OFFICIAL DOCUMENTS

CREDIT NUMBER 5873-LK

Financing Agreement

(Agriculture Sector Modernization Project)

between

DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated January 17, 2017
FINANCING AGREEMENT

AGREEMENT dated January 17, 2017, entered into between
DEMONOCRATIC SOCIALIST REPUBLIC OF SRI LANKA ("Recipient") and
INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). The Recipient
and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute
an integral 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 General Conditions or in the Appendix
to this Agreement.

ARTICLE II — FINANCING

2.01. The Association agrees to extend to the Recipient, on the terms and conditions set
forth or referred to in this Agreement, a credit in an amount equivalent to eighty
nine million two hundred thousand Special Drawing Rights (SDR 89,200,000)
(variously, "Credit" and "Financing"), to assist in financing the project described
in Schedule 1 to this Agreement ("Project").

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with
Section IV of Schedule 2 to this Agreement.

2.03. The Maximum Commitment Charge Rate payable by the Recipient on the
Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per
annum.

2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance
shall be equal to three-fourths of one percent (3/4 of 1%) per annum.

2.05. The Interest Charge payable by the Recipient on the Withdrawn Credit Balance
shall be equal to one and a quarter percent (1.25%) per annum.
2.06. The Payment Dates are June 15 and December 15 in each year.

2.07. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

2.08. The Payment Currency is Dollar.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall carry out the Project through its Ministry of Agriculture, Ministry of Primary Industries, and Central Bank of Sri Lanka in accordance with the provisions of Article IV of the General Conditions.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

4.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

4.02. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Recipient’s Representative is its Secretary, Ministry of Finance.

5.02. The Recipient’s Address is:

Ministry of National Policy and Economic Affairs
Department of External Resources
The Secretariat
Colombo 1, Sri Lanka
The Association’s Address is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Telex: Facsimile:

248423 (MCI) 1-202-477-6391
AGREED at Colombo, Sri Lanka, as of the day and year first above written.

DEMOCRATIC SOCIALIST REPUBLIC
OF SRI LANKA

By

Authorized Representative

Name: R. H. S. Samaratunga
Title: Secretary, Ministry of Finance

INTERNATIONAL DEVELOPMENT
ASSOCIATION

By

Authorized Representative

Name: Idah Z. Pwazayi-Riddihough
Title: Country Director for Sri Lanka and Maldives
SCHEDULE 1

Project Description

The Project development objectives 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 following parts:

Part 1: Agriculture Value Chain Development

Provision of support for the promotion of commercial and export-oriented agriculture to attract and leverage investments from farmer producer organizations and agribusinesses for high value agriculture production and value addition; and to provide the enabling environment, incentives, and access to finance for such investments; including: (a) investment preparation support; (b) Matching Grants to producer organizations and agribusinesses; and (c) Partial Credit Guarantees.

Part 2: Productivity Enhancement and Diversification Demonstrations

Provision of support for smallholder farmers to produce competitive and marketable commodities, improve their ability to respond to market requirements, and move towards increased commercialization, including: (a) farmer training and capacity building; (b) establishment of agriculture technology demonstration parks; (c) improvement and rehabilitation of production and market infrastructure such as irrigation infrastructure, access roads, and storage facilities; and (d) analytical and advisory support.

Part 3: Project Management, Monitoring and Evaluation

Provision of support for Project implementation, management, coordination, technical supervision, financial management, procurement, social and environmental safeguards, and monitoring and evaluation; including the provision of technical advisory services, facilitation of Training and workshops, and financing of Incremental Operating Costs.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Overall Implementation Arrangements

1. The Recipient shall establish, by no later than August 30, 2016, and thereafter maintain throughout the implementation of the Project, a Central Project Coordination Committee with composition and under terms of reference satisfactory to the Association.

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 1(b) of the Project (Matching Grants Program)

1. The Recipient shall establish, by no later than the earlier of August 30, 2016 or the date on which the first Matching Grant is proposed for financing in accordance with the MG Operations Manual, and thereafter maintain throughout the implementation of the Project, a MOPI-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, and administrative staff, in each case with qualifications, experience and under terms of reference satisfactory to the Association.

2. The MOPI-PMU shall be responsible for: (a) overall planning, management, implementation, coordination, monitoring and evaluation of Parts 1(a) and 1(b) of the Project; and (b) serve as a secretariat for the Board of Directors for the Matching Grants Program.

