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CREDIT NUMBER 5445-LK

# Financing Agreement

(Additional Financing for Dam Safety and Water Resources Planning Project)

between

DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated September 12, 2014

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**CREDIT NUMBER 5445-LK**

**FINANCING AGREEMENT**

Agreement dated September 12, 2014, entered into between DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") for the purpose of providing additional financing for activities related to the Original Project (as defined in the Appendix to this Agreement). 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, in the Appendix to this Agreement, or in the Original Financing 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 fifty-three million seven hundred thousand Special Drawing Rights (SDR 53,700,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to one and a quarter percent (1.25%) per annum.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 January 15 and July 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 objectives of the Project. To this end, the Recipient shall carry out the Project through the Ministry of Irrigation and Water Resources Management and the Implementing Entities, and 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 — 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 years after the date of this Agreement.

### **ARTICLE V — REPRESENTATIVE; ADDRESSES**

- 5.01. The Recipient's Representative is its Secretary, Ministry of Finance and Planning.

5.02. The Recipient's Address is:

Ministry of Finance and Planning  
The Secretariat  
Colombo 1, Sri Lanka

Tel: 94 1 2484 5100  
Facsimile: 94 1 1244 7633

5.03. The Association's Address is:

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

Cable:	Telex:	Facsimile:
INDEVAS Washington, D.C.	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: P. B. Jayasundera

Title: Secretary, Ministry of  
Finance and Planning

INTERNATIONAL DEVELOPMENT  
ASSOCIATION

By

Authorized Representative

Name: F. S. [Signature]

Title: [Signature]

## **SCHEDULE 1**

### **Project Description**

The objective of the Project is to assist the Recipient to: (i) establish long-term sustainable arrangements for the operation and maintenance of large dams; and (ii) improve water resources planning.

The Project consists of the Original Project and the following additional parts:

#### **Part 1: Dam Safety and Operational Efficiency Improvement**

- (a) The activities under Part 1(a) of the Original Project are expanded to include approximately 30 additional high risk dams.
- (b) The activities under Part 1(b) of the Original Project are expanded to include the approximately 30 high risk dams referenced in the preceding paragraph and other selected dams.
- (c) Rehabilitation of the Minipe Transbasin Canal.

#### **Part 2: Hydro-meteorological Information System Improvement**

The activities under Part 2(a) of the Original Project are expanded to include approximately 20 additional hydrometric stations.

#### **Part 3: Multi-sectoral Water Resources Planning**

Improvements to selected ID and MASL training centers as required to enable the carrying out of in-house training programs on dam safety and water resources planning and management.

## SCHEDULE 2

### Project Execution

#### **Section I. Implementation Arrangements**

##### **A. Project Implementation**

1. The Project management, coordination and oversight arrangements described in Section I.A of Schedule 2 to the Original Financing Agreement are hereby incorporated by reference to this Section I and shall apply to the Project, for the duration of the Project, except that:
  - (a) the Project Management Unit referenced in Section I.A.1(a) of Schedule 2 to the Original Financing Agreement shall be maintained within MIWRM;
  - (b) the Project Steering Unit referenced in Section I.A.1(a) of Schedule 2 to the Original Financing Agreement shall be chaired solely by the Secretary of MIWRM; and
  - (c) the term "Implementing Agencies" wherever used in such Section I.A of Schedule 2 to the Original Financing Agreement shall be read as "Implementing Entities"; and the term "Project" wherever used in such Section I.A of Schedule 2 to the Original Financing Agreement shall refer to the Project as described in Schedule 1 to this Agreement.
2. The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.
3. Without limiting the generality of paragraph 1 of this Section:
  - (a) the Recipient shall ensure that the Project is carried out in accordance with the provisions of the Safeguards Instruments;
  - (b) without limitation upon the provisions of the preceding sub-paragraph, whenever an Environmental Assessment, Environmental Management Plan, or Livelihood Support Assistance Plan shall be required for any proposed Project activity in accordance with the provisions of the Environmental Assessment and Management Framework or Social Assessment and Management Plan, as applicable, the Recipient shall, prior to the commencement of such activity, proceed to have such EA,

- EMP, or LSAP: (i) prepared in accordance with the provisions of the EAMF or SAMP, as applicable; (ii) furnished to the Association for review and approval; and (iii) thereafter adopted and disclosed as approved by the Association, in a manner acceptable to the Association;
- (c) 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;
  - (d) without limitation upon its other reporting obligations under Section II.A of this Agreement, 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: (i) the measures taken in furtherance of the Safeguards Instruments; (ii) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the Safeguards Instruments; and (iii) remedial measures taken or required to be taken to address such conditions;
  - (e) 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; and
  - (f) the Recipient shall, after completion of any of the works under Part 1 of the Project, and using the implementation arrangements established under Part 1(j) of the Original Project, ensure periodic safety inspections of the dams subject to such works, such inspections to be performed by independent qualified professionals who have not been involved in the design or implementation of works under Part 1 of the Project.

**Section II. Project Monitoring, Reporting and Evaluation**

**A. Project Reports**

1. The Recipient shall no later than December 31 in each year, beginning no later than December 31, 2014, furnish to the Association for its review and comments a proposed annual work program and budget for the next following fiscal year, giving details of its proposed work program activities, cost estimates and budget proposals for the Project; and thereafter implement the annual work program and budget, taking into account such comments as may have been made thereon by the Association.



