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CREDIT NOS. 2881-CE; 3014-CE; 3781-CE;  
3673-CE; 3772-CE; 3986-CE; and 3935-CE

GRANT NUMBERS: H-035-CE;  
H-078-CE; and H-095-CE

Public Disclosure Authorized

## **Agreement Amending Selected Legal Agreements ("Part Z Amendment")**

(Tsunami Emergency Recovery Program – Phase I)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA

**Dated February 15, 2005**

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**CREDIT NOS. 2881-CE ; 3014-CE; 3781-CE;  
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**GRANT NUMBERS: H-035-CE;  
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## **AGREEMENT AMENDING SELECTED LEGAL AGREEMENTS**

### **(“PART Z AMENDMENT”)**

AGREEMENT AMENDING SELECTED LEGAL AGREEMENTS (this agreement, the “PART Z AMENDMENT”) dated February 15, 2005, between the DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA (“Sri Lanka”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the “Association”).

WHEREAS (A) Sri Lanka and the Association have entered into certain Development Credit Agreements (the “Selected Development Credit Agreements”) listed in Annex 3 to this Part Z Amendment for financing various projects;

(B) Sri Lanka and the Association have entered into certain Development Grant Agreements (the “Selected Development Grant Agreements,” and collectively with the Selected Development Credit Agreements, the “Selected Legal Agreements”) listed in Annex 4 to this Part Z Amendment for financing various projects;

(C) Sri Lanka has requested the Association’s assistance in financing the first-phase of emergency recovery and reconstruction activities in tsunami-affected areas, which are described in Annex 2 to this Part Z Amendment, by amending the Selected Legal Agreements and reallocating un-withdrawn funds to support these activities; and

WHEREAS, the Association has agreed on the basis, among other things, of the foregoing, to assist Sri Lanka with these activities upon the terms and conditions set forth in this Part Z Amendment;

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

### **ARTICLE I**

#### **Preamble and Definitions**

Section 1.01. In the Preamble to each Selected Legal Agreement, the following new clauses (x), (y), and (z) are added as the final enumerated recitals to read:

(x) large portions of Sri Lanka were devastated by tsunami tidal waves as a consequence of an earthquake on December 26, 2004 and are threatened by after-shocks of this incident;

(y) Sri Lanka has requested the Association to reallocate funds from this Agreement in order to assist in financing the first phase of tsunami-related emergency recovery and reconstruction activities under Part Z of the Project; and

(z) the Association has agreed to Sri Lanka's request for such assistance;

Section 1.02. The following new definitions are added to Section 1.02 of each Selected Legal Agreement unless any such definition is already included in such section:

(jj) "Affected Area" means the districts of Amparai, Batticaloa, Galle, Hambantota, Jaffna, Matara, Mullaitivu, Trincomalee, and any other districts that the Association and Sri Lanka jointly designate;

(kk) "Acceptable Assistance Criteria" means the criteria and guidelines, in form and substance satisfactory and acceptable to the Association, governing Cash Grants;

(ll) "Cash Grants" means cash payments for livelihood support to affected persons under Part Z of the Project (as amended by the Part Z Amendment);

(mm) "Environment and Social Framework" means Sri Lanka's Environmental and Social Screening and Assessment Framework dated February 6, 2005, satisfactory to the Association, including any amendments made to such documents from time to time with the Association's approval, that contain measures to address any environmental or social impact arising from carrying out the Project;

(nn) "Financing" means, as the context requires, the Credit, if this Agreement is a Development Credit Agreement, or a Grant if this Agreement is a Development Grant Agreement;

(oo) "Financing Account" means, as the context may require, the Credit Account, if this Agreement is a Development Credit Agreement, or the Grant Account, if this Agreement is a Development Grant Agreement;

(pp) "Selected Development Credit Agreements" means each or all of the Development Credit Agreements between Sri Lanka (in its capacity as the Borrower under these agreements) and the Association that are listed in Schedule 97 of this Agreement (as amended by the Part Z Amendment);

(qq) “Selected Development Grant Agreements” means each or all of the Development Grant Agreements between Sri Lanka (in its capacity as the Recipient under these agreements) and the Association that are listed in Schedule 98 of this Agreement (as amended by the Part Z Amendment);

(rr) “Selected Legal Agreements” means each or all of the Selected Development Credit Agreements and the Selected Development Grant Agreements;

(ss) “Part Z Amendment” means the Agreement Amending Selected Legal Agreements between Sri Lanka and the Association to finance activities under Part Z of this Project;

(nn) “Part Z Financial Monitoring Report” means each report for Part Z of the Project prepared in accordance with Section 40.02 of this Agreement (as amended by the Part Z Amendment);

(tt) “Part Z Implementation Plan” means the Borrower’s plan, which is satisfactory and acceptable to the Association, that includes operating procedures, financing management arrangements, and procurement matters to implement Part Z of the Project, including any updates made from time to time with the Association’s approval;

(uu) “Part Z Report-based Disbursements” means Sri Lanka’s option for withdrawal of funds from the Financing Account referred to paragraph 13 in Schedule 1 to this Agreement (as amended by the Part Z Amendment);

(vv) “Part Z Special Account” means the account referred to in Section 20.01 of this Agreement;

(ww) “Sri Lanka” means, as the context may require, either the Borrower, if this Agreement is a Development Credit Agreement, or the Recipient, if this Agreement is a Development Grant Agreement; and

(xx) “Sub-grants” means grants made to beneficiaries in accordance with criteria and operating procedures satisfactory and acceptable to the Association for carrying out emergency recovery and reconstruction activities under Part Z of the Project.

