Partnership for Market Readiness
Multi-Donor Trust Fund
Grant Agreement

(Climate Mitigation Action Support Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
acting as Administrator of Grant Funds Provided by Various Donors under the
Partnership for Market Readiness Multi-Donor Trust Fund

and

DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA
PARTNERSHIP FOR MARKET READINESS MULTI-DONOR 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 ("Bank"), acting as administrator of Grant Funds Provided by various Donors ("Donors") under the Partnership for Market Readiness Multi-Donor Trust Fund. The Recipient and the Bank hereby agree as follows:

Article I
Standard Conditions; Definitions

1.01. The Standard Conditions 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 the Ministry of Mahaweli Development and Environment 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 one million eight hundred thousand United States Dollars ($1,800,000) ("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 donors 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 donors 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 01, Sri Lanka; and

(b) the Recipient’s Electronic Address is:

Telephone: Facsimile
94 11 2484693 94 11 2447633
94 11 2434876 94 11 2387513

4.03. For purposes of Section 7.01 of the Standard Conditions: (a) the Bank’s address is:

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

(b) the Bank’s Electronic Address is:

Telex: Facsimile:
248423 (MCI) or 1-202-477-6391
64145 (MCI)
AGREED as of the Signature Date.

DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA

By

Authorized Representative

Name: R.H.S. Samaratunga
Title: Secretary to the Treasury
Date: April 11, 2019

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
acting as Administrator of Grant Funds Provided by Various Donors under the Partnership for Market Readiness Multi-Donor Trust Fund

By

Authorized Representative

Name: Hartwig Schafer
Title: Vice President
Date: April 11, 2019
SCHEDULE 1

Project Description

The objectives of the Project are to strengthen the Recipient’s capacities and systems to: (a) implement national climate change policies, strategies and actions; and (b) design or strengthen market/non-market mitigation instruments. The Project consists of the following parts:

Component 1: Mitigation Policy Objectives, Landscape and Options Analysis

1.1 Designing and implementing an optimal policy package: Develop an optimal policy package that would indicate the potential role of a new carbon pricing instrument (CPI) and how that could further support and enhance Sri Lanka Carbon Crediting Scheme (SLCCS) to support NDC implementation.

Component 2: Technical and Institutional/Regulatory Readiness Components to Support Implementation of CPIs

2.1 Designing a national Monitoring, Reporting, and Verification (MRV) and registry system. Define the functional and technical specification of the national MRV framework and registry system based on the needs assessment done by the World Bank.

2.2 Piloting a national MRV systems, with an initial focus on project-/facility-level emissions and emission reductions: Pilot the main components of the MRV framework for a specific sector(s) and/or technology area(s) that complement other ongoing initiatives and strengthen the national MRV system.

Component 3: Framework for Enhancing and Scaling Up the Domestic CPIs

3.1 Designing the institutional, legal and technical framework to support the enhanced (SLCCS).

(a) evaluate the need to modify/develop the institutional, legal and technical framework of SLCCS based on the analysis of demand and supply options;

(b) evaluate the institutional functions required to support the enhanced SLCCS, and allocation of functions across different bodies, particularly in the context of an executive body, administrator and external auditor; and
provide legal recommendations for the composition, mandate and authority of the above said bodies, and identify and develop the key requirements for the SLCCS component of the national registry system.

3.2 *Piloting the enhanced SLCCS.*

(a) pilot the enhanced SLCCS based on the strategy work completed during MRP implementation, including implementation of the recommended institutional and legal frameworks;

(b) link or create a registry based on the outcomes under Component 2; and

(c) support the development of a pipeline of projects in selected sectors.

3.3 *Developing a roadmap for a new CPI.* Develop a new CPI that could complement the SLCCS and contribute to Sri Lanka’s NDC goals based on the optimal policy package recommended under Component 1 through, *inter alia:*

(a) conducting a feasibility study to understand the technical and financial feasibility of the new CPI recommended under Component 1; and thereafter;

(b) developing a roadmap that details out the plan for the preparation of the main components of the new CPI, including setting the baseline and targets;

(c) developing the legal, institutional, operational and technical frameworks; and

(d) identifying options for linking with SLCCS.

