

Terms of Reference (TOR) for the Environmental & Social Safeguard Compliance Audit of Component 1 under the Agriculture Sector Modernization Project (ASMP)

1. INTRODUCTION TO THE ASSIGNMENT

The Agriculture Sector Modernization Project (ASMP) has been designed to support the government's overall agriculture sector development policy and address the issues through a strategic approach. It has been structured accordingly and Component 1 of the ASMP is Agriculture Value Chain Development which is to promote commercial and export-oriented agriculture through attracting and leveraging investments from farmer-producer organizations and agribusinesses for high-value agriculture production and value addition. It will provide the enabling environment, incentives, and access to finance for such investments through matching grants to Producer Organizations and Agri-Businesses to attract and leverage investments from farmer-producer organizations and agri-businesses

1.1. Matching Grant Approval Process

Applications for matching grants under the ASMPs Matching Grant scheme support a varied array of grant proposals to support the improvement and modernization of the agriculture industry among both new and existing entrepreneurs. Grant proposals are evaluated on criteria, such as outreach and capacity building to smallholder farmers, regional focus (with higher scorings for proposals in poor lagging regions, as well as criteria of technical quality, innovative potential, business rationale and others as per the matching grant criteria agreed with the World Bank (WB), including due diligence on Environmental and Social aspects in line with the agreed safeguards measures stipulated in the project Environmental Assessment and Management Framework (EAMF), Social Management Framework (SMF) and the Pest Management Plan (PMP). Each grant proposal follows a systemic mechanism of screening and process of review from the EOI to grant approval and during grant implementation in line with the release of project financing.

Upon approval, the PMU would enter a service-based contractual arrangement with the respective proponent that would specify the contractual obligations of partners and the payment terms for the matching grant, which will also include all requirements on safeguards based on the screening decisions made by the PMU and approved by the Review Board. The matching grants must be awarded based on a transparent application, evaluation and selection process and a detailed negative list of items not to be financed under the matching grants is included in the Operations Manual and the EAMF. Environmental Screening Steps that are to be followed under the Grant Application Assessment Steps have been given in Chapter 5 of the project EAMF, and Chapters 6, and 7 in Operation Manual for the Matching Grant Schemes of ASMP including relevant supporting Annexes.

1.2. Need for the Environmental and Social Safeguard Compliance Audit

The purpose of the Environmental and Social Safeguard Compliance Audit is to comply with the World Bank safeguards compliance due diligence process, as agreed in the EAMF and SMF, in order to ascertain that safeguards procedures are adequately followed, and compliance is effectively managed by the project PMU in line with the following documents.

- (a) The Environmental Assessment and Management Framework (EAMF), Social Management Framework (SMF) and Pest Management Plan (PMP) for ASMP-Component 1 adopted by GoSL and all relevant country laws and regulations indicated in the EAMF.
- (b) The Operational Manual of the Matching Grant Scheme under the ASMP-latest updated draft.

2. COMPLIANCE AUDIT OBJECTIVES

The primary objective of this assignment is to

- (i) to review the application of the EAMF, and SMF to the ASMP
- (ii) to review the application of the NEA and its clearance procedures followed by the project, as the case be, and based on site visits ensure conformity with conditions, guidelines and comments stipulated in these and other related documents.
- (iii) to check the status of implementation environmental screening decisions issued for a representative sample of grant proposals that have completed the approval process.
- (iv) to check the status of ESMP implementation by the proponents, including compliance with relevant licenses, approval requirements as per GoSL regulatory requirements, and key approving agencies (i.e., CEA, FD, DWC, NBRO, GSMB, LAs etc.) for representative sample of grant proposals that have completed the approval process.
- (v) to check the status of Safeguard Monitoring and Reporting carried out by the PMU on the implementation of Screening Decisions.
- (vi) to check the safeguard-related training, documentation effectiveness and adequacy of staffing, technical capacity of the PMU, Technical Review Group (TRG) and/or regional level Matching Grant Management to implement EAMF requirements.
- (vii) to check the implementation status of agreed actions as per the WB implementation support missions indicated in the Aide—Memoire
- (viii) To check whether possible social impacts were identified during the project's planning stage and implemented viable mitigation actions.
- (ix) To check whether an effective grievance redress mechanism is being implemented as stipulated and agreed in the SMF and implementation of effective communication and consultation processes in beneficiary selection.
- (x) To check whether project proponents follow the labor-management procedures as a management strategy and are aligned with the GOSL's law and policies.
- (xi) To check whether project proposals adequately consider and provide benefits for women and vulnerable groups.