## **ARTICLE II**

### **Part Z Special Account**

Section 2.01. The following new section is added at the end of Article II of each Selected Legal Agreement:

Section 20.01 (a) In accordance with any special instructions or arrangements made by the Association, Sri Lanka may, for the purposes of Part Z of the Project (excluding any activities under any other parts or components of the Project), open and maintain a special deposit account (the “Part Z Special Account”) in the Central Bank of Sri Lanka on terms and conditions satisfactory to the Association.

(b) Subject to the provisions of Section 20.01 (a), above, deposits into, and payments out of, Part Z Special Account shall be made in accordance with the provisions of Schedule 101 to this Agreement (as amended by the Part Z Amendment).

### **ARTICLE III**

#### **Execution of the Project**

Section 3.01. The following new section is added at the end of Article III of each Selected Legal Agreement:

Section 30.01. (a) Sri Lanka declares its commitment to the objectives of Part Z of the Project as set forth in Schedule 2 to this Agreement, (as amended by the Part Z Amendment) and, to this end, shall carry out and shall cause various implementing agencies (including provincial councils, districts, statutory authorities, government departments, and non-governmental organizations and other entities) to undertake their respective obligations to carry out Part Z of the Project with due diligence and efficiency and in conformity with appropriate administrative, environmental, technical, and public health practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for Part Z of the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as Sri Lanka and the Association shall otherwise agree, Sri Lanka shall:

(i) Project in accordance with the Implementation Program for Part Z set forth in Schedule 100 to this Agreement (as amended by the Part Z Amendment) and the Environmental and Social Framework;

(ii) make all required efforts on its part to cause various implementing agencies (including provincial councils, districts, statutory authorities, government departments, non-governmental organizations and other entities) to undertake their respective obligations to carry out Part Z of the Project in

accordance with the provisions of this Agreement and the Environmental and Social Framework; and

(iii) take, or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable various implementing agencies (including provincial councils, districts, statutory authorities, government departments, non-governmental organizations, and other entities) to perform their respective obligations to carry out Part Z of the Project, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(c) The provisions of this Agreement relating to procurement of the goods, works, and services required for the Project and to be financed out of the proceeds of the Financing shall apply to all Parts of the Project except for Part Z. Except as the Association shall otherwise agree, procurement of the goods, works, and services required for Part Z of the Project and to be financed out of the proceeds of the Financing shall be governed by the provisions of Schedule 99 to this Agreement (as amended by the Part Z Amendment).

#### **ARTICLE IV**

##### **Financial Covenants**

Section 4.01. The following new section is added at the end of Article IV of each Selected Legal Agreement:

Section 40.01. (a) Sri Lanka shall maintain a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, adequate to reflect the operations, resources, and expenditures related to Part Z of the Project.

(b) With respect to Part Z of the Project, Sri Lanka shall:

- (i) have the financial statements referred to in paragraph(a) of this Section for each Fiscal Year (or other period agreed to by the Association), audited, in accordance with consistently applied auditing standards acceptable to the Association, by independent auditors acceptable to the Association;
- (ii) furnish to the Association as soon as available, but in any case not later than six (6) months after the end of

each such year (or such other period agreed to by the Association), (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Association), as so audited, and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Association; and

- (iii) furnish to the Association such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Association may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Financing Account for Part Z activities were made on the basis of Part Z Report-Based Disbursements referred to in paragraph 13 of Schedule 1 to this Agreement (as amended by the Part Z Amendment) or on the basis of statements of expenditure, Sri Lanka shall:

- (i) retain, until at least one (1) year after the Association has received the audit report for, or covering, the fiscal year in which the last withdrawal from the Financing Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (ii) enable the Association's representatives to examine such records; and
- (iii) ensure that such reports and statements of expenditure are included in the audit for each fiscal year (or other period agreed to by the Association), referred to in paragraph (b) of this Section.

Section 40.02. (a) Without limitation upon Sri Lanka's progress reporting obligations under this Agreement, Sri Lanka shall prepare and furnish to the Association Part Z Financial Monitoring Reports for Part Z of the Project, in form and substance satisfactory to the Association, which:

- (i) set forth sources and uses of funds for Part Z of the Project, both cumulatively and for the period covered by said reports, showing separately funds provided under the Financing, and explains variances between the actual and planned uses of such funds;

- (ii) describes physical progress in implementing Part Z of the Project, both cumulatively and for the period covered by said reports, and explains variances between the actual and planned implementation; and
- (iii) sets forth the status of procurement under Part Z of the Project, as at the end of the period covered by said reports.