**Component 4: Organization, Communication, Consultation and Capacity Building**

4.1 *Consultation and coordination:* Carrying out a program of activities that support: (a) consultation and coordination among various relevant agencies and key stakeholders; and (b) capacity building workshops and events.
SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. Institutional Arrangements.

1. Project Management Unit

(a) The Recipient shall, by no later than two (2) months after the countersignature date of this Agreement, establish and thereafter maintain throughout the implementation of the Project, a Project management unit ("PMU") under MMDE with terms of reference, composition and resources at all time satisfactory to the World Bank.

(b) Without limitation to the generality of the foregoing provisions in paragraph (a) immediately above, the PMU shall be responsible for technical and administrative coordination, supervision, planning, reporting, monitoring and evaluation, communication and outreach related to the Project.

2. Project Steering Committee

The Recipient shall, by no later than three (3) months after the countersignature date of this Agreement, establish an inter-ministerial Project Steering Committee ("PSC"), and thereafter maintain said PSC throughout the implementation of the Project with a mandate, composition, staffing and resources acceptable to the World Bank; and said PSC shall be responsible for coordination and proactive engagement across several ministries and departments.

3. Technical Advisory Committees

The Recipient shall, by no later than four (4) months after the countersignature date of this Agreement, establish Technical Advisory Committees, and thereafter maintain said committees throughout the implementation of the Project with a mandate, composition, staffing and resources acceptable to the World Bank; and said committee shall be responsible for providing technical advice and support to the PMU.
B. Safeguards

The Recipient shall ensure that: (a) all terms of reference for any technical assistance or studies carried out under the Project are consistent with, and pay due attention to, the World Bank’s environmental and social safeguards policies, as well as the Recipient’s own laws relating to the environment and social aspects; and (b) in drafting any regulations, guidelines or procedures and carrying out consultations, information gathering and advice conveyed through studies, technical assistance and capacity building activities under the Project, due attention is given to said policies and laws.

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(s).

B. Project Reports

The Recipient shall ensure that each Project Report is furnished to the Bank not later than one (1) month after the end of each calendar quarter, covering the calendar quarter.
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 the Category of the following table.

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods, consulting services, Training and Workshops and Operating Costs</td>
<td>1,800,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>1,800,000</td>
<td></td>
</tr>
</tbody>
</table>

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 February 28, 2021.
APPENDIX

Definitions


2. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.

3. “Climate Change Secretariat” means the Recipient’s secretariat under the Ministry of Mahaweli Development and Environment tasked with addressing climate change challenges.

4. “Ministry of Mahaweli Development and Environment” or the acronym “MMDE” means the Recipient’s ministry responsible for management of the environment and natural resources, or any successor thereto.

5. “Market Readiness Proposal” means the proposal prepared by the Recipient which sets forth the roadmap or plan for putting in place carbon market readiness components.

6. “Operating Costs” means the reasonable Project-related incremental operating costs required for the day-to-day coordination, administration and supervision of Project activities, including leasing and/or routine repair and maintenance of vehicles, equipment, facilities and office premises, fuel, office supplies, utilities, consumables, communication expenses (including postage, telephone and internet costs), transportation, translation, printing and photocopying expenses, bank charges, publications and advertising expenses, insurance, Project-related meeting expenses, Project-related travel, subsistence and lodging expenses, but excluding salaries and salary top-ups of civil servants of the Recipient, as may be approved by the World Bank.


8. “Results Framework” means the framework, dated February 2019 and agreed with the World Bank, setting forth the indicators and targets for purposes of monitoring
and evaluation of the progress of the Project, as the same may be modified from
time to time with the prior written agreement of the World Bank.

9. "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.

10. "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 March 29, 2019.

11. "Training and Workshops" means the reasonable costs for training, workshop and
seminar required for the Project, including travel and subsistence costs for training
or workshop participants, costs associated with securing the services of trainers,
rental of training and workshop facilities, preparation and reproduction of training
and workshop materials, and other costs directly related to training course or
workshop preparation and implementation.