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CONFORMED COPY

CREDIT NUMBER 4702-LK

Financing Agreement

(Sustainable Tourism Development Project)

between

DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated November 8, 2010

CREDIT NUMBER 4702-LK

FINANCING AGREEMENT

AGREEMENT dated November 8, 2010, entered into between the DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA (the Recipient) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to eleven million six hundred thousand Special Drawing Rights (SDR 11,600,000) 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 Payment Dates are May 15 and November 15 in each year.

- 2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
- 2.07. The Payment Currency is Dollars.

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

ARTICLE IV — EFFECTIVENESS; TERMINATION

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

ARTICLE V — REPRESENTATIVE; ADDRESSES

- 5.01. The Recipient's Representative is the Secretary, Ministry of Finance and Planning.
- 5.02. The Recipient's Address is:

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

Facsimile:

94 11 2449823 or
94 11 2447633

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, Democratic Socialist Republic of Sri Lanka, as of the day and year first above written.

DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA

By /s/ P.B. Jayasundera

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Amit Dar

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to strengthen the institutional framework for the tourism sector of the Recipient to facilitate environmentally and socially sound investments, in particular in the Eastern Province of the Recipient.

The Project consists of the following parts:

Part 1: Institutional Framework

(a) Carrying out a review of the services and business processes of SLTDA, and preparation and implementation of a business model to maximize the efficiency and efficacy of such services and process through, among other things, decentralization of certain services to the private sector or other agencies of the Recipient.

(b) Strengthening the capacity of SLTDA to implement the business model referred to in the preceding paragraph, including setting up and maintenance of a web based “one stop shop” for tourism related investors and consumers, through the provision of technical assistance and training.

(c) Strengthening the capacity of SLTPB to develop and implement a tourism marketing and promotion strategy through the provision of technical assistance and training.

(d) Review of the laws and regulations of the Recipient pertaining to the tourism industry with a view to streamlining the processes for the establishing and running tourism enterprises.

(e) Strengthening the capacity of MEDDT, SLTDA, SLTPB, SLCB and SLITHM to provide services more efficiently through the provision of technical assistance.

(f) Establishment of sustainable training centers of excellence through the provision of technical assistance and equipment to SLITHM, selected eco-training centers, and selected Ayurvedic treatment practice centers.

Part 2: Improving tourism related infrastructure services

(a) Carrying out an assessment of tourism-related business potential in the under-developed areas in the Eastern Province of the Recipient with a view to identifying tourism potential and unique tourism products.

(b) Carrying out an information and mobilization campaign in communities in selected areas on the positive impacts of tourism, as well as its potential challenges.

(c) Strengthening the capacity of local communities, private investors and the Recipient's institutions at the local level in the development and implementation of local area-based tourism plans, through the provision of technical assistance.

(d) Strengthening the capacity of local communities, private investors and the Recipient's institutions at the local level in the development of land use plans within zoning regulations to protect environmentally sensitive areas, through the provision of technical assistance.

(e) Support for implementation of local area based tourism plans through development of tourism related infrastructure.

Part 3: Support to sustainable tourism business models

(a) Establishment of a matching grant facility.

(b) Provision of grants to eligible tourism businesses for: (i) product innovation; and (ii) carbon reduction.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. For the purposes of providing general oversight, policy direction and guidance and monitoring the implementation of the Project, the Recipient shall maintain a Project Steering Committee having composition and terms of reference acceptable to the Association.
2. For the purposes of carrying out the Project, the Recipient shall establish and thereafter maintain for the duration of the Project, a Project Facilitation Team (PFT) within MEDDT with staffing and terms of reference acceptable to the Association, including the following:
 - (a) a Project Director who shall head the PFT, and be responsible for Project implementation and management, including procurement and financial management;
 - (b) a Deputy Project Director who shall assist the Project Director;
 - (c) a finance manager responsible for financial management;
 - (d) a Procurement officer responsible for the procurement process under the Project, including the preparation and updating of the Procurement Plan, quarterly procurement reports and bidding documents; and
 - (e) qualified support staff in adequate numbers.
3. For the purposes of Project monitoring, the Recipient shall contract and maintain technical expertise within the PFT in accordance with Section III of this Schedule 2.