(b) The first Part Z Financial Monitoring Report shall be furnished to the Association not later than forty five (45) days after the end of the first calendar quarter after the Effective Date (or such later date agreed with the Association), and shall cover the period from the incurrence of the first expenditure for Part Z of the Project through the end of such first calendar quarter (or such later date agreed with the Association); thereafter, the Part Z Financial Monitoring Report shall be furnished to the Association not later than forty five (45) days after each subsequent calendar quarter, and shall cover such calendar quarter.



## ARTICLE V

### Withdrawal of Financing Proceeds

Section 5.01. The existing tables relating to withdrawal of Financing proceeds set out in Schedule 1 to each Selected Legal Agreement are deleted and replaced with the tables set out in Annex 1 to this Part Z Agreement.

Section 5.02. The following paragraphs are added after the final paragraph of Part A in Schedule 1 in each Selected Legal Agreement:

10. For Part Z of the Project, the Association may require withdrawals from the Financing Account to be made on the basis of statements-of-expenditures for: (a) goods and works under contracts not exceeding US\$200,000 equivalent; (b) consultants services under contracts not exceeding US\$100,000 equivalent for employment of consulting firms and US\$50,000 equivalent for employment of individual consultants; (c) training; (d) works procured under force account; (e) operating costs; (f) Cash Grants; and (g) Sub-grants, above, all under such terms and conditions as the Association shall specify by notice to Sri Lanka.

11. Notwithstanding the Closing Date indicated in Article II of this Agreement, and except as the Association may otherwise agree, no withdrawals shall be made for activities under Part Z of the Project after March 31, 2007.

12. (a) Notwithstanding the provisions of paragraph 1, above, and without prejudice to sub-paragraph 12 (b), below, no withdrawals shall be made in respect of payments made for expenditures under Part Z of the Project prior to the date of the Part Z Amendment, except that withdrawals not exceeding the specific equivalent amount in SDRs indicated against the name of this Project in the table, below, may be made in respect of Category 100 for payments made for Part Z expenditures under this Project before the date of the Part Z Amendment but after January 31, 2005.

Teacher Education and Teacher Deployment Project (Cr. No. 2881-CE)	SDR 140,000
Second General Education Project (Cr. No.3014-CE).	SDR 520,000
Improving Relevance and Quality of Undergraduate Education Project (Cr. No. 3781-CE).	SDR 1,240,000
Economic Reform Technical Assistance Project (Cr. No. 3722-CE)	SDR 520,000

12. (b) Notwithstanding the provisions of paragraph 1, above, and without prejudice to sub-paragraph 12 (a), above, no withdrawals shall be made in respect of payments made for expenditures under Category (100) unless the Borrower has furnished to the Association evidence of satisfactory and acceptable financial management arrangements.

13. Sri Lanka may request withdrawals from the Financing Account for Part Z of the Project to be made on the basis of reports to be submitted to the Association in form and substance satisfactory to the Association, such reports to include the Part Z Financial Monitoring Reports and any other information as the Association shall specify by notice to Sri Lanka (“Part Z Report-based Disbursements”). In the case of the first such request submitted to the Association for a Part Z activity before any withdrawal has been made from the Financing Account, Sri Lanka shall submit to the Association only a statement with the projected sources and applications of funds for Part Z of the Project for the period following the date of such request.

14. If the Association shall have determined at any time that any amount of the Financing withdrawn for Part Z of the Project was used in a manner inconsistent with the provisions of this Agreement, Sri Lanka shall, promptly upon notice from the Association, refund to the Association for deposit into the Financing Account, an amount equivalent to the amount so used.

Section 5.03. The terms “Eligible Categories” and “Eligible Expenditures” wherever they appear in any Selected Legal Agreement shall, for the purposes of the Part Z Special Account for each of those agreements, include category (100) set out in the table in Schedule 1 to each Selected Legal Agreement.

## **ARTICLE VI**

### **Project Description**

Section 6.01. Schedule 2 to each Selected Legal Agreement setting out the description of the Project is amended as set out in Annex 2 to this Part Z Amendment.

Section 6.02. In respect of each Selected Legal Agreement, the term “Project” shall include, unless the context otherwise requires, all parts of the Project, including Part Z, as described in Schedule 2 to each Selected Legal Agreement; provided, however, that in respect of any Project Agreement, Participation Agreement, Letter Agreement, Memorandum of Understanding, or any other such agreement or understanding referred to or incorporated in any of the Selected Legal Agreement the term “Project” shall not include Part Z thereof.