3. The Recipient shall establish, by no later than the earlier of August 30, 2016 or the date on which the first Matching Grant is proposed for financing in accordance with the MG Operations Manual, and thereafter maintain throughout the implementation of the Project, a Board of Directors with composition, qualifications, experience and under terms of reference satisfactory to the Association, and provided with sufficient resources.

4. The Board of Directors shall be responsible for: (a) reviewing and approving applications for Matching Grants in accordance with the Matching Grants Operations Manual; (b) review the internal financial and technical audit reports of
ongoing Matching Grants investments; and (c) approve final completion and/or review reports of individual Matching Grants investments.

5. The Recipient shall establish, by no later than the earlier of August 30, 2016 or the date on which the first Matching Grant is proposed for financing in accordance with the MG Operations Manual, and thereafter maintain throughout the implementation of the Project a Technical Review Group with composition, qualifications, experience and under terms of reference satisfactory to the Association and provided with sufficient resources.

6. The Technical Review Group shall be responsible for: (a) providing guidance to farmer producer organizations and agribusinesses that have expressed interest in applying for Matching Grants on technical and business-related aspects of the investment proposals; (b) provide technical assistance to improve investment proposals to become eligible for Matching Grants; and (c) review finalized investment plans for farmer producer organizations and agribusinesses for technical and economic soundness and compliance with the Matching Grants Operations Manual and recommend such proposals for approval to the Board of Directors.

7. The Recipient shall: (a) adopt by no later than August 30, 2016, a Matching Grants Operations Manual in form and substance satisfactory to the Association; (b) carry out the Project in accordance with the MG Operations Manual; and (c) not amend, revise or waive, nor allow to be amended, revised or waived, the provisions of the MG Operations Manual or any part thereof without the prior written agreement of the Association.

8. In the event of any inconsistency between the MG Operations Manual and this Agreement, the provisions of this Agreement shall prevail.

C. Implementation of Part 1(c) of the Project (Partial Credit Guarantees)

1. The Recipient shall: (a) adopt by no later than August 30, 2016, a Partial Credit Guarantees Operations Manual in form and substance satisfactory to the Association; (b) carry out the Project in accordance with the PCG Operations Manual; and (c) not amend, revise or waive, nor allow to be amended, revised or waived, the provisions of the PCG Operations Manual or any part thereof without the prior written agreement of the Association.

2. In the event of any inconsistency between the PCG Operations Manual and this Agreement, the provisions of this Agreement shall prevail.
3. The Recipient shall cause:

(a) the Ministry of Primary Industries, by no later than August 30, 2016, to enter into a Memorandum of Understanding with the Central Bank of Sri Lanka in form and substance satisfactory to the Association setting forth policies, rules, and procedures to govern the provision of Partial Credit Guarantees under Part 1 (c) of the Project;

(b) the Central Bank of Sri Lanka to implement Part 1 (c) of the Project in accordance with the provisions of PCG Operations Manual and the provisions of this Agreement, including the requirements for the terms and conditions under which Partial Credit Guarantees may be issued, the list of excluded activities against which Partial Credit Guarantees shall not be issued, the requirement that Central Bank of Sri Lanka maintain a dedicated Partial Credit Guarantee Account in Sri Lanka Rupee for the purpose of receiving proceeds of the Credit against which it shall issue Partial Credit Guarantees and out of which it shall disburse funds only for eligible claims to participating financial institutions, and the reporting obligations to the Recipient and the Association on the issuance of Partial Credit Guarantees and the disbursement against claims; and

(c) the Central Bank of Sri Lanka to: (i) maintain and operate the Partial Credit Guarantee Account in accordance with the provisions of the PCG Operations Manual and the provisions of this Agreement for a period of five (5) years after the Closing Date; and (ii) include in each quarterly interim unaudited financial report referred to in Section II.B.2 of this Schedule a statement of Partial Credit Guarantees committed and paid during the relevant period, and continue to provide such reports as well as audit reports in accordance with Section II.B.3 of this Schedule to the Association with respect to Part 1(c) of the Project for so long as any proceeds of the Credit remain in the Partial Credit Guarantee Account and notwithstanding the passage of the Closing Date; in each case except as the Association and the Recipient may otherwise agree in writing.

