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Investing in rural people

Democratic Socialist Republic of Sri Lanka

**Smallholder Agribusiness and Resilience
Project (SARP)**

Negotiated financing agreement

Executive Board — 128th Session
Rome, 10-12 December 2019

For: **Information**

Negotiated financing agreement: "Smallholder Agribusiness and Resilience Project (SARP)"

(Negotiations concluded on 15 November 2019)

Loan No: _____

Grant No: _____

Project name: Smallholder Agribusiness and Resilience Project (the "SARP" or the "Project")

The Democratic Socialist Republic of Sri Lanka (the Borrower/Recipient)

and

The International Fund for Agricultural Development (the "Fund" or "IFAD")

(each a "Party" and both of them collectively the "Parties")

WHEREAS the Borrower/Recipient has requested a loan and a grant from the Fund for the purpose of financing the Project described in Schedule 1 to this Agreement;

WHEREAS, the Fund has agreed to provide financing for the Project;

NOW THEREFORE, the Parties hereby agree as follows:

Section A

1. The following documents collectively form this Agreement: this document, the Project Description and Implementation Arrangements (Schedule 1), the Allocation Table (Schedule 2) and the Special Covenants (Schedule 3).

2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, amended as of December 2018, and as may be amended hereafter from time to time (the "General Conditions") are annexed to this Agreement, and all provisions thereof shall apply to this Agreement. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein, unless the Parties shall otherwise agree in this Agreement.

3. The Fund shall provide a Loan and a Grant (the "Financing") to the Borrower/Recipient, which the Borrower/Recipient shall use to implement the Project in accordance with the terms and conditions of this Agreement.

Section B

1. A. The amount of the loan is forty-one million and seven hundred thousand United States dollars (USD 41 700 000).

B. The amount of the grant is one million United States dollars (USD 1 000 000).

2. The Loan is granted on ordinary terms and shall be subject to interest on the principal amount outstanding of the Loan rate equal to the IFAD Reference Interest Rate including the variable spread, payable semi-annually in the Loan Service Payment Currency, and have a maturity period with 28 years, including a grace period 11 years starting from the date as of which the Fund has determined that all general conditions precedent to withdrawal have been fulfilled.
3. The Loan Service Payment Currency shall be in USD
4. Payments of principal and interest shall be payable on each first (1st) of March and first (1st) of September
5. The first day of the applicable Fiscal Year shall be January 1st.
6. There shall be two Designated Accounts in US Dollars, for the exclusive use of the Project opened in the Central Bank of Sri Lanka, one for the loan and other for the grant respectively. The Borrower/Recipient shall inform the Fund of the officials authorized to operate the Designated Accounts.
7. There shall be Project Accounts in local currency at any of a state owned commercial bank, to receive funds from the Designated Account for eligible expenditure for the project implementation.
8. The Borrower/Recipient shall provide counterpart financing for the Project in the amount of USD 12.7 million mainly taxes and duties, salaries and operating costs, and technical support for the Project. The beneficiaries and private sector will contribute through a combination of loans and matching grants under sub-component 2.2 of Schedule 1. Beneficiaries will contribute approximately USD 13.2 million and the private sector approximately USD 1.7 million, while UNDP, WFP, UNOPS are committed to provide USD 11.7 for the Project.

Section C

1. The Lead Programme Agency will be the Presidential Secretariat or another Party designated by the Borrower/Recipient during implementation.
2. The following are designated as Project Parties: Ministry of Agriculture, Rural Economic Affairs, Livestock Development, Irrigation, Fisheries and Aquatic Resources Development, or their successors.
3. The Project Completion Date shall be the sixth anniversary of the date of entry into force of this Agreement and the Financing Closing Date shall be six (6) months later, or such other date as the Fund may designate by notice to the Borrower/Recipient. The Financing Closing Date will be established as specified in the General Conditions.
4. Procurement of goods, works and services financed by the Financing shall be carried out in accordance with the provisions of the Borrower/Recipient's procurement regulations, to the extent such are consistent with the IFAD Project Procurement Guidelines.