## **ARTICLE VII**

### **Effectiveness**

Section 7.01. This Part Z Amendment will be effective only after the Association dispatches a notice to this effect, upon its receiving the following:

- (a) the signed copy of this Part Z Amendment; and
- (b) a certificate from Sri Lanka, satisfactory to the Association, showing that the Part Z Amendment has been duly authorized or ratified by, and executed and delivered on behalf of, Sri Lanka and is legally binding upon Sri Lanka in accordance with its terms.

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement Amending Selected Legal Agreements or Part Z Amendment 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 C. Harrold

Country Director, Sri Lanka

DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA

By /s/ P.B. Jayasundera

Authorized Representative

ANNEX I

**REVISED SCHEDULES FOR  
WITHDRAWAL OF CREDIT AND GRANT PROCEEDS**

**CR 2881-CE**

**SCHEDULE 1**

**Withdrawal of the Proceeds of the Credit**

The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Civil Works	22,665,000	100% of foreign expenditures; and 80% of local expenditures
(2) Equipment, furniture and vehicles	5,583,000	100% of foreign expenditures; 100% of local expenditures (ex-factory cost) and 85% of local expenditures for other items procured locally
(3) Books, educational expenditures materials and local expenditures printing expenditures	1,665,000	100% of foreign and 90% of expenditures
(4) Consultants' services (including architectural services and studies)	3,817,000	100%
(5) Fellowships and training	9,290,000	100%

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(6) Project management	280,000	90% in FY 96 and FY 97, 60% in FY 98 and FY 99, and 30% thereafter
(7) Unallocated	0	
<i>Allocation for Part Z Activities</i>		
(100) goods, works, consultants' services, training, Cash Grants for livelihood support, operating costs, and Sub-grants under Part Z of the Project	700,000	100%
TOTAL	<u>44,000,000</u> =====	

**SCHEDULE 1**

**Withdrawal of the Proceeds of the Credit**

The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Civil Works	14,210,000	100% of foreign expenditures; 65% of local expenditures
(2) Equipment, furniture and vehicles	14,170,000	100% of foreign expenditures; 100% of local expenditures (ex-factory cost) and 85% of local expenditures for other items procured locally
(3) Library books, educational materials/textbooks (printing and production) and surveys/plans (preparation) surveys/plans (preparation)	8,868,285.47	100% of foreign expenditures; 100% of local expenditures (ex-factory cost); 90% of local expenditures for other items procured locally
(4) Consultants' services	1,380,000	100%
(5) Training, fellowships and studies	9,050,000	100%
(6) Project management	460,000	50%
(7) Unallocated	0	

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
<i>Allocation for Part Z Activities</i>		
(100) Goods, works, consultants' services, training, Cash Grants for livelihood support, operating costs, and Sub-grants under Part Z of the Project	2,600,000	100%
TOTAL	<u>50,738,285.47</u> =====	

**SCHEDULE 1**

**Withdrawal of the Proceeds of the Credit**

Part A:            General

The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Sub-loans under Part A of the Project (finance for Investment Projects)	52,000,000	80% of amounts disbursed in respect of Sub-loans
(2) Investment Project: Preparation Grants		
(a) Grants made for preparation activities and feasibility studies carried out by tax-exempt consultants and non-governmental entities	380,000	100% of amounts disbursed for preparation activities and feasibility studies
(b) Other grants for preparation activities and studies	500,000	80% of amounts disbursed for preparation activities and feasibility studies
(3) Sub-grants under Part A of the Project	1,000,000	100% of amounts disbursed in respect of Sub-grants
(4) Consultants' services, training and internal audit expenses		
(a) Individual consultants	100,000	80%



<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(b) Consulting firms	400,000	80%
(c) Training, workshops and study tours	100,000	80%
(5) Goods	80,000	100% of foreign expenditures; 100 % of the ex- factory cost of local expenditures and 75% of local expenditures
(6) Unallocated	140,000	
<i>Allocation for Part Z Activities</i>		
(100) Goods, works, consultants' services, training, Cash Grants for livelihood support, operating costs, and Sub-grants under Part Z of the Project	4,600,000	100%
TOTAL	<u>59,300,000</u> =====	

**SCHEDULE 1**

**Withdrawal of the Proceeds of the Credit**

The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Goods	230,000	100% of foreign expenditures; 100% of local expenditures (ex-factory cost); and 85% of local expenditures for other items procured locally
(2) Consultants' services	2,280,000	100% of foreign expenditures; 80% of local expenditures for consultant services by firms; and 75% of local expenditures for consultant services by individuals
(3) Training and workshops	340,000	100%
(4) Incremental Operating Costs	570,000	75% until March 31, 2005 and 50% thereafter
(5) Payments for Subprojects under Part D of the Project (challenge fund)	3,480,000	90% of amounts disbursed

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(6) Refunding of Project Preparation Advance	800,000	Amount due pursuant to Section 2.02(c) of this Agreement
(7) Unallocated	1,100,000	
<i>Allocation for Part Z Activities</i>		
(100) Goods, works, consultants' services, training, Cash Grants for livelihood support, operating costs, and Sub-grants under Part Z of the Project	2,600,000	100%
TOTAL	<u>11,400,000</u> =====	