D. Implementation of Part 2 of the Project

1. The Recipient shall establish, by no later than August 30, 2016, and thereafter 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 Association.
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 by no later than August 30, 2016, an ATD-Operations Manual in form and substance satisfactory to the Association; (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 Association.

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 establish, by no later than September 15, 2016, and thereafter 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 Association.

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 establish, by no later than August 30, 2016, and thereafter maintain throughout the implementation of the Project a Coordination Committee with composition and terms of reference satisfactory to the Association. 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.

E. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

F. 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 Association for review and approval; and (c) thereafter adopted and disclosed as approved by the Association.

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 Association 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 Association, 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.

G. Annual Work Plans and Budget

1. The Recipient shall, throughout Project implementation, furnish to the Association 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 Association 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 Association, 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 Association.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators set forth in the ATD-OM. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Association not later than one (1) month after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.

3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

C. Mid-Term Review Report

Without limitation to the provisions of paragraph A above, the Recipient shall prepare, under terms of reference satisfactory to the Association, and furnish to the Association by no later than January 15, 2019, a consolidated mid-term review report for the Project, summarizing the results of the monitoring and evaluation activities carried out from the inception of the Project, and setting out the measures recommended to ensure the efficient completion of the Project and to further the objectives thereof.
Section III. Procurement

A. General

1. Goods, Works, and Non-consulting Services. All goods, works and non-consulting services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. Consultants' Services. All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.

3. Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods, Works and Non-consulting Services

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, Goods, works, and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. Other Methods of Procurement of Goods, Works, and Non-consulting Services. The following methods, other than International Competitive Bidding, may be used for procurement of goods, works, and non-consulting services for those contracts specified in the Procurement Plan: (a) National Competitive Bidding, subject to the additional provisions set forth in the Attachment to this Schedule; (b) Shopping; (c) Direct Contracting; (d) Force Account; and (e) Community Participation procedures which have been found satisfactory to the Association.

C. Particular Methods of Procurement of Consultants' Services

1. Quality- and Cost-based Selection. Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. Other Methods of Procurement of Consultants’ Services. The following methods, other than Quality and Cost-based Selection, may be used for
procurement of consultants' services for those contracts which are specified in the
Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed
Budget; (c) Least Cost Selection; (d) Selection based on Consultants' Qualifications; (e) Single-source Selection of consulting firms; (f) Procedures set
forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of
Individual Consultants; and (g) Single-source procedures for the Selection of
Individual Consultants.

D. Review by the Association of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the
Association’s Prior Review. All other contracts shall be subject to Post Review by
the Association.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the
provisions of Article II of the General Conditions, this Section, and such additional
instructions as the Association shall specify by notice to the Recipient (including
the “World Bank Disbursement Guidelines for Projects” dated May 2006, as
revised from time to time by the Association and as made applicable to this
Agreement pursuant to such instructions), to finance Eligible Expenditures as set
forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be
financed out of the proceeds of the Financing (“Category”), the allocations of the
amounts of the Financing to each Category, and the percentage of expenditures to
be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, non-consulting services, consultants' services, Incremental Operating Costs, and Training under Part 1 of the Project</td>
<td>5,300,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Matching Grants under Part 1 (b) of the Project</td>
<td>31,450,000</td>
<td>100% of amounts disbursed</td>
</tr>
</tbody>
</table>
(3) Transfers to the Partial Credit Guarantee Account for purposes of issuing Partial Credit Guarantees under Part 1 (c) of the Project

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transfers to the Partial Credit Guarantee Account for purposes of issuing Partial Credit Guarantees under Part 1 (c) of the Project</td>
<td>5,100,000</td>
<td>100%</td>
</tr>
</tbody>
</table>

(4) Goods, works, non-consulting services, consultants’ services, Incremental Operating Costs, and Training under Part 2 of the Project

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods, works, non-consulting services, consultants’ services, Incremental Operating Costs, and Training under Part 2 of the Project</td>
<td>41,800,000</td>
<td>100%</td>
</tr>
</tbody>
</table>

(5) Goods, Non-consulting services, consultants’ services, Incremental Operating Costs, and Training under Part 3 of the Project

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods, Non-consulting services, consultants’ services, Incremental Operating Costs, and Training under Part 3 of the Project</td>
<td>5,550,000</td>
<td>100%</td>
</tr>
</tbody>
</table>

TOTAL AMOUNT 89,200,000

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:

   (a) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed SDR 17,830,000 may be made for payments made prior to this date but on or after June 15, 2016 for Eligible Expenditures;

   (b) under Category (2) unless the Recipient has: (i) adopted a MG Operations Manual in form and substance satisfactory to the Association; and (ii) caused the Ministry of Primary Industries and the Central Bank of Sri Lanka to enter into a Memorandum of Understanding in form and substance satisfactory to the Association; or

   (c) under Category (3) unless the Recipient has adopted a PCG Operations Manual in form and substance satisfactory to the Association.