Section D

1. The Fund will administer the Financing and supervise the Project, and the Borrower/Recipient will implement and conduct its own administration and supervision of the Financing and the Project.

Section E

1. The following are designated as additional grounds for suspension of the right of the Borrower/Recipient to request disbursements under this Agreement:

- (a) The Project Implementation Manual (PIM) and/or any provision thereof, has been waived, suspended, terminated, amended or modified without the prior agreement of the Fund and the Fund, after consultation with the Borrower/Recipient, has determined that it has had, or is likely to have, a material adverse effect on the Project.

2. The following are designated as additional general conditions precedent to withdrawal:

- (a) The IFAD no objection to the Project Implementation Manual (PIM) shall have been obtained.
- (b) Key core PMU staff (the Project Director, technical specialists and Area Based Coordinators) has been appointed as per the applicable circulars/guidelines of the Borrower/Recipient.
- (c) The Project will procure and install a computerized accounting software to satisfy International Accounting Standards and IFAD's requirements.

3. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Borrower/Recipient:

Secretary
Ministry of Finance
Colombo-1

Copy to:

Director General
Department of External Resources
Colombo 1

dg@erd.gov.lk

For the Fund:

The President
International Fund for Agricultural Development
Via Paolo di Dono 44
00142 Rome, Italy

This Agreement, [dated _____] has been prepared in the English language in two (2) original copies, one (1) for the Fund and one (1) for the Borrower/Recipient] and shall enter into force upon its signature of both Parties.

DEMOCRATIC SOCIALIST
REPUBLIC OF SRI LANKA

[Authorised Representative name and title]

Date: _____

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

Gilbert F. Houngbo
President

Date: _____

Schedule 1

Project Description and Implementation Arrangements

I. Project Description

1. *Target Population.* The Borrower/Recipient shall ensure three categories of households to be benefited from the Project– the extreme rural poor, poor with potential to sell in local markets and more commercially oriented smallholder farmers.

2. *Project area.* The Project will operate in priority districts in the North, North Central, Central, and North West provinces of the dry zone (the "Project Area"); namely in Anuradhapura, Vavuniya, Matale, Mannar, Puttalam and Kurenagala districts. The Project will focus on selected 260 tanks forming water management cascades in three river basins – the Malwathu Oya, Mi Oya and Deduru Oya - identified jointly with the Department of Agrarian Development (DAD) as most vulnerable areas, ecologically and socially. The selected cascades are located in the so called 'hot spot' geographical areas where farmers and farming livelihoods are highly exposed and vulnerable to increasing climatic variability.

3. *Goal.* The goal of the Project is to contribute to Sri Lanka's smallholder poverty reduction and food security in the Dry Zone region.

4. *Objectives.* The objectives of the Project are to build resilience and market participation of 40,000 rural smallholder households in the project area (180,000 persons). Women will constitute 50 percent (90,000) and youth 20 percent (36,000) of the total beneficiaries.

5. *Components.* The Project shall consist of the following Components:

5.1 *Component 1. Capacity Building for Climate Resilience and Inclusive Value Chains*

Sub-Component 1.1: Strengthening adaptive capacity of service providers and farmers to climate change.

(a) *Community Organization, Planning and Mentoring.* The Borrower/Recipient shall ensure the plans and guidelines to be implemented through mobilization of cascade level water committees that shall include men, women and youth from communities and the local field officers. The activity shall invest in training of trainers and farmer training programmes to ensure design, implementation, and O&M of climate-resilient village irrigation schemes. The planning process shall be complemented by seasonal livelihood analyses and community participatory planning to support the development of a climate resilient community plan. A cadre of Agro-enterprise Promoters shall be responsible for enterprise development supported by Social Inclusion and Gender Facilitators to reinforce the work of local service providers. The support staff shall be selected from Dry Zone districts and shall support contracted service providers responsible for social mobilization, group formation/strengthening and household mentoring.