- (xii) To check the availability of ownership (land and other assets) and operational rights to the proponents.
- (xiii) To check whether enough mitigation measures were taken to minimize gender-based violence (GBV) during project implementation and operations.
- (xiv) To check whether the sub projects provided benefits to the society or initiated any Corporate Social Responsibility (CSR) activities.
- (xv) To check whether information dissemination, meaningful consultations, and awareness have been created to ensure equal and fair opportunities for grant applicants.

3. SCOPE AND METHODOLOGY OF THE AUDIT

The audit process will include below but not be limited to the following:

- (a) an opening meeting with the PMU to discuss the proposed methodology for the audit process and to identify relevant documentation required for the review;
- (b) Gather required information from the project proponents and PMUs, on the sub-project under implementation as well as under preparation. This may include, but not be limited to, E&S Screening Forms, ESMPs, Full Proposals with relevant approvals from the line agencies (i.e., CEA, DWC, FD, CCD, NAQDA, DWLC, DoF etc.), land/property ownership documents (deeds, agreement, etc.), Completion reports for the completed sub-projects on safeguards.
- (c) Review all related documents, organization structure and staffing capacity including TRG, to carry out an independent audit to assess the effectiveness, and compliance status of following EAMF and SMF to adequately meet the Audit Objectives
- (d) Selection of representative sample (approximately 30% of the sub-projects which are implemented and under pipeline) covering both individual and cluster projects under different sectors (i.e., Horticulture, Livestock, Aquaculture and Fisheries, Food etc.), different districts, safeguard risk Categories (i.e., Category A+,A,B and C), site location sensitivity, etc;
- (e) Conduct technical review meetings and consultations with PMUs relevant staff members engaged in grant application selection/screening, environment safeguard management/monitoring process (Environmental Specialist, Social Specialist and if required the Monitoring and Evaluation Specialist and Matching Grant Managers) and grant applicants, implementing/ stakeholders and stakeholder agencies etc.
- (f) Carry out site visits including stakeholder, community consultations to check the status of ESMP implementation by the proponents, including compliance with relevant license, approval requirements as per GoSL regulatory requirements, availability of deeds, agreements, licenses and permits to carry out operations (i.e EPL, NAQDA permits, EIA requirements)
- (g) Check the status of Safeguard Monitoring and Reporting carried out by the PMU on the implementation of Screening Decisions and ESMP implementation by the proponents,
- (h) Report the status of sub projects which are on hold due to pending government approvals and bank clearance.

- (i) Assess whether the construction and operation works are in line with EMP / Screening Decisions and availability of Operational EMPs for Category B or above sub-projects.
- (j) Assess the WB observations, comments and agreed actions stated in the Aide Memoire of the previous missions and report the rectifications / corrective actions taken by PMU on each key agreed actions, including the corrective actions implemented over the WB Environmental Process Audit (May 2021).
- (k) Review monitoring reports of PMU and whether standards, procedures and controls are in place to respond to safeguards requirements stipulated in EAMF, and state whether the non-compliance reported, investigated, and followed up by the PMU or RMGM, and the corrective actions are implemented against any reported process, or implementation related non-compliances.
- (l) Assess the implementation of the GRM process as stipulated in the Social Management Framework (SMF), including the satisfaction of affected parties or grievance/complaint senders with the replies and decisions they received.
- (m) Assess the consultation and communication processes employed by the PMU and key stakeholders throughout the project lifecycle, encompassing identification, approval, implementation, and operation stages.

