Bank shall have reasonably requested, except for the annual work plan and budget for the first fiscal year which shall be furnished prior to the commencement of any activities under the Project.
2. The Recipient shall, no later than two (2) months after furnishing each annual work plan and budget referred to in the preceding paragraph to the Bank, finalize and adopt, and thereafter ensure that the Project is carried out in accordance with such plan and budget as agreed in writing with the Bank.

Section II. Project Monitoring, Reporting and Evaluation

A. Documents; Records

In addition, and without limitation to the obligations set forth in Section 2.05 of the Standard Conditions, the Recipient shall ensure that:

- (a) all records evidencing expenditures under the Project are retained for seven years and six months after the Closing Date, such records to include: (i) this Agreement, all addenda thereof, and any amendments thereto; (ii) the Recipient's financial and narrative progress reports submitted to the Bank; (iii) the Recipient's financial information related to the Grant, including audit reports, invoices and payroll records; (iv) the Recipient's implementation documentation (including sub-agreements, procurement files, contracts, purchase orders); and (v) the corresponding supporting evidence referred to in Section 3.04 of the Standard Conditions; and
- (b) the representatives of the Bank are: (i) able to examine all records referred to above in paragraph (a); (ii) provided all such information concerning such records as they may from time to time reasonably request; and (iii) able to disclose such records and information to the Donor.

B. Project Reports

The Recipient shall ensure that each Project Report is furnished to the Bank not later than one month after the end of each calendar semester, covering the calendar semester.

Section III. Withdrawal of Grant Proceeds

A. General

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; and (b) this Section; to finance Eligible Expenditures in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

Category	Amount of the Grant Allocated (expressed in EUR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, consulting services, Training and Workshops under Part 2 of the Project	2,707,500	100%
TOTAL AMOUNT	2,707,500	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made for payments made prior to the Signature Date.
2. The Closing Date is December 31, 2021.

APPENDIX

Definitions

1. “Affected Persons” means persons who, on account of implementation of the Project, have experienced or would experience direct economic and social impacts caused by: (a) the involuntary taking of land resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; or (iii) loss of income sources or means of livelihood, whether or not such persons must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person.
2. “Anti-Corruption Guidelines” means, for purposes of paragraph 2 of the Appendix to the Standard Conditions, the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006, and revised in January, 2011, and as of July 1, 2016.
3. “ATD-Operations Manual” and “ATD-OM” mean the Agriculture Technology Demonstration Project Operations Manual, adopted by the Recipient in form and substance satisfactory to the Bank, setting forth implementation, organizational, administrative, monitoring and evaluation, financial management, disbursement, and procurement arrangements for purposes of implementation of Part 2 of the Project, as well as the overall Project performance indicators, as said manual may be revised from time to time with the prior written agreement of the Bank, and such term includes any annexes or schedules to such manual.
4. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
5. “Central Project Coordination Committee” and “CPCC” mean the unit established by the Recipient for purposes of, among other things, overall implementation coordination and referred to in Section I.A.1 of Schedule 2 to this Agreement.
6. “Coordination Committee” means committee established by the Recipient for purposes of, among other things, coordinating the implementation of Part 2 of the Project and referred to in Section I.B.7 of Schedule 2 to this Agreement.
7. “Environmental Assessment and Management Framework” and “EAMF” mean the Recipient’s framework, dated April 21, 2016 and updated in November, 2020, setting forth provisions, rules, and procedure for undertaking environmental and social analysis and developing mitigation measures for all Project activities, as said

framework may be revised from time to time with the prior written agreement of the Bank, and such term includes any annexes or schedules to such framework.