(b) *Climate Smart Technologies.* The Borrower/Recipient shall promote Climate smart agricultural technologies through the Farmer Field School (FFS) methodology. The DoA Agricultural Instructors (AIs) and DAD Agrarian Research and Productivity Assistants (ARPA) shall be trained to deliver FFS services. Backstopping mentoring and coaching support shall be available from a Core Team of Trainers and experienced staff of national service providers (NGOs). The project shall also provide technical assistance support through the recruitment of national agricultural officers supported by a national expert with experience in the FFS approach. The training programme shall also invest in awareness raising, knowledge generation, and learning for climate-risk management.

- (c) *Livelihoods Resilience Building.* The Borrower/Recipient shall pursue the skills and capacities required amongst women in particular to be strengthened to ensure that communities become more resilient to climate-related shocks and that the necessary support services to communities and households shall be readily available. The capacity building programme shall support the diversification of livelihoods amongst the more vulnerable households by building their capacity for resilience. It shall involve a three step process of (i) awareness raising of the potential benefits livelihood activities, (ii) experiential training workshops, and (iii) exposure visits to successful enterprises for knowledge sharing and learning from practitioners.
- (d) *Nutrition Education and Training.* Poor dietary diversity shall be addressed by increasing the availability and consumption of nutritious and diverse foods and enhancing income. The focus shall be on training extension workers and service providers. Evidence informed Behaviour Change Communication (BCC) activities shall be implemented in all six (6) districts to complement and promote positive behaviour changes related to improved nutrition and diet quality.
- (e) *Action Research for Policy Dialogue.* The Borrower/Recipient shall take the integrated ecosystem development approach. Policy dialogue shall be conducted on the approach followed by SARP and other projects relating to integrated watershed development.
- (f) *Preliminary Studies.* A process for the selection of sub-basins and tanks shall be followed to ensure the maximization of the returns on water infrastructure investments. The methodology shall follow three steps: i) an assessment of the water availability in the sub-catchments/tanks; ii) an analysis to see if the available water quantity is sufficient to meet the existing demands for water from different sectors, and (iii) detailed hydrological and water allocation modelling of the sub-basins selected.
- (g) *Micro and Weather Insurance.* The Borrower/Recipient shall build on work undertaken by the GIZ funded, Small and Medium Enterprise project in collaboration with the Borrower/Recipient's Agricultural & Agrarian Insurance Board (AAIB) and the Global Index Insurance Facility (GIIF) in the field of commercial agricultural insurance.
- (h) The IFAD hosted Platform for Agricultural Risk Management (PARM), which embeds the Weather Risk Management Facility shall provide the insurance sector with capacity development and TA together with other Borrower/Recipient's development organizations to bring tested innovative crop insurance schemes to scale.

Sub-Component 1.2: Strengthening capacity for inclusive value chain development.

- (a) *Farm Business School.* The Borrower/Recipient shall use the FBS methodology as a main instrument for reaching target individuals – men, women and youth – within the community. The skills and capacities of field level staff, social mobilisers and agribusiness facilitators shall be developed and households shall be available to help them become more market oriented. This shall be done through a Training of Trainers programme with backup coaching support from a Core Team of Trainers. Activities shall include the training of agro-enterprise promoters in group organization, business management and marketing.
- (b) *Skills Development Training for Youth.* The Borrower/Recipient shall use innovative interventions through incubators and access to financial services. Youth led groups or SMEs shall be linked to the Enterprise Sri Lanka programme.
- (c) *Market Appraisal, Post-harvest and Value Addition.* Activities shall include developing the technical skills of women, youth and the most vulnerable households through practical training in post-harvest management and GAP.