B. Implementation Arrangements

1. The Recipient: (a) shall carry out the Project in accordance with the Project Implementation Manual, the Environmental Assessment and Management Framework and the Social Management Framework; (b) shall not amend or waive any provision of the said documents without the Association's prior approval; and (c) shall allocate sufficient staff with adequate resources to enable it to comply with the provisions of this paragraph.
2. The PFT shall establish a Local Tourism Forum in each Local Tourism Area consisting of representatives of the Recipient's institutions at the local level, community leaders and tourism investors in order to bring together stakeholders in areas where infrastructure investments are planned under Part 2 of the Project for the purposes of: (a) identifying general tourism related constraints related to Project implementation; (b) monitoring general issues related to the tourism sector; (c) preparing Local Tourism Master Plans; (d) approving investments during implementation of activities; (e) ensuring community participation; and (f) acting as a monitoring mechanism at the local level.
3. The Recipient, through MEDDT shall, where deemed necessary by the Recipient or by the Association enter into a Memorandum of Understanding with the Eastern Provincial Council and the relevant Recipient's institutions at the local level for activities under Part 2 of the Project setting out: (a) the objective of the activities; (b) agreement from the Eastern Provincial Council and the relevant Recipient's institutions at the local level to jointly monitor implementation; (c) where necessary, agreement from the appropriate institutions at the local level to provide any facilities or other resources required for the successful completion of such activities.
4. No activities will be financed out of the proceeds of the Financing under Part 2 of the Project unless they have been appraised by a Local Tourism Forum, included in the Local Tourism Master Plan for that Local Tourism Forum, and approved by the Steering Committee.

C. Criteria and Terms and Conditions for Grants

- (a) Under Part 3(b) of the Project, the Recipient shall provide Grants to Beneficiaries for: (a) product innovation; or (b) carbon emissions reduction as follows:
 - (i) Grants for Product Innovation shall be provided to finance the carrying out of Eligible Product Innovation Subprojects and Grants for Carbon Reduction shall be provided to finance the carrying out of Eligible Carbon Reduction Subprojects;

(A) To be eligible to receive a Grant for Product Innovation or a Grant for Carbon Reduction a Beneficiary shall be:

1. a tourism establishment with legal personality, duly registered under the laws of the Recipient; or
2. a community run enterprise, with legal personality, duly registered with the SLTDA.

(B) To be eligible to receive a Grant for Product Innovation or a Grant for Carbon Reduction, a Subproject shall:

1. Address a new market segment, including ayurvedic, ecotourism, geotourism, or cultural tourism, or be for the upgrading of skills in the said market segments; and
2. receive approval of the PFT in accordance with the Project Implementation Manual for Part 3 of the Project.

(C) Grants for Product Innovation shall reimburse Beneficiaries up to 50% of the cost of goods and services incurred by said Beneficiaries under the Subproject, and shall not exceed \$25,000 in each case.

(D) Grants for Carbon Reduction shall reimburse Beneficiaries up to \$5000 equivalent of the cost of goods, works and services incurred under contracts whose objective is to implement an energy audit.

(E) As a pre-condition of disbursing a Carbon Reduction Grant's first installment, the Association shall receive documentary evidence, satisfactory to the Association, of the contract entered into between the Beneficiary and relevant suppliers of goods, works and services under the Subproject, with the second installment to be disbursed upon satisfactory completion of the Subproject.