**SCHEDULE 1**

**Withdrawal of the Proceeds of the Credit**

The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Works		80%
(a) For Part B.2 of the Project	10,000	
(b) For other parts of the Project	50,000	
(2) Goods		100% of foreign expenditures and 80% of local expenditures for items procured locally
(a) For Part B.2 of the Project	70,000	
(b) For other parts of the Project	660,000	
(3) Consultant Services		75% for individuals and 85% for firms
(a) For Part B.2 of the Project	290,000	
(b) For other parts of the Project	2,640,000	

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(4) Fellowships, workshops and training		100%
(a) For Part B.2 of the Project	730,000	
(b) For other parts of the Project	150,000	
(5) Institutional Block Grants	3,670,000	90%
(6) QEF Block Grants	11,730,000	80%
(7) Tharuna Aruna-II Program grants under Part B.2 of the Project	400,000	100%
(8) Incremental Operating Costs	70,000	80% for Borrower's fiscal year 2003; 60% for Borrower's fiscal year 2004; 40% for Borrower's fiscal year 2005 and thereafter
(9) Refunding of Project Preparation Advance	370,000	Amount due pursuant to Section 2.02(c) of this Agreement
(10) Unallocated	2,560,000	

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
<i>Allocation for Part Z Activities</i>		
(100) Goods, works, and consultants' services, training, Cash Grants for livelihood support, operating costs and Sub-grants under Part Z of the Project	6,200,000	100%
TOTAL	<u>29,600,000</u> =====	

**CR 3935-CE**

**SCHEDULE 1**

**Withdrawal of the Proceeds of the Credit**

A. General

The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Works	16,600,000	85%
(2) Goods	900,000	100 % of foreign expenditures; 100% of local expenditures (ex-factory cost); and 85% of local expenditures for other items procured locally
(3) Consultants' services, including audit, and training	3,400,000	100% of foreign expenditures; 80% of local expenditures for consulting firms; and 75% of local expenditures for individual consultants
(4) Incremental Operating Costs	1,400,000	90% until December 31, 2005; 70% from January 1, 2006, until December 31, 2007; and 25% thereafter
(5) Goods, works, services, and training financed through Sub-Grants	12,400,000	85%

<u>Category</u>	<u>Credit Allocated (Expressed in SDR Equivalent)</u>	<u>Amount of the % of Expenditures to be Financed</u>
(6) Unallocated	4,400,000	
<i>Allocation for Part Z Activities</i>		
(100) Goods, works, consultants' services, training, Cash Grants for livelihood support, operating costs and Sub-grants under Part Z of the Project	5,500,000	100%
	<u>44,600,000</u>	
TOTAL	=====	



**SCHEDULE 1**

**Withdrawal of the Proceeds of the Credit**

The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Works	80,000	80%
(2) Goods	2,400,000	100% of foreign expenditures; 100% of local (ex factory cost); and 85% of local expenditures for other items procured locally
(3) Consultants' services (including audit)	2,550,000	100% of foreign expenditures; 80% of local expenditures for consultant services by firms; and 75% of local expenditures for consultant services by individuals
(4) Training, workshops, and study tours	2,670,000	100%
(5) Goods, works, and services financed through grants and subsidies		
(a) Regional Telecommunication Networks	13,000,000	100%
(b) ICB Fund	3,420,000	85%

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(c) E-Society Fund	2,060,000	85%
(d) Tele-centers	3,080,000	100%
(6) Incremental Operating	1,370,000	80% until December 31, 2006; 70% from January 1, 2007 until December 31, 2008; and 50% thereafter
(7) Refunding of Project Preparation Advance	1,370,000	Amount due pursuant to Section 2.02(b) of of this Agreement
(8) Unallocated	700,000	
<i>Allocation for Part Z Activities</i>		
(100) Goods, works, consultants' services, training, Cash Grants for livelihood support, operating costs, and Sub-grants under Part Z of the Project	3,600,000	100%
TOTAL	<u>36,300,000</u> =====	

**GRANT NUMBER H035-CE**

**SCHEDULE 1**

**Withdrawal of the Proceeds of the Credit**

The table below sets forth the Categories of items to be financed out of the proceeds of the Grant, the allocation of the amounts of the Grant to each Category and the percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	<u>Amount of the Grant Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Works	16,010,000	70% for water supply sub-projects and 25% for sanitation sub-projects
(2) Goods	150,000	100% of foreign expenditure; 100% of local expenditures (ex-factory cost); and 75% of local expenditures for other items procured locally
(3) Consultants' services		
(a) Partner Organizations	2,180,000	100% of foreign expenditures; 80% of local expenditures for consultant services by firms; and 75% of local expenditure for consultant services by individuals