2. The Closing Date is December 31, 2021.
ATTACHMENT TO SCHEDULE 2

Requirements under National Competitive Bidding

In order to ensure economy, efficiency, transparency and broad consistency with the provisions of the Procurement Guidelines, goods, works, and non-consultant services procured under the National Competitive Bidding (NCB) method shall be subject to the following requirements:

1. Only the model bidding documents for NCB agreed with the Association shall be used for bidding.

2. Invitations for bids will be advertised in at least one widely circulated national daily newspaper, and bidding documents will be made available at least twenty one (21) days before, and issued up to, the deadline for submission of bids.

3. Qualification criteria will be stated in the bidding documents, and if a registration process is required, a foreign firm declared as the lowest evaluated responsive bidder shall be given a reasonable time for registering, without let or hindrance.

4. Bids will be opened in public in one location, immediately after the deadline for the submission of bids, as stipulated in the bidding document (the bidding document will indicate the date, time and place of bid opening).

5. Except in cases of force majeure or exceptional situations beyond the control of the implementing agency, the extension of bid validity will not be allowed.

6. Bids will not be rejected merely on the basis of a comparison with an official estimate.

7. Except with the prior concurrence of the Association, there will be no negotiation of price with bidders, even with the lowest evaluated bidder.

8. A bidder's bid security will apply only to the specific bid, and a contractor's performance security will apply only to the specific contract under which they are furnished.

9. Bids will not be invited on the basis of percentage premium or discount over the estimated cost, unless agreed with the Association.
### SCHEDULE 3

**Repayment Schedule**

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each June 15 and December 15:</td>
<td></td>
</tr>
<tr>
<td>Commencing December 15, 2021 to and including June 15, 2031</td>
<td>1.65%</td>
</tr>
<tr>
<td>Commencing December 15, 2031 to and including June 15, 2041</td>
<td>3.35%</td>
</tr>
</tbody>
</table>

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03 (b) of the General Conditions.
APPENDIX

Section I. 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. “ATD-Operations Manual” and “ATD-OM” mean the Agriculture Technology Demonstration Project Operations Manual to be adopted by the Recipient in form and substance satisfactory to the Association, 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 Association, and such term includes any annexes or schedules to such manual.


4. “Board of Directors” means the board to be established by the Recipient for purposes of implementing Part 1 of the Project and referred to in Section I.B.3 of Schedule 2 to this Agreement.

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


7. “Central Project Coordination Committee” and “CPCC” mean the unit to be 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.

8. “Coordination Committee” means committee to be 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.D.7 of Schedule 2 to this Agreement.

10. “Environmental Assessment and Management Framework” and “EAMF” mean the Recipient’s framework, dated April 21, 2016 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 Association, and such term includes any annexes or schedules to such framework.

11. “Environmental Management Plan” and “EMP” mean each plan to be prepared by the Recipient in accordance with the EAMF, in form and substance satisfactory to the Association, 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 Association, and such term includes any annexes or schedules to such plan.

12. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010, with the modifications set forth in Section II of this Appendix.

13. “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.

14. “Matching Grants” means the grants to producer organizations and agribusinesses meeting the requirements of the MG Operations Manual and to be financed out of the proceeds of the Credit under Part 1 (b) of the Project.

15. “Matching Grants Operations Manual” and “MG Operations Manual” mean the manual to be adopted by the Recipient setting forth: (a) the eligibility criteria, rules, and procedures for providing Matching Grants under Part 1 (b) of the Project; and (b) implementation, organizational, administrative, monitoring and evaluation, fiduciary arrangements for managing the Matching Grants scheme; as said manual may be revised from time to time with the prior written agreement of the Association, and such term includes any annexes or schedules to such manual.
16. "Memorandum of Understanding" means the memorandum of understanding to be entered into between the Ministry of Primary Industries and the Central Bank of Sri Lanka on terms and conditions acceptable to the Recipient and the Association for purposes of providing Partial Credit Guarantees under Part 1 (c) of the Project, and referred to in Section I.C.3(a) of Schedule 2 to this Agreement.