2. The Recipient shall provide each Grant under a Grant Agreement with the respective Beneficiary on terms and conditions approved by the Association, which shall include the following:

- (a) The Recipient shall obtain rights adequate to protect its interests and those of the Association, including the right to:

- (i) suspend or terminate the right of the Beneficiary to use the proceeds of the Grant upon the Beneficiary's failure to perform any of its obligations under the Grant Agreement;
- (ii) inspect, by itself or jointly with representatives of the Bank, the goods and the sites, works, plans and construction relating to the Subproject, the operation thereof and any relevant records and documents;
- (iii) require each Beneficiary to:
 - (A) carry out its Subproject with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Association, including in accordance with the provisions of the Anti-Corruption Guidelines;
 - (B) provide, promptly as needed, the resources required for the purpose;
 - (C) procure the goods, works and services to be financed from the Grant in accordance with the provisions of Section III of this Schedule 2;
 - (D) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with the indicators specified in the Grant Agreement, the progress of the Subproject and the achievement of its objectives;
 - (E) (1) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations, resources and expenditures related to the Subproject; and (2) at the Association's or the Recipient's request, have such financial statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements as so audited to the Recipient and the Association;

- (F) enable the Recipient and the Association to inspect the Subproject, its operation and any relevant records and documents; and
- (G) prepare and furnish to the Recipient and the Association all such information as the Recipient or the Association shall reasonably request relating to the foregoing.

- (b) The Recipient shall exercise its rights under each Grant Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Grant. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive any Grant Agreement or any of its provisions.

D. Anti-Corruption

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

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

- 1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators set forth in Attachment 1 to this Schedule 2. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.
- 2. 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 six (6) months after the Closing Date.

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 as part of the Project Report not later than forty-five-days (45) 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 and Works.** All goods and works 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 the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

<u>Procurement Method</u>	
(a)	National Competitive Bidding, subject to the provisions set out in Attachment 2 to this Schedule
(b)	Shopping
(c)	Direct Contracting
(d)	Community Participation procedures described in the Project Implementation Manual

(e)	Force Account
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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.

<u>Procurement Method</u>
(a) Quality-Based Selection
(b) Least Cost Selection
(c) Fixed Budget Selection
(d) Selection Based on Consultant’s Qualifications
(e) Single-Source Selection
(f) Established commercial practices acceptable to the Association

D. Review by the Association of Procurement Decisions

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

Section IV. Withdrawal of the Proceeds of the Financing

A. General

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

Category	Amount of the Financing Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of taxes)
(1) Goods, works and consultants' services under Part 1 of the Project	2,870,000	100%
(2) Goods, works and consultants' services under Part 2 and 3(a) of the Project	5,620,000	100%
(3) Grants under Part 3(b) of the Project	2,580,000	100%
(4) Incremental Operating Costs	530,000	100%
TOTAL AMOUNT	11,600,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
 - (a) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$100,000 equivalent may be made for payments made prior to this date but on or after May 1, 2009 for Eligible Expenditures;
 - (b) under Categories (1) and (2) until the Recipient has contracted all the members of the Project Facilitation Team in accordance with Section III of Schedule 2 to this Agreement.
 - (c) under Category (3) unless the Recipient has prepared and adopted a Project Implementation Manual acceptable to the Association for Part 3 of the Project
2. The Closing Date is December 31, 2014.

ATTACHMENT 1 TO SCHEDULE 2 - Project Performance Indicators

Component	Intermediate Result	Results Indicator	Outcome Indicator
Component 1	Strengthening implementation and supervision at the regional level	Business model for regional SLTDA in the East	Completed
	Training of human resources in the tourism industry in the East	Number of people trained	500
	Niche markets in Eco Tourism, Ayurvedic activities, etc., strengthened	Number of eco and community guides trained	25
	Marketing and promotional strategy incorporating both national and regional products (i.e. East)	Regional & Eastern strategy	Completed
	Streamlining licensing and registration process	Number of steps taken for licensing & registration	50% reduction
	Streamlining hotel grading process	Number of steps for grading hotels	50% reduction
Component 2	Tourism Master Plans	Number of new locations for which Tourism Plans have been completed	3
	Community participation and number of community initiatives	Local Tourism Forums established	3
	Reduction of localized infrastructure gaps in project locations	Project activities under implementation	4
Component 3	Grant Facility	Grant Manual	Approved
	Sustainable Product offerings increased	Entrepreneurs engaged in the program	200