4. STRUCTURING OF THE AUDIT REPORT

The consultant will be expected to structure his/her report as per the task list indicate specifically providing; an introduction to the assignment, a summary of the screening process as per the EAMF and SMF, the methodology followed to complete the tasks assigned as per the scope of work, key findings, recommendations, and conclusions. The report should identify any substantive knowledge gaps and provide recommendations to improve the overall grant application screening process according to the EAMF and World Bank Safeguards requirements and other relevant documents.

The audit report should contain in the form of a matrix (i)all sub-projects reviewed, (ii) respective documents reviewed per subproject (iii) people interviewed or interacted with during the process, (iv) specific gaps identified if any for each respective subproject and (v) recommendations to improve the due diligence process for that specific subproject if the project is ongoing. A subsection should provide with a table and supporting evidence all proposals where good social, environmental practices from the grant applicants' side were noted as value addition. The report should also present as a specific section the consultants' recommendation on any specific issues assessed on the National EPL process, in terms of both benefits and bottlenecks the process may cause to grant applicants. The report should include all relevant, meeting notes, photo documentation and other information used for analysis cross referenced in the form of Annexes.

Audit Team shall study on following aspects and include propose corrective actions, recommendations to overcome any negative findings in the report.

- (i) Highlight any deviations from the guidelines, conditions and comments stipulated in the aforesaid documents and provide recommendations on how the existing grant applicants can be retrofitted with adequate safeguards requirements as per the EAMF and SMF, where gaps were noted.

- (ii) Document any cases where the screening decision is not in line with the associated risks of the activity finance by the grant proposal or are within the negative list of subprojects under the ESF.
- (iii) Assess and document if screening criteria has been adequately followed and screening decisions are in line with the EAMF/SMF and if the required steps on Environmental Assessments have been followed as per the screening decisions.
- (iv) Where adverse environmental or social impacts were not anticipated in the original screening and where the consultant via his/ her technical understanding based on project risks envisioned should recommend follow up assessments that may need to be completed during the grant implementation process.
- (v) Review the existing Environmental and Social Grievance Redress Mechanism (GRM) related to Health and safety Labour, SEA/SH etc, review the project GRM files and summarize the nature of complaints received and the effectiveness in the way they have been handled for any complaints made on Environmental Processes by any grant applications.
- (vi) Document socially and environmentally sensitive best practices and enhancement that has been implemented by grant applicants as part of the project involvement and environmental due diligence process during grant implementation.
- (vii) Document any adverse environmental impacts that were not anticipated in the screening and follow up assessments that may have occurred during project construction and implementation.
- (viii) Document as per the review any specific issues assessed on the National EPL process, in terms of both benefits and bottlenecks the process may cause to grant applicants and how well EPLs are being implemented by grant applicants during the implementation process.
- (ix) The status of the land/asset ownership documents (deeds, agreements, etc.) should be documented to ensure they are aligned with Government of Sri Lanka (GOSL) legislation and supportive of the smooth and sustainable operation of the projects without potential disputes.
- (x) Document stakeholder engagement throughout the project life cycle.
- (xi) Document the overall safeguard implementation of each project (sample) and project-specific procedures of corrective action if monitoring parameters are out of monitoring limits and if such incidents are reported, investigated, and followed up.
- (xii) Assess the structure of implementation within the PMU and identify any challenges the safeguards team faces in terms of collaboration with other units, management, and the Bank. Provide nature of capacity building provided by the project to the safeguards team and if further capacity building is required and if so in what key areas as well as any additional guidance documents such as Generic ESMPs, Guidance Noted to grant applicants, facilitation trainings etc. needed to be provided to assist them in implementing safeguards measures within the grant implementation time.
- (xiii)** Document the effectiveness of the implemented consultation, communication, and capacity-enhancing programs, along with any gaps or challenges identified during the process

- (xiv) Provide conclusions on the overall observations made in the form of a report documenting the findings as per the tasks above, which will also include a short executive summary of the key findings.

Note: Presentation of the findings and recommendations should not be based on individuals or individual work practices. The Consultant should be completely independent in his/her analysis and should not be influenced by his/her interactions with project staff, beneficiaries, or other stakeholders.

