

**CONFORMED COPY**

**CREDIT NUMBER 3673 CE**

# **IDA Project Agreement**

**(Renewable Energy for Rural Economic Development Project)**

**between**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**and**

**DFCC BANK**

**Dated July 12, 2002**

**CREDIT NUMBER 3673 CE**

## **PROJECT AGREEMENT**

AGREEMENT, dated July 12, 2002, between the INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and DFCC BANK.

WHEREAS (A) by the Development Credit Agreement of even date herewith (the Development Credit Agreement) between Democratic Socialist Republic of Sri Lanka (in its capacity as a party to the Development Credit Agreement, the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to fifty-nine million three hundred thousand Special Drawing Rights (SDR 59,300,000) to assist financing of the Project described in Schedule 2 to the Development Credit

Agreement, on the terms and conditions set forth in the Development Credit Agreement, but only on conditions that DFCC Bank agree to undertake such obligations toward the Association as are set forth in this Agreement;

(B) by the Global Environment Facility Trust Fund Grant Agreement (the Grant Agreement) of even date herewith between the International Bank for Reconstruction and Development (the Bank), acting as an implementing agency of the Global Environment Facility (GEF) in respect of grant funds provided to the GEF Trust Fund by certain members of the Bank as participants of the GEF, and the Democratic Socialist Republic of Sri Lanka (in its capacity as a party to the Grant Agreement, the Recipient), the Bank has agreed to make a grant (the GEF Trust Fund Grant) to the Recipient in an amount equal to six million four hundred thousand Special Drawing Rights (SDR 6,400,000) to assist in financing the Project on the terms and conditions set forth in the Grant Agreement, but only on conditions that DFCC Bank agree to undertake such obligations toward the Bank as are set forth in the GEF Project Agreement; and

WHEREAS DFCC Bank, in consideration of the Association's entering into the Development Credit Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW, THEREFORE, the parties hereto, hereby, agree as follows:

## **ARTICLE I**

### **Definitions**

Section 1.01. Unless the context otherwise requires, the several terms defined in the Development Credit Agreement, the Preamble to this Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth.

## **ARTICLE II**

### **Execution of the Project**

Section 2.01. (a) DFCC Bank declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, renewable energy, energy efficiency and energy conservation practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Association shall otherwise agree, DFCC Bank shall carry out the Project in accordance with the Implementation Program set forth in Schedule 2 to this Agreement and, where applicable, the provisions of Schedule 3 (Borrower's Project Obligations) and Schedule 4 (Investment Projects) of the Development Credit Agreement.

Section 2.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 1 to this Agreement.

Section 2.03. DFCC Bank shall, or shall cause an Investment Enterprise or a Participating Credit Institution (as the case may be) to, carry out the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the GEF Project Agreement.

Section 2.04. DFCC Bank shall duly perform all its obligations under the Administration Agreement. Except as the Association shall otherwise agree, DFCC Bank shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Administration Agreement or any provision thereof.

Section 2.05. (a) Until a completion report referred to in Section 9.06 (c) of the General Conditions has been furnished to the Association, DFCC Bank shall, at the request of the Association exchange views with the Association with regard to the progress of the Project, the performance of its obligations under this Agreement and the Administration Agreement, and other matters relating to the purposes of the Credit.

(b) DFCC Bank shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of the Credit, or the performance by DFCC Bank of its obligations under this Agreement and under the Administration Agreement.

### **ARTICLE III**

#### **Management and Operations of DFCC Bank and the Administrative Unit**

Section 3.01. DFCC Bank shall carry on its operations and conduct its affairs, and those of the Administrative Unit, in accordance with sound administrative, financial and commercial practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 3.02. DFCC Bank shall take out and maintain with responsible insurers, or make other provision satisfactory to the Association for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

### **ARTICLE IV**

#### **Financial Covenants**

Section 4.01. (a) DFCC Bank shall maintain, until completion of the Project, a financial management system, including records and accounts, and prepare financial statements, all in accordance with accounting standards acceptable to the Association, consistently applied, adequate to reflect its operations and financial condition and to register separately the operations, resources and expenditures related to the Project.