**ATTACHMENT 2
TO
SCHEDULE 2**

National Competitive Bidding Procedures

The procedures to be followed for National Competitive Bidding shall be those set out in the Guidelines issued by the Recipient on January 25, 2006 (hereinafter referred to as the Recipient's Procurement Guidelines) with the following clarifications or modifications required in order to ensure consistency with the provisions of the Procurement Guidelines:

1. Invitations to bid shall be advertised in at least one national newspaper with a wide circulation, at least twenty-one (21) days prior to the deadline for the submission of bids.
2. Bidding documents shall be made available, by mail or in person, to all who are willing to pay the required fee.
3. There shall not be any restrictions on the means of delivery of the bids, which shall be either through post or hand delivered; electronic submissions shall not be permitted.
4. Foreign bidders shall not be precluded from bidding and no preference of any kind shall be given to national bidders (including state-owned enterprises or small-scale enterprises) in the bidding process; no special preferences should be accorded to any enterprises or bodies.
5. Qualification criteria 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 time for registering, without let or hindrance.
6. Bids shall be opened in public in one location, immediately after the deadline for the submission of bids, as stipulated in the bidding documents; the bidding documents should indicate the date, time and place of bid opening.
7. Evaluation of bids shall be made in strict adherence to the criteria disclosed in the bidding documents, in a format and within a specified period agreed with the Association, and within the bid validity period indicated in the bidding documents.
8. Bids shall not be rejected merely on the basis of a comparison with an official estimate, without the prior concurrence of the Association.

9. Contracts shall be awarded to the lowest evaluated substantially responsive bidders.
10. Except with the prior concurrence of the Association, there shall be no negotiation of price with the bidders, even with the lowest evaluated substantially responsive bidder.
11. Re-invitation of bids shall not be carried out without the prior concurrence of the Association.
12. All bidders/contractors shall provide a bid/performance security as required in the bidding/contract documents.
13. 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.
14. Bids shall not be invited on the basis of percentage premium or discount over the estimated cost, unless agreed with the Association.
15. Unless justified by *force majeure* and/or exceptional situations beyond the control of the Recipient, extension of bid validity shall not be allowed without the prior concurrence of the Association, for: (a) the first request for extension if it is longer than four weeks; and (b) all subsequent requests for extension irrespective of the period.

SCHEDULE 3 - Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each May 15 and November 15, commencing May 15, 2020 to and including November 15, 2029	5%

* 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.
2. “Beneficiary” means for a tourism establishment which has qualified to receive or has received a Grant under Part 3 of the Project in accordance with the selection criteria and based on the procedures set forth in the Project Implementation Manual.
3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
5. “Eastern Provincial Council” means the body established under the Thirteenth Amendment to the Constitution of the Recipient and duly empowered as provided for in such amendment and in the Recipient’s Provincial Councils Act No. 42 of 1987.
6. “Environmental Assessment and Management Framework” means the framework prepared by the Recipient, publically disclosed on July 20, 2009 in the Recipient’s territory, disclosed in the Association’s Info Shop and approved by the Association for the management of environmental issues, and the specification of institutional arrangements for implementation of environmental safeguards in the carrying out of the Project.
7. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006), with the modifications set forth in Section II of this Appendix.
8. “Grants” means Grants for Carbon Reduction and Grants for Product Innovation both as hereinafter defined.
9. “Grants for Carbon Reduction” means grants provided or to be provided under Part 3(b)(ii) of the Project to finance the carrying out of Subprojects aimed at carbon reduction.