Training activities shall include piloting and demonstrating new post-harvest management and value adding technologies. Training programmes shall be designed for District and ASC technical and extension staff who will be expected to organize a cascade training programme for farm households in all 6 districts. The Borrower/Recipient shall organize some 20 training programmes at field level. Entrepreneurs with successful value adding businesses shall be invited as resource cum training persons.

- (d) *National Policy Engagement.* Policy engagement shall also be encouraged on the issues of youth employment in agriculture and micro-insurance ecosystem development. As part of the integrated approach to smallholder agribusiness and resilience development, micro-insurance can build resilience against and transfer risks from the smallholder households. The Borrower/Recipient shall seek to combine insurance with other financial and non-financial services and to create public-private-producer partnerships (4Ps) between the GoSL and the financial sector, particularly public and private insurers and agribusinesses. To support an enabling environment for insurance programme designs and sharing lessons for scaling-up, the Borrower/Recipient shall also promote the inclusion of micro-insurance products, technologies and models in national strategies.

5.2 *Component 2: Investments for Climate Resilience and Inclusive Value Chains*

Sub-Component 2.1: Investments for climate resilient production and infrastructure

- (a) *Cascade Water Resource Infrastructure Development.* Project financing shall be used to support the design and upgrade of Village Irrigation Systems, incorporating elements to enhance the resilience of these systems to climate change risks and impacts. The interventions to upgrade the irrigation systems include: (i) reforesting the watershed (ii) restoring the reservoir bund (dam), spill, sluice and canals supplying the fields, and (iii) de-silting the reservoir bed. Catchment organizations shall be set up and supported to ensure sustainability and to avoid possible conflicts. Cash for Assets shall be used to engage the most vulnerable households related to water tank renovation and maintenance drawing on the experience of WFP. Grants of up to \$10,000 per cascade will be allocated to support soil and water conservation and forestry activities in the field.
- (b) *Household Water Harvesting, Irrigation and Soil Conservation.* Household level measures shall include creating storage tanks in home gardens to capture intense rainfall, low-cost drip irrigation technologies. These and other small scale water harvesting structures shall be developed to increase water quality and availability for multi-purpose usage. Low cost drip irrigation systems and water harvesting measures at household level shall be appraised following the preparation of sub-project/micro project proposals. Water User's Groups (WUGs) shall be set up or existing groups strengthened to ensure sustainability in management and to avoid potential conflicts.
- (c) *Household Water Harvesting, Irrigation and Soil Conservation.* The Borrower/Recipient shall support activities at household level including the development of multi-purpose home gardens, nurseries, aquaculture and small scale livestock development and other income generating activities as part of a livelihoods diversification strategy. Matching grants in the form of small livestock shall be offered to the more vulnerable households with limited access to land and the means to graduate from the Cash for Assets interventions.. Households that will receive commercial home gardening support will simultaneously receive technical support to produce nutrition dense products for home consumption. This activity shall be complemented by the Behaviour Change Communication (BCC) activities referred to under sub-component 1.1 Activities relating to household resilience cater for low cost livelihood activities for the most

vulnerable households. Beneficiaries will be eligible to request grant support either individually, as partnerships or as small groups.

- (d) *Climate Resilient Farming Practices.* The Borrower/Recipient shall introduce climate resilient agricultural production as part of the cropping system to increase the cropping intensity of the farming system. Producer groups shall be strengthened (apart from capacity building on better production methods and pest management) for access to risk mitigation measures and existing subsidy schemes to ensure better adoption of techniques from FFS to actual farms. In-kind grants for seeds and tools shall be given to smallholder farmers combined with fertilizer through the government subsidy programme, supplemented by agricultural extension support. The intervention shall be accompanied by the capacity building efforts to ensure sustainability of activities (Subcomponent 1.2).