<u>Category</u>	<u>Amount of the Grant Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(b) Other Consultants	3,810,00	100% of foreign expenditures; 80% of local expenditures for consultant services by firms; and 75% of local expenditures for consultant services by individuals
(4) Training and workshops	870,000	80%
(5) Incremental Operating Costs	370,000	75% until June 30, 2006 and 50% thereafter
(6) Refunding of Project Preparation Advance	910,000	Amount due pursuant to Section 2.02(c) of this Agreement
(7) Unallocated	0	
<i>Allocations for Part Z Activities</i>		
(100) Goods, works, consultants' services, training, Cash Grants for livelihood support, operating costs, and Sub-grants under Part Z of the Project	4,600,000	100%
TOTAL	<u>28,900,000</u> =====	

**GRANT NUMBER H078-CE**

**SCHEDULE 1**

**Withdrawal of the Proceeds of the Grant**

The table below sets forth the Categories of items to be financed out of the proceeds of the Grant, the allocation of the amounts of the Grant to each Category and the percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	<u>Amount of the Grant Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Goods, works, consultants' services, and training financed through Sub-Grants	20,100,000	95%
(2) Works	400,000	80%
(3) Goods	900,000	100% of foreign expenditures; 100% of local expenditures (ex-factory cost); and 75% of local expenditures for other items procured locally
(4) Training and Workshops	3,300,000	100%
(5) Consultants' services (including audit)	2,300,000	100% of foreign expenditures; 80% of local expenditures for consultant services by firms; and 75% of local expenditures for consultant services by individuals

<u>Category</u>	<u>Amount of the Grant Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(6) Incremental Operating Costs	1,700,000	80% until December 31, 2006; 70% from January 1, 2007 until December 31, 2008; and 60% thereafter
(7) Unallocated	0	
<i>Allocation for Part Z Activities</i>		
(100) Goods, works, consultants' services, training, Cash Grants for livelihood support, operating costs, and Sub-grants under Part Z of the Project	5,500,000	100%
TOTAL	<u>34,200,00</u> =====	

**GRANT NUMBER H095-CE**

**SCHEDULE 1**

**Withdrawal of the Proceeds of the Grant**

The table below sets forth the Categories of items to be financed out of the proceeds of the Grant, the allocation of the amounts of the Grant to each Category and the percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	<u>Amount of the Grant Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Goods	3,200,000	100% of foreign expenditures; 100% of local expenditures (ex-factory cost); and 85% of local expenditures for other items procured locally
(2) Works	800,000	85%
(3) Consultants' services and training	4,300,000	100% of foreign expenditures; 80% of local expenditures for consulting firms and 75% of local expenditures for individual consultants
(4) Goods, works, services and incremental operating costs for District Sub-Programs under Part A of the Project	16,300,000	85%

<u>Category</u>	<u>Amount of the Grant Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(5) Incremental operating costs	2,600,000	85% until December 31, 2006; 70% from January 1, 2007, until December 31, 2008; and 60% thereafter
(6) Unallocated	0	
Allocation for Part Z Activities		
(100) Goods, works, consultants' services, training, Cash Grants for livelihood support, operating costs, and Sub-grants under Part Z of the Project	13,000,000	100%
TOTAL	<u>40,200,000</u> =====	



## PROJECT DESCRIPTION FOR PART Z

1. In each Selected Legal Agreement, a new paragraph is inserted after the first paragraph of Schedule 2 (Description of the Project) setting out an additional objective of the Project as follows:

A further objective of the Project is to assist Sri Lanka in carrying out the first phase of an emergency recovery and reconstruction program in the Affected Areas as a consequence of the massive destruction and devastation following the tsunami and tidal waves in December 2004 and other similar incidents.

2. In each Selected Legal Agreement, the following new Part is added at the end of Schedule 2 (Description of the Project):

Part Z: Emergency Recovery, Rehabilitation and Reconstruction Program

Assistance for recovery, rehabilitation and reconstruction activities in the Affected Areas including, but not limited to, various sectors, including health, education, infrastructure, roads, and housing. These activities will also include Cash Grants, capacity building, support for small and medium enterprises, and establishing a civil-society fund.

**ANNEX 3**

The following Schedule 97 is inserted in each Selected Legal Agreement.