17. "Ministry of Agriculture" means the Recipient’s ministry responsible for agriculture, or any successor thereto.

18. "Ministry of Primary Industries" means the Recipient’s ministry responsible for, among other things, agriculture export, product processing, and value addition, or any successor thereto.

19. "MOA-Project Management Unit" and "MOA-PMU" mean the unit to be established by the Recipient within its Ministry of Agriculture for purposes of implementing Part 2 of the Project and referred to in Section I.D.1 of Schedule 2 to this Agreement.

20. "MOPI-Project Management Unit" or "MOPI-PMU" means the unit to be established by the Recipient within its Ministry of Primary Industries for purposes of implementing Part 1 of the Project and referred to in Section I.B.1 of Schedule 2 to this Agreement.

21. "Partial Credit Guarantee" means the guarantees meeting the requirements of the PCG Operations Manual and to be financed out of the proceeds of the Credit and administered by the Central Bank of Sri Lanka to support the provision of financing by participating financial institutions to farmers and small and medium agribusinesses under Part 1 (c) of the Project.

22. "Partial Credit Guarantee Account" means the account to be maintained by the Central Bank of Sri Lanka for purposes of issuing Partial Credit Guarantees and referred to in Section I.C.3 of Schedule 2 to this Agreement.

23. "Partial Credit Guarantee Operations Manual" or "PCG Operations Manual" means the manual to be adopted by the Recipient setting forth: (a) the eligibility criteria, rules, and procedures for providing Partial Credit Guarantees under Part 1 (c) of the Project, including the criteria for participating financial institutions, the criteria for activities eligible for guarantees and the list of excluded activities; and (b) implementation, organizational, administrative, monitoring and evaluation, fiduciary arrangements for managing the Partial Credit Guarantees scheme; as said manual may be revised from time to time with the prior written agreement of the Association, and such term includes any annexes or schedules to such manual.

24. "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 Association.

25. "Pest Management Plan" and "PMP" mean the Recipient's plans dated April 20, 2016, 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 Association, and such term includes any annexes or schedules to such plan.


27. "Procurement Plan" means the Recipient's procurement plan for the Project, dated May 27, 2016 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

28. "Provincial Project Management Unit" and "PPMU" mean any of the units to be established by the Participating Provinces for purposes of implementing Part 2 of the Project and referred to in Section I.D.5 of Schedule 2 to this Agreement.

29. "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 Association, 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 Association, and such term includes any annexes or schedules to such plan.

30. "Resettlement Policy Framework" and "RPF" mean the Recipient's framework, dated April 25, 2016, 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 Association, and such term includes any annexes or schedules to such framework.

31. "Safeguards Instruments" means, collectively, the EAMF, RPF, PMP, any EMP, and/or any RAP.

32. "Sri Lanka Rupee" means the lawful currency of the Recipient.
33. "Technical Review Group" means a group to be established by the Recipient for purposes of implementing Part 1 of the Project and referred to in Sections I.B.5 and I.B.6 of Schedule 2 to this Agreement.

34. "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.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. Section 3.02 is modified to read as follows:

"Section 3.02. Service Charge and Interest Charge

(a) Service Charge. The Recipient shall pay the Association a service charge on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. The Service Charge shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Service Charges shall be computed on the basis of a 360-day year of twelve 30-day months.

(b) Interest Charge. The Recipient shall pay the Association interest on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. Interest shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Interest shall be computed on the basis of a 360-day year of twelve 30-day months."

2. Paragraph 28 of the Appendix ("Financing Payment") is modified by inserting the words "the Interest Charge" between the words "the Service Charge" and "the Commitment Charge".

3. The Appendix is modified by inserting a new paragraph 32 with the following definition of "Interest Charge", and renumbering the subsequent paragraphs accordingly:

"32. "Interest Charge" means the interest charge specified in the Financing Agreement for the purpose of Section 3.02 (b)."
4. Renumbered paragraph 37 (originally paragraph 36) of the Appendix ("Payment Date") is modified by inserting the words "Interest Charges" between the words "Service Charges" and "Commitment Charges".

5. Renumbered paragraph 50 (originally paragraph 49) of the Appendix ("Service Charge") is modified by replacing the reference to Section 3.02 with Section 3.02(a).