Sub-Component 2.2: Investment for inclusive value chain development

- (a) *Feeder Road, Construction, Rehabilitation and Maintenance.* Investments shall be made to improve the condition of selected feeder roads and to construct drainage infrastructure (culverts) where needed. Road gangs shall be formed for road rehabilitation, and local road maintenance plans shall be prepared in consultation with local government authorities. Activities shall include rehabilitation of drainage, construction of structures and set up of road maintenance mechanisms employing the most vulnerable households in temporary employment. The interventions shall comply with the Environmental Management Act (EMA), the Guidelines for Environmental Impact Assessment and IFAD's SECAP requirements.
- (b) *Agrarian Service Centres and Agrarian Banks.* 30 Agrarian Service Centres (ASCs), shall be taken transformed into one-stop-shop facilities for advisory and support services (Knowledge and Service Centres). ASC staff in each target area shall be trained to deliver integrated planning and implementation services for climate smart water and agricultural management in cascade systems. Qualified local partner institutions shall be contracted to provide capacity development services based on a rigorous needs assessment. Staff training and technical assistance may be centred around risk management, value chain development, loan portfolio management, management information system, etc.
- (c) *Market Infrastructure and Stakeholder Platforms.* The Borrower/Recipient shall provide Market infrastructure at district and ASC level in the form of construction of local markets, farmer's markets and platforms for value chain stakeholders to convene. Investments shall include collection points, storage and package facilities.
- (d) *Youth and Women's Enterprises.* The Borrower/Recipient shall ensure combinations of matching grants and loans to be offered to youth, women, able bodied persons, and entrepreneurial small farmers to provide commercial goods and services to farm households based on agreed criteria. Small post-harvest management (PHM) investment grants shall also be offered to households to fund investments in post-harvest and value adding technologies. Approximately 1,200 businesses shall be supported with start-up financing for their business plans, in the form of credit and start-up funds. The grants shall be offered by SARP as investment financing with loans potentially available through the Agrarian Banking system and other Participating Financial Institutions (PFIs), including those participating in the Enterprise Sri Lanka Programme by the Department of Development Finance. The Borrower shall also render technical support to PFIs under the Consolidated Revolving Fund managed by the Central Bank of Sri Lanka (CBSL) to explore innovative technology applications.

- (e) *Market, Weather and Climate Information Services.* The Borrower/Recipient shall assess the need to support the generation of market, weather and climate information and its timely dissemination in consultation with the relevant agencies.

5.3 *Component 3: Project Management and Coordination Unit (PMU).* Component 3 is a cross cutting component to the technical components described above.

- (a) The *Lead Programme Agency (LPA)* shall be supported by technical lead agencies under Ministry of Agriculture, Rural Economic Affairs, Livestock Development, Irrigation, Fisheries and Aquatic Resources Development (that include the Department of Agrarian Development, the Department of Agriculture and the Department of Irrigation) or their successors.
- (b) The LPA shall establish a Project Management Unit (PMU) for SARP at national level as described under the Implementation Arrangements below.
- (c) A National Project Steering Committee (NPsC) shall provide strategic oversight.
- (d) At District level, SARP shall set up two hub offices in selected districts led by Area Coordinators responsible for day to day implementation.

II. Implementation Arrangements

Organisation and management

6. The LPA shall have overall responsibility for the implementation of the Programme.

7. *Project Management Unit ("PMU").*

7.1 A Project Management Unit (PMU) shall be established by the LPA to manage and supervise the overall project. It shall be led by a Project Director, and shall have overall responsibility for project implementation. The LPA shall work very closely with the PMU to oversee implementation.

7.2 *Composition:* The PMU and district offices shall be staffed by dedicated full time staff and supported by technical and administrative staff to ensure timely project delivery, as per the applicable circulars/guidelines of the Borrower/Recipient.

8. *Technical Implementation Unit (TIU").*

8.1 *Establishment and composition.* A Technical Implementation Unit (TIU) shall be established at District level. The TIU will consist of (at least) the Area Coordinator, representatives from the Department of Agrarian Development and the Department of Agriculture in the proposed districts, a representative from the district planning units and appropriate project technical officers. The TIU will, in addition, include representatives of NGO or civil society and a representative of the private sector, when deciding on the approval of micro-projects.