**SCHEDULE 97**

**SELECTED DEVELOPMENT CREDIT AGREEMENTS  
AMENDED BY PART Z AMENDMENT**

1. Development Credit Agreement between the Democratic Socialist Republic of Sri Lanka and the International Development Association dated July 3, 1996 relating to the Teacher Education and Teacher Deployment Project (Cr. No. 2881-CE).
2. Development Credit Agreement between the Democratic Socialist Republic of Sri Lanka and the International Development Association dated December 15, 1997 relating to the Second General Education Project (Cr. No.3014-CE).
3. Development Credit Agreement between the Democratic Socialist Republic of Sri Lanka and the International Development Association dated July 12, 2002 relating to the Renewable Energy for Rural Economic Development Project (Cr. No. 3673-CE).
4. Development Credit Agreement between the Democratic Socialist Republic of Sri Lanka and the International Development Association dated January 29, 2003 relating to the Economic Reform Technical Assistance Project (Cr. No. 3722-CE).
5. Development Credit Agreement between the Democratic Socialist Republic of Sri Lanka and the International Development Association dated July 24, 2003 relating to the Improving Relevance and Quality of Undergraduate Education Project (Cr. No. 3781-CE).
6. Development Credit Agreement between the Democratic Socialist Republic of Sri Lanka and the International Development Association dated July 23, 2004 relating to the Second North East Irrigated Agriculture Project-II (Cr. No. 3935-CE).
7. Development Credit Agreement between the Democratic Socialist Republic of Sri Lanka and the International Development Association dated December 15, 2004 relating to e-Sri Lanka Development Project (Cr. No. 3986-CE).

The following Schedule 98 is inserted in each Selected Legal Agreement.

**SCHEDULE 98**

**SELECTED DEVELOPMENT GRANT AGREEMENTS  
AMENDED BY PART Z AMENDMENT**

1. Development Grant Agreement between the Democratic Socialist Republic of Sri Lanka and the International Development Association dated June 24, 2003 relating to the Second Community Water Supply and Sanitation Project (H-035-CE).
2. Development Grant Agreement between the Democratic Socialist Republic of Sri Lanka and the International Development Association dated July 9, 2004 relating to the Health Sector Development Project (H-095-CE).
3. Development Grant Agreement between the Democratic Socialist Republic of Sri Lanka and the International Development Association dated July 29, 2004 relating to the Community Development and Livelihood “Gemi Diriya” Project (H-078-CE).

## ANNEX 5

The following Schedule 99 is inserted in each Selected Legal Agreement.

### SCHEDULE 99

#### Procurement for Part Z Activities

##### Section I. General

A. Notwithstanding anything in this Agreement, all goods, works, and services (other than consultants' services) for Part Z of the Project shall be procured in accordance with the provisions of Section I of the "Guidelines: Procurement under IBRD Loans and IDA Credits" dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants' services shall be procured in accordance with Section I, paragraphs 3.15 through 3.20, and Section IV of, and Appendix 2 to, the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

C. The capitalized terms used below in this Schedule to describe particular procurement method or methods of review by the Association of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

##### Section II. Particular Methods of Procurement of Goods, Works, and Services (other than Consultants' Services)

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of international competitive bidding in accordance with the provisions of Section II of the Procurement Guidelines, and the following additional procedures:

1. Domestic Preference. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines and Appendix 2 thereto, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in Sri Lanka.

##### B. Other Procurement Procedures

1. Limited International Bidding. Goods which the Association agrees can only be purchased from a limited number of suppliers may be procured under contracts awarded on the basis of Limited International Bidding.

2. (a) National Competitive Bidding. Goods estimated to cost US\$50,000 equivalent per contract or more but less than US\$500,000 equivalent per contract and works estimated to cost more than US\$100,000 equivalent per contract, may be procured under contracts awarded on the basis of National Competitive Bidding and the following additional provisions:

- (i) Sri Lanka shall only use the country-specific-model bid documents for National Competitive Bidding as agreed with the Association (and as amended from time to time);
- (ii) Sri Lanka shall advertise invitations to bid in at least one widely circulated national daily newspaper twenty one days prior to the deadline for the submission of the bids;
- (iii) Sri Lanka shall make available bidding documents by mail or in person to all who are willing to pay a required fee;
- (iv) there shall not be any restrictions on the means of delivery of the bids;
- (v) foreign bidders shall not be precluded from bidding and no preference of any kind shall be given to national bidders, state-owned enterprises, and small-scale enterprises in the bidding process;
- (vi) bids shall be opened in public in one location, immediately after the deadline for submitting them;
- (vii) qualification criteria (in case a pre-qualification was not carried out) shall be stated in the bid document, and if a registration process is required, a foreign bidder, if declared as the lowest-evaluated responsive bidder, shall be given a reasonable time to register, without let or hindrance;
- (viii) evaluation of bids shall be made in strict adherence to the criteria disclosed in the bidding documents, in a format and within the specified period stipulated by the Association;
- (ix) bids shall not be rejected merely on the basis of a comparison with an official estimate without prior concurrence of the Association;
- (x) contracts shall be awarded to the lowest-evaluated responsive bidders;

- (xi) except with the prior concurrence of the Association, there shall be no negotiation of price with any bidders, including the lowest-evaluated bidder;
- (xii) re-bidding shall not be carried out, except with the Association's prior concurrence;
- (xiii) all contractors shall provide performance security as indicated in the contract documents;
- (xiv) a contractor's performance security shall apply only to the specific contract under which it was furnished;
- (xv) except in cases of force majeure or situations beyond the control of an implementing agency, the following requests for extending bid validity shall not be granted without the Association's prior concurrence:
  - (A) the first request for an extension if the extension period is longer than four weeks; and
  - (B) all subsequent extension requests irrespective of the period; and
- (xvi) bids shall not be invited on the basis of a percentage premium or discount over the estimated cost without the Association's prior concurrence.