(b) DFCC Bank shall:

(i) have its records and project accounts for each fiscal year

audited, in accordance with auditing standards acceptable to the Association, consistently applied, by independent auditors acceptable to the Association;

- (ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year, (A) certified copies of the financial statements referred to in paragraph (a) of this Section, for such year as so audited, and (B) an opinion on such statements and report of such audit, by said auditors, of such scope and in such detail as the Association, shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning such records, accounts and financial statements, and the audit thereof, and concerning said auditors, as the Association may, from time to time, reasonably request.

## **ARTICLE V**

### **Effective Date; Termination; Cancellation and Suspension**

Section 5.01. This Agreement shall come into force and effect on the date upon which the Development Credit Agreement becomes effective.

Section 5.02. (a) This Agreement and all obligations of the Association and of DFCC Bank thereunder shall terminate on the earlier of the following two dates:

- (i) the date on which the Development Credit Agreement shall terminate in accordance with its terms; or
- (ii) the date twenty years after the date of this Agreement.

(b) If the Development Credit Agreement terminates in accordance with its terms before the date specified in paragraph (a) (ii) of this Section, the Association shall promptly notify DFCC Bank of this event.

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

## ARTICLE VI

### Miscellaneous Provisions

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telex or facsimile to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. Deliveries made by facsimile transmission shall also be confirmed by mail. The addresses so specified are:

For the Association:

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

| Cable address:              | Telex:                         | Facsimile:     |
|-----------------------------|--------------------------------|----------------|
| INDEVAS<br>Washington, D.C. | 248423 (MCI) or<br>64145 (MCI) | (202) 477-6391 |

For DFCC Bank:

General Manager  
DFCC Bank  
73/5 Galle Road  
Colombo 3  
Sri Lanka

Facsimile:

94-1-440-376

Section 6.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of DFCC Bank, or by DFCC Bank or the Administrative Unit on behalf of the Borrower under the Development Credit Agreement, may be taken or executed by the General Manager of DFCC Bank, or such other person or persons as the General Manager shall designate in writing, and DFCC Bank shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Colombo, Sri Lanka, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Peter Harrold

Country Director, Sri Lanka

DFCC BANK

By /s/ A. N. Fonseka

Authorized Representative

**SCHEDULE 1**

**Procurement**

Section I. Procurement of Goods and Works

Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and the provisions of the following Parts of this Section I.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods and works shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods and works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Preference for Domestically Manufactured Goods and Domestic Contractors

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

(b) Notification and Advertising

The invitation to pre-qualify or bid for each contract estimated to cost \$10,000,000 equivalent or more shall be advertised in accordance with the procedures applicable to large contracts under paragraph 2.8 of the Guidelines.

Part C: Other Procurement Procedures

1. National Competitive Bidding

(a) Goods required under Part B of the Project (technical assistance) estimated to cost more than the equivalent of \$25,000 per contract and less than the equivalent of \$200,000 per contract, up to an aggregate amount not to exceed the equivalent of \$700,000, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) In order to ensure economy, efficiency, transparency and broad consistency with the provision of Section 1 of the Guidelines:

- (i) invitations to bid shall be advertised in at least one national newspaper with a wide circulation, at least 30 days prior to the deadline for the submission of bids;
- (ii) bid documents shall be made available, by mail or in person, to all who are willing to pay the required fee;
- (iii) foreign bidders shall not be precluded from bidding and no preference of any kind shall be given to national bidders in the bidding process;
- (iv) qualification criteria (in case prequalification was not carried out) shall be stated in the bidding documents, and, if a registration process is required, a foreign firm declared as the lowest evaluated bidder shall be given a reasonable opportunity of registering, without let or hindrance;
- (v) bids shall be opened in public in one location, immediately after the deadline for submission of bids;
- (vi) bids shall not be rejected merely on the basis of a comparison with an official estimate without the prior concurrence of the Association;
- (vii) contracts shall be awarded to the lowest evaluated bidders;
- (viii) post-bidding negotiations shall not be allowed with the lowest evaluated or any other bidders;
- (ix) rebidding shall not be carried out without the Association's prior concurrence;
- (x) all bidders/contractors shall provide bid/performance security as

indicated in the bidding/contract documents;

- (xi) evaluation of bids shall be made in strict adherence to the criteria disclosed in the bidding documents, in a format and specified period agreed by the Association;
- (xii) a bidder's bid security shall apply only to a specific bid, and a contractor's performance security shall apply only to the specific contract under which it was furnished;
- (xiii) bids shall not be invited on the basis of percentage premium or discount over the estimated cost;
- (xiv) extension of bid validity shall not be allowed unless justified by exceptional circumstances; and
- (xv) there shall not be any restrictions on the means of delivery of the bids.