8. “Environmental Management Plan” and “EMP” mean each plan prepared by the Recipient in accordance with the EAMF, in form and substance satisfactory to the Bank, setting forth the measures for mitigating the environmental risks and impacts associated with the implementation of Project activities, as well as the administrative and monitoring arrangements for ensuring the implementation of said plan, as said plan may be revised from time to time with the prior written agreement of the Bank, and such term includes any annexes or schedules to such plan.
9. “Incremental Operating Costs” means the reasonable costs incurred by the Recipient for purposes of the management and supervision of the Project including costs of office utilities and supplies, communication, printing services, bank charges, advertising expenses, vehicle rental, operation and maintenance of vehicles, office equipment and facilities, travel, lodging and per diem expenses, salaries of contractual staff, but excluding salaries and allowances of the Recipient’s civil servants or other regular government staff.
10. “Ministry of Agriculture” and “MOA” each means the Recipient’s Ministry of Agriculture, or any successor thereto.
11. “Ministry of Finance” means the Recipient’s Ministry of Finance, or any successor thereto.
12. “MOA-Project Management Unit” and “MOA-PMU” mean the unit within the Recipient’s Ministry of Agriculture responsible for implementing Part 2 of the Project and referred to in Section I.B.1 of Schedule 2 to this Agreement.
13. “Original Financing Agreement” means the Financing Agreement for the Agriculture Sector Modernization Project, dated January 17, 2017 (Credit No. 5873-LK).
14. “Original Project” means the Project described in Schedule 1 to the Original Financing Agreement as amended to date.
15. “Participating Provinces” means the Recipient’s provinces which have been selected to be included in Project activities as set out in the ATD-OM, and such term includes additional provinces which may be added during Project implementation with the prior written agreement of the Bank.

16. “Pest Management Plan” and “PMP” mean the Recipient’s plans dated April 20, 2016, and updated in November 2020, setting forth the principles and procedures to be followed in handling pesticides to be used in the implementation of the Project. as said plan may be revised from time to time with the prior written agreement of the Bank, and such term includes any annexes or schedules to such plan.
17. “Procurement Regulations” means, for purposes of paragraph 20 of the Appendix to the Standard Conditions, the “World Bank Procurement Regulations for IPF Borrowers”, dated November 2020.
18. “Provincial Project Management Unit” and “PPMU” mean any of the units established by the Participating Provinces for purposes of implementing Part 2 of the Project and referred to in Section I.B.5 of Schedule 2 to this Agreement.
19. “Resettlement Action Plan” and “RAP” mean each plan to be prepared by the Recipient in accordance with the RPF in form and substance satisfactory to the Bank, setting forth the principles and procedures governing the acquisition of land and related assets, and the compensation, resettlement, and rehabilitation of Affected Persons, as said plan may be revised from time to time with the prior written agreement of the Bank, and such term includes any annexes or schedules to such plan.
20. “Resettlement Policy Framework” and “RPF” mean the Recipient’s framework, dated April 25, 2016, and updated in November, 2020, setting out mitigation, enhancement, monitoring and institutional measures to carry out the acquisition of land and related assets under the Project and compensation, resettlement, and rehabilitation of Affected Persons, and the preparation of RAPs during the implementation of the Project, as said framework may be revised from time to time with the prior written agreement of the Bank, and such term includes any annexes or schedules to such framework.
21. “Safeguards Instruments” means, collectively, the EAMF, RPF, PMP, any EMP, and/or any RAP.
22. “Signature Date” means the later of the two dates on which the Recipient and the Bank signed this Agreement and such definition applies to all references to “the date of the Grant Agreement” in the Standard Conditions.
23. “Standard Conditions” means the “International Bank for Reconstruction and Development and International Development Association Standard Conditions for Grant Financing Made by the Bank out of Trust Funds”, dated February 25, 2019.

24. "Training" means the reasonable costs of trainings, seminars, workshops, conferences, study tours, conducted in the territory of the Recipient and/or overseas, including: (a) the fees of training institutions and courses; (b) domestic and international travel costs, lodging costs, and subsistence/per diem allowances for both trainers and trainees; (c) the rental of training facilities; and (d) preparation, purchase or reproduction of training materials; but excluding salaries and allowances of the Recipient's civil servants or other regular government staff.