10. “Grants for Product Innovation” means grants provided or to be provided under Part 3(b)(i) of the Project to finance the carrying out of Subprojects aimed at product innovation.
11. “Incremental Operating Costs” means the costs incurred by the Recipient on account of the Project in respect of vehicle maintenance (fuel and insurance), travel and per diem, allowance for supervisory field visits, office supplies, communication, bank charges and advertising expenses, other office operating costs, and salaries of contracted support staff but excluding salaries and other remuneration of the Recipient’s public servants.
12. “Local Tourism Area” mean a collection of local communities having similar touristic potential that have agreed to work together collaboratively for the preparing and appraising activities to be financed under the Project.
13. “Local Tourism Forum” means the body to be established in each Local Tourism Area in accordance with the provisions of Schedule 2, Section I, Part B Paragraph 2 of this Agreement.
14. “Local Tourism Master Plan” means the master plan, acceptable to the Association, developed by the PFT for each Local Tourism Area and endorsed by the relevant Local Tourism Forum, as such plan may be revised from time to time with the prior agreement of the Association.
15. “MEDDT” means the Recipient’s Ministry of Economic Development Department of Tourism or any successor thereto.
16. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006.
17. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated February 22, 2010 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
18. “Project Facilitation Team” and “PFT” mean the team to be established and maintained in MEDDT as provided for in Schedule 2, Section 1.A, Paragraph 2 of this Agreement for purposes of the Project.
19. “Project Implementation Manual” means the plan for the implementation of the Project referred to under Schedule 2, Section IV, Part B, Paragraph 1(c) of this Agreement, as such manual may be revised from time to time with the prior approval of the Association.

20. “Recipient’s Procurement Guidelines” means the Recipient’s guidelines issued on January 25, 2006.
21. “Steering Committee” means the committee to be maintained by the Recipient in accordance with Schedule 2, Section 1.A, Paragraph 1 of this Agreement.
22. “SLITHM” means the Sri Lanka Institute of Tourism and Hotel Management established under the Recipient’s Tourism Act, No. 38 of 2005, or any successor thereto.
23. “SLTDA” means the Sri Lanka Tourism Development Authority established under the Recipient’s Tourism Act, No. 38 of 2005, or any successor thereto.
24. “SLTPB” means the Sri Lanka Tourism Promotion Board established under the Recipient’s Tourism Act, No. 38 of 2005, or any successor thereto.
25. “SLCB” means the Sri Lanka Convention Bureau established under the Recipient’s Tourism Act, No. 38 of 2005, or any successor thereto.
26. “Social Management Framework” means the framework dated July 12, 2009 prepared by the Recipient and approved by the Association, publically disclosed in the Recipient’s territory on July 20, 2009 and thereafter in the Association’s Info Shop, which sets out: (i) measures to monitor activities for significant social impacts, and, if necessary, to assist in mitigation of such impacts; (ii) procedures to ensure that these measures are appropriately applied; and (iii) guidelines for capacity building and monitoring.
27. “Subproject” means an activity that meets the selection criteria set forth in the Project Implementation Manual and in Schedule 2, Section I, Part C of this Agreement to receive a Grant under Part 3(b) of the Project.

Section II. Modifications to the General Conditions

The modifications to the General Conditions for Credits and Grants of the Association, dated July 1, 2005 (as amended through October 15, 2006) are as follows:

1. Section 2.07 is modified to read as follows:

“Section 2.07. *Refinancing Preparation Advance*

If the Financing Agreement provides for the repayment out of the proceeds of the Financing of an advance made by the Association or the Bank (“Preparation Advance”), the Association shall, on behalf of the Recipient, withdraw from the Financing Account on or after the Effective Date the amount required to repay the withdrawn and outstanding balance of the advance as at the

date of such withdrawal from the Financing Account and to pay all accrued and unpaid charges, if any, on the advance as at such date. The Association shall pay the amount so withdrawn to itself or the Bank, as the case may be, and shall cancel the remaining unwithdrawn amount of the advance.”

2. Paragraph (1) of Section 6.02 is modified to read as follows:

“Section 6.02. *Suspension by the Association*

... (1) *Ineligibility.* The Association or the Bank has declared the Project Implementing Entity ineligible to receive proceeds of any financing made by the Association or the Bank or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the Association or the Bank, as a result of a determination by the Association or the Bank that the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by the Association or the Bank.”

3. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

- (a) The term “Project Preparation Advance” is modified to read “Preparation Advance” and its definition is modified to read as follows:

“Preparation Advance” means the advance referred to in the Financing Agreement and repayable in accordance with Section 2.07.”