8.2 *Responsibility:* The Technical Implementation unit shall have executive and technical responsibilities. The task of the TIU will be to: (i) speed-up decisions and procedures; (ii) approve micro-projects under Sub-components 2.1 and 2.2 in consultation with the LPA; (iii) propose the agenda for the District MSC meetings and prepare the support documents; (iv) propose the Annual Work Plan and Budget (AWPB) to the District Cluster Hub and PMU for analysis and decision; (v) submit Annual Reports on sub-projects; and (vi) coordinate activities between SARP, UNDP, WFP and share technical experience.

9. *Project coordination and grievance:*

9.1 *Establishment and composition.* The LPA shall oversee the SARP Financial Management, Procurement and Governance through National Steering Committee (NSC) which shall provide strategic oversight to the project. The National Steering Committee

shall comprise representatives of the respective Departments of the Ministry of Finance, Department of National Planning and the respective departments of the Ministry of Agriculture as well as the Forest and Wildlife and other relevant Departments of the Ministry of Mahawelli Development and Environment. Coordination shall be made with the Ministry of Mahawelli Development and Environment which has responsibility for forestry and wildlife and other relevant agencies.

9.2 *Grievance*. Communities, individuals and women who believe that they are adversely affected by SARP may submit complaints to the Divisional Grievance Committee to be set up at Divisional Level to redress grievances originating from the Agrarian Service Centre Committee. In the event that grievances cannot be addressed locally, they will be channeled to the District Multi-Stakeholder Committee for redress. The Grievance Committees will ensure that complaints received are promptly reviewed to address project-related concerns. Project affected communities and individuals may further submit complaints that are not resolved locally to the PMU where an independent Inspection Panel will be set up to determine whether harm occurred, or could occur, because of IFAD non-compliance with its policies and procedures.

10. *Project Implementation Manual (PIM)*. The Lead Project Agency shall prepare a draft PIM acceptable to the Fund. The PIM shall include, inter alia:

- (i) Qualifications, terms of reference and detailed implementation responsibilities of Project parties;
- (ii) Recruitment and appointment procedures for key Project personnel;
- (iii) Criteria for the performance appraisal of the Project personnel and adequate internal control system;
- (iv) Targeting and selection criteria for participating beneficiaries;
- (v) Operational procedures for project implementation, monitoring and evaluation; and
- (vi) Financial management and procurement procedures, including accounting procedures for bookkeeping and reporting, expenditure approval procedures, flow of funds and bank account operation and reconciliation processes.

The PIM may be amended or otherwise modified from time to time only with the prior consent of the Fund.

Schedule 2

Allocation Table

1. *Allocation of Loan/Grant Proceeds.* (a) The Table below sets forth the Categories of Eligible Expenditures to be financed by the Loan/Grant and the allocation of the amounts to each category of the Financing and the percentages of expenditures for items to be financed in each Category:

Category	Loan Amount Allocated (expressed in USD)	Grant Amount Allocated (expressed in USD)	Percentage (net of Government and other contributions)
I. Works	17 560 000		100%
II. Goods, Services and Inputs	2 510 000		100%
III. Consultancies-Loan	3 720 000		100%
IV. Consultancies-Grant		1 000 000	100%
V. Grants & Subsidies	7 120 000		100%
VI. Training	4 280 000		100%
VII. Operating Costs.	2 360 000		100%
unallocated	4 200 000		
TOTAL	41 750 000	1 000 000	

(b) The terms used in the Table above are defined as follows:

"Consultancies-Grant" under Category III-b, shall mean eligible expenditures from the Grant incurred related to (i) International and national consultancies under Contracting Service Providers of the component Sub-component 1.1: Strengthening Adaptive Capacity of Service Providers and Farmers, (ii) ASC strengthening and knowledge hub: IWMI Technical Support under Sub-component 2.2 Investment for inclusive value chain development;