2. 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 indicators agreed with the Association. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.
3. For purposes of Section 4.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than four (4) months after the Closing Date.
4. The Recipient shall furnish to the Association on or about December 31, 2015, a mid-term review report prepared by independent monitoring and evaluation consultants reflecting the monitoring and evaluation results on Project progress during the period preceding the said report and setting out the measures recommended to ensure efficient carrying out of the Project and the achievement of the objectives in the remaining Project period, and shall review with the Association, by February 29, 2016, or such later date as the Association shall request, the mid-term report, and thereafter take all measures required to ensure efficient completion of the Project and achievement of the objectives, based on the conclusions and recommendations of the said report and the Association's comments on the matter.

**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.

**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 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 table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works and non-consulting services. The Procurement Plan shall specify the circumstances under which such methods may be used:

<b><u>Procurement Method</u></b>	
(a)	National Competitive Bidding, subject to the additional procedures set forth in Attachment 1 to this Schedule
(b)	Shopping
(c)	Direct Contracting

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 table specifies methods of procurement, other than Quality- and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<b><u>Procurement Method</u></b>
(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
(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 100% (inclusive of Taxes) of Eligible Expenditures, consisting of goods, works, non-consulting services, consultants' services, cash and wage assistance under the Livelihood Support Assistance Plans, Training and Workshops, and Incremental Operating Costs.

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement.
2. The Closing Date is May 15, 2018.

## ATTACHMENT 1 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-consulting services procured under 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**

<b>Date Payment Due</b>	<b>Principal Amount of the Credit Repayable (expressed as a percentage)*</b>
On each January 15 and July 15:	
Commencing July 15, 2019 to and including January 15, 2029	1.65%
commencing July 15, 2029 to and including January 15, 2039	3.35%

\* 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. "Anti-Corruption Guidelines" means the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January 2011.
2. "CEB" means the Ceylon Electricity Board, an agency established within the Recipient's Ministry of Power and Energy by the Recipient's Law No.17 of 1969, or any successor thereto.
3. "Consultant Guidelines" means the "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011.
4. "Environmental Assessment" and "EAs" mean, collectively, each assessment to be prepared by the Recipient in accordance with the EAMF, and pursuant to Section I.A.3(b) of Schedule 2 to this Agreement, each such assessment in form and substance satisfactory to the Association, and defining details of potential environmental risks and adverse impacts associated with the implementation of Project activities, as said assessments 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 assessments.
5. "Environmental Assessment and Management Framework" and "EAMF" mean the guidelines dated January 2007, and updated February 21, 2014, prepared and publicly disclosed by the Recipient, and approved by the Association, for environmental safeguard management in undertaking environmental analysis and developing mitigation measures for all Project activities, as said guidelines 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 guidelines.
6. "Environmental Management Plans" and "EMPs" mean, collectively, each plan to be prepared by the Recipient in accordance with the EAMF, and pursuant to Section I.A.3(b) of Schedule 2 to this Agreement, each such plan in form and substance satisfactory to the Association, and 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 plans, as said plans 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 plans.

7. "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.
8. "ID" means the Irrigation Department, a department within MIWRM, or any successor thereto.
9. "Implementing Entities" means the ministries and agencies of the Recipient involved in implementing the Project, that is: MIWRM, CEB, ID, MASL, Northern Provincial Council, and WRB.
10. "Incremental Operating Costs" means the reasonable costs incurred by the Recipient in respect of the Project, including costs of office utilities and supplies, communication, printing services, vehicle rental, operation and maintenance of vehicles, office equipment and facilities, travel, lodging and per-diem expenses, bank charges and advertising expenses, but excluding salaries and allowances of the Recipient's civil servants.
11. "Livelihood Support Assistance Plan" and "LSAP" mean each plan to be prepared by the Recipient under the SAMP, and pursuant to Section I.A.3(b) of Schedule 2 to this Agreement, each such plan in form and substance satisfactory to the Association, setting out modalities for assisting communities affected by water flow interruptions caused by activities under the Project, such assistance to include cash and wage assistance to affected households, including landless laborers and fishers, 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; and "Livelihood Support Assistance Plans" and "LSAPs" refer to two or more of such plans.
12. "MASL" means the Mahaweli Authority of Sri Lanka, an agency established within MIWRM by the Recipient's Law No. 2 of 1979 as amended by its Law No. 59 of 1993, or any successor thereto.
13. "Ministry of Irrigation and Water Resource Management" and "MIWRM" mean the Recipient's Ministry of Irrigation and Water Management, or any successor thereto.
14. "Northern Provincial Council" means the provincial council having jurisdiction over the Recipient's Northern Province, as provided for in the Thirteenth Amendment to the Constitution of the Recipient.
15. "Original Financing Agreement" means the financing agreement for a Dam Safety and Water Resources Planning Project between the Recipient and the Association, dated May 28, 2008, as amended to the date of this Agreement (Credit No. 4406-CE).



16. "Original Project" means the Project described in the Original Financing Agreement.
17. "Procurement Guidelines" means the "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011.
18. "Procurement Plan" means the Recipient's procurement plan for the Project, dated March 5, 2014 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.
19. "Safeguards Instruments" means the EAMF, the EAs, the EMPs, the SAMP, and the LSAPs.
20. "Social Assessment and Management Plan" and "SAMP" mean the plan dated March 5, 2014, prepared and publicly disclosed by the Recipient, and approved by the Association, for mitigating the social impacts of the Project including planning, implementing and monitoring Livelihood Support Assistance Plans, and taking steps to mitigate the social impact of remedial repairs to major dams, 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.
21. "Training and Workshops" means the reasonable costs of trainings, seminars, workshops, conferences and 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.
22. "WRB" means the Water Resources Board, an agency established within MIWRM by the Recipient's Law No. 29 of 1964, as amended, or any successor thereto.

## **Section II. Modifications to the General Conditions**

The modifications to the General Conditions are 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 remaining 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).