5. OUTPUTS AND DELIVERABLES

The assignment will be completed over a Three (3) calendar month period with deliverables submitted to the PMU as per the schedule of delivery shown below. World Bank safeguard Team will attend reviewing the Audit outputs where necessary to assist PMU to ensure that Key Audit Objectives are met in the Audit Methodology and in the Deliverables.

	Deliverable	Timeline	Comments and Tentative Dates
(i)	Inception report with a Detailed Work Plan including Sub-project selection for the audit and justification The samples are to be selected randomly in discussion with the PMU ES and confirmed.	Within 2 weeks	The report should be shared with the Bank to check the adequacy of the scope and methodology in line with the TOR
(ii)	Draft Audit Report including Presentation	Within 8 weeks from the date of commencement	
(iii)	Final Audit Report	Within 12 weeks from the date of commencement	Including any comments from the Bank Team

6. TEAM COMPOSITION, QUALIFICATION AND EXPERIENCE

The audit team is expected to be a firm with appropriate and sufficient capabilities, resources, and experience in handling similar assignments to fulfil the scope of services mentioned in the TOR with high quality. The Firm should have a minimum of five years' work experience in the related field. Work experience with international donor agencies e.g. World Bank, ADB etc. will be an added advantage.

The team will mainly comprise the following expertise and the Consultant has the freedom to include additional experts justifying the reasons and inputs.

	Position	Qualification & Experience
i.	Lead Auditor / Consultant Environment	<ul style="list-style-type: none"> • Postgraduate in Environmental Science/ Natural Sciences/Biological Sciences or relevant field • At least 12 years of total work experience in the related field as an Environmental Specialist, and 5 years working

	al Specialist	<p>experience with donor funded projects is desirable.</p> <ul style="list-style-type: none"> • Experience in conducting similar assignments, especially in the areas of Environment risk management.
ii.	Social Safeguard Specialist	<ul style="list-style-type: none"> • At least a master’s degree in social sciences, sociology, anthropology, or community development. • A minimum of 10 (ten) years relevant professional experience particularly in social risk management in similar projects • Demonstrated experience in social impact assessments and development of risk management instruments, especially addressing impacts on vulnerable or diverse groups (e.g., people with disabilities), land acquisition and resettlement, Indigenous Peoples, etc.; and • Experience in conducting similar audits, especially in the areas of social risk management.
iii.	Agronomist / Grant management specialist	<ul style="list-style-type: none"> • At least a post graduate degree in Agriculture or Agricultural Economics, Accounts etc
iv.	Field coordinator with a filed team	<ul style="list-style-type: none"> • At least 7 years of Field coordination experience for similar projects. Ability to conduct stakeholder consultation and field level data gathering. • Proficiency in Sinhala and Tamil

7. INSTRUCTIONS FOR THE PREPARATION OF THE PROPOSAL

- (i) Cover Letter
- (ii) Technical Proposal

Please note that the proposal must be responsive to the detailed information set out in Terms of Reference (ToR), and the main sections should include Technical Approach, Methodology and Detailed Work Plan, Key Personnel, and Staffing Plan. CVs for key personnel may be included in an annex to the technical proposal.

- (iii) Corporate Capabilities, Experience, and Past Performance
- (iv) Cost Proposal

8. REPORTING RELATIONSHIP/OTHER CONDITIONS

The consultancy firm has to report to the Project Director, PMU. The firm is expected to work closely with the relevant officials at the PMU, and other Government Authorities as per the requirement. The PMU is liable to coordinate with all Regional Offices and District and Divisional Secretaries if necessary and provide all information about the key stakeholders, small- and large-scale grant recipients who are the beneficiaries of the Project.

9. METHOD AND PROCEDURE OF SELECTION

The selection and employment of the consultant (Consulting Firm) will be done following World Bank Guidelines. Consultants may associate with other firms in the form of a joint venture (JVCs) or a sub-consultancy to enhance their qualifications. In

this case, the clear responsibilities of each firm must be acknowledged and submitted with a proposal duly signed by each interested firm as per article No. 1.15 of the Consultants Guidelines of the World Bank.
The consulting firm will be selected through a limited competitive selection based on consultants' qualifications and experience(CQS).