"Consultancies-Loan" under Category III-a, shall mean eligible expenditures related to consultancies service financed from the Loan;

"Goods, Services and Inputs" under Category II, shall mean eligible expenditures from the loan related (i) good , services, inputs, (ii) vehicles for project implementation which shall be included in the AWPB to be cleared by IFAD and approved by the relevant Treasury Department based on the prevailing guidelines of the Borrower/Recipient.

"Operating Costs" under Category VI, shall mean eligible expenditures for Salaries & Allowances and Operating Costs.

Schedule 3

Special Covenants

In accordance with Section 12.01(a)(xxiii) of the General Conditions, the Fund may suspend, in whole or in part, the right of the Borrower/Recipient to request withdrawals from the Loan/Grant Account if the Borrower/Recipient has defaulted in the performance of any covenant set forth below, and the Fund has determined that such default has had, or is likely to have, a material adverse effect on the Project:

1. *Planning, Monitoring and Evaluation.* The Borrower/Recipient shall ensure that (i) a Planning, Monitoring and Evaluation (PM&E) system shall be established within twelve (12) months from the date of entry into force of this Agreement This system shall generate comprehensive and reliable information to support planning and decision-making. The M&E framework in the PIM shall outline the developing of an MIS system as well as regular data collection channels from the field. In addition, a geo-referenced ICT-based M&E system shall be used.

2. *Gender.* The Borrower/Recipient shall ensure that the Project will pay due attention to women's empowerment and voice including skills and capacities (at producer organizational level, and within communities as farmer leaders) and the promotion of economic activities best-suited to them. Particular consideration will also be given to nutrition determinants for the potential to engage with women and adolescent girls in project activities.

3. *Compliance with the Social Environmental and Climate Assessment Procedures (SECAP).* The Borrower/Recipient shall ensure that the Project will be implemented in compliance with IFAD's SECAP and more specifically that the following measures shall be taken: water infrastructure and rural feeder roads technical groups will be formed for preparing rehabilitation and maintenance plans. The structure and road designs will adopt innovative climate smart solutions and also promote good environmental management. The interventions will comply with the Sri Lanka Environmental Management Act (EMA), the Guidelines for Environmental Impact Assessment of IFAD and IFAD's SECAP requirements.

4. *Environment and Social Safeguards.* The Borrower/Recipient shall ensure that: (a) all Project activities are implemented in strict conformity with the Borrower/Recipient's relevant laws/regulations; (b) all Project activities give special consideration to the participation and practices of ethnic minority population in compliance with IFAD's *Policy on Indigenous Peoples* (2009), as appropriate; (c) proposals for civil works include confirmation that no involuntary land acquisition or resettlement is required under the Project. In the event of unforeseen land acquisition or involuntary resettlement under the Project, the Borrower/Recipient shall immediately inform the Fund and prepare the necessary planning documents ; (d) women and men shall be paid equal remuneration for work of equal value under the Project; (e) recourse to child labour is not made under the Project; (f) the measures included in the Gender Action Plan prepared for the Project are undertaken, and the resources needed for their implementation are made available, in a timely manner; (g) all necessary and appropriate measures to implement the Gender Action Plan to ensure that women can participate and benefit equitably under the Project are duly taken; and (h) existence of Protected Areas: the project sites must not be in close proximity/adjacent to the Protected Areas.

5. *Anticorruption Measures.* The Borrower/Recipient shall comply with IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations.

6. Sexual Harassment, Sexual Exploitation and Abuse. The Borrower/Recipient and the Project Parties shall ensure that the Project is carried out in accordance with the provisions of the IFAD Policy on Preventing and Responding to Sexual Harassment, Sexual Exploitation and Abuse, as may be amended from time to time.