## 2. International or National Shopping

Goods estimated to cost \$25,000 equivalent or less per contract, up to an aggregate amount not to exceed \$300,000 equivalent, may be procured under contracts awarded on the basis of international or national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines after obtaining quotations obtained from at least three qualified contractors in response to a written invitation.

## 3. Commercial Practices

(a) Civil works required for an Investment Project under Part A of the Project (finance for Investment Projects) estimated to cost the equivalent of \$3,000,000 or less, per contract, may be procured on the basis of established commercial practice acceptable to the Association.

(b) Goods required for an Investment Project under Part A of the Project estimated to cost the equivalent of \$2,000,000 or less, per contract, may be procured on the basis of established commercial practice acceptable to the Association.

(c) Turn-key contracts under Part A of the Project estimated to cost not more than the equivalent of \$5,000,000, per contract, may be procured on the basis of established commercial practice acceptable to the Association.



Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to the following contracts under Part A of the Project (finance for Investment Projects), the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply:

- (i) contracts for goods estimated to cost the equivalent of \$2,000,000 or more;
- (ii) contracts for works estimated to cost the equivalent of \$3,000,000 or more; and
- (iii) turnkey contracts estimated to cost the equivalent of \$5,000,000 or more.

(b) With respect to the following contracts under Parts B and C of the Project, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply:

- (i) contracts for goods estimated to cost the equivalent of \$200,000 or more; and
- (ii) the first two contracts each year regardless of value.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

## Section II. Employment of Consultants

### Part A: General

Consultants' services shall be procured in accordance with (a) the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997 and January 1999, subject to the modifications thereto set forth in paragraph 2 of this Part A (the Consultant Guidelines), and (b) the provisions of the following Parts of this Section II.

### Part B: Quality-and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants for services estimated to cost less than \$200,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

### Part C: Other Procedures for the Selection of Consultants

#### 1. Selection Based on Consultants' Qualifications

Contracts for consulting services estimated to cost less than \$100,000 equivalent per contract shall be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

#### 2. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

### Part D: Review by the Association of the Selection of Consultants

#### 1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

## **SCHEDULE 2**

### **Implementation Program Project Implementation and Administration**

1. DFCC Bank shall: (i) at all times implement the Project in accordance with the Development Credit Agreement, the Project Implementation Plan, the Administration Agreement and the Operating Guidelines; (ii) promptly inform the Association of any changes made, or proposed to be made, to the Operating Guidelines or the Project Implementation Plan; and (iii) consult with the Association prior to introducing any material changes to the Operating Guidelines or the Project Implementation Plan.

2. (a) Until a completion report referred to in Section 9.06 (c) of the General Conditions has been furnished to the Association, DFCC Bank shall maintain the Administrative Unit with staffing, organization and functions satisfactory to the Association.

(b) DFCC Bank shall provide the Administrative Unit with adequate resources and support to carry out its functions under the Project.

3. DFCC Bank shall appoint, by no later than November 30, 2002, and maintain, until completion of the Project, a project auditor with terms of reference, qualifications and experience satisfactory to the Association.

4. DFCC Bank shall establish and operate by not later than March 31, 2003, and maintain throughout the Project implementation period, a computerized financial management system for the Project, satisfactory to the Association.

5. Without any limitation or restriction upon the provisions of Section 9.01 and 9.07 of the General Conditions, DFCC Bank shall furnish or cause to be furnished to the Association, within forty-five days of the end of each quarter, a report, in form and substance satisfactory to the Association, on the progress of the Project and each Investment Project during such quarter.

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