2. (b) Notwithstanding anything in the foregoing paragraph, based on specific needs, the Association may agree to allow Sri Lanka to use contract documents prepared by its National Procurement Agency that are satisfactory and acceptable to the Association.

3. Shopping. Works estimated to cost less than US\$100,000 equivalent per contract, goods estimated to cost less than US\$50,000 equivalent per contract, and services (other than consultants' services) estimated to cost less than US\$10,000 equivalent per contract, may be procured under contracts awarded on the basis of Shopping.

4. Direct Contracting. Goods, which the Association agrees, meet the requirements for Direct Contracting, such as those of a proprietary nature, software, school textbooks, including reprinting, periodicals, small value drugs and spare parts for existing equipment, may be procured in accordance with the provisions of this procurement method.

5. Force Account. Works which the Association agrees meet the requirements for Force Account may be carried out in accordance with the provisions of this procurement method.

6. Community Participation. Goods, works, and services required for housing and small works reconstruction activities may be procured on the basis of community participation in accordance with paragraph 3.17 of the Procurement Guidelines and procedures identified in the Part Z Implementation Plan that are approved by the Association.

Section III. Particular Methods of Procurement of Consultants' Services

A. Quality- and Cost-based Selection

Except as otherwise provided in Part B of this Section, consultants' services shall be procured under contracts awarded on the basis of quality and cost in accordance with the provisions of Section II of the Consultant Guidelines. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than US\$500,000 equivalent per contract may comprise entirely national consultants.

B. Other Procedures

1. Quality-based Selection. Services for assignments which the Association agrees meet the requirements set forth in paragraph 3.2 of the Consultant Guidelines may be procured under contracts awarded on the basis of quality in accordance with the provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.

2. Selection Under a Fixed Budget Services for assignments, which the Association agrees meet the requirements of paragraph 3.5 of the Consultant Guidelines may be procured under contracts awarded on the basis of a fixed budget in accordance with the provisions of paragraphs 3.1 and 3.5 of the Consultant Guidelines.

3. Least-cost Selection. Services for assignments, which the Association agrees meet the requirements of paragraph 3.6 of the Consultant Guidelines may be procured under contracts awarded on the basis of lowest cost in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

4. Selection Based on Consultants' Qualifications. Services estimated to cost less than US\$200,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7, and 3.8 of the Consultant Guidelines.

5. Single Source Selection. Services for tasks in circumstances, which meet the requirements of paragraph 3.10 of the Consultant Guidelines for single source selection, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.

6. Individual Consultants. Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis in accordance with the provisions of said paragraph 5.4, subject to prior approval of the Association.



Section IV. 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. If the Procurement Plan provides for prior review of contracts for the employment of individual consultants, the record of justification for such contracts, referred to in paragraph 5 of Appendix 1 to the Consultant Guidelines, shall be subject to Prior Review by the Association. All other contracts shall be subject to Post Review by the Association.

**ANNEX 6**

The following Schedule 100 is inserted in each Selected Legal Agreement.

**SCHEDULE 100**

**Implementation Program for Part Z of the Project**

1. Sri Lanka shall not, nor shall cause its implementing agencies (including provincial councils, districts, statutory authorities, government departments, non-governmental organizations, and other entities) to, undertake any recovery or reconstruction activities under Part Z of the Project that could cause any environmental or social impacts in the absence of an approved Environmental and Social Framework that is satisfactory to the Association.
2. Sri Lanka shall implement, and shall cause its various implementing agencies (including provincial councils, districts, statutory authorities, government departments, non-governmental organizations and other entities) to implement, Part Z of the Project in accordance with the Environment and Social Safeguards Framework.
3. Without prejudice to the generality of the foregoing paragraphs (1) and (2), Sri Lanka shall ensure that all civil works under Part Z of the Project to be financed out of the Financing proceeds are carried out in accordance with design standards and technical specifications satisfactory to the Association and the relevant provisions of the Environmental and Social Framework.
4. Sri Lanka shall not, nor shall cause any implementing agencies (including provincial councils, districts, statutory authorities, government departments, non-governmental organizations, and other entities) to, carry out any reconstruction of houses involving relocation or resettlement of people to new areas under Part Z of the Project without making arrangements, which are satisfactory and acceptable to the Association.
5. Sri Lanka shall not undertake any involuntary land acquisition.
6. Sri Lanka shall ensure that all Cash Grants under Part Z of the Project are made strictly in accordance with the Acceptable Assistance Criteria.
7. Sri Lanka shall:
  - (a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Association, the carrying out of Part Z of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about January 31, 2006, a report integrating the results of the monitoring and evaluation activities performed pursuant to sub-paragraph (a) of this paragraph, on the progress achieved in the carrying out of Part Z of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of Part Z of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Association, by February 28, 2006, or such later date as the Association shall request, the report referred to in sub-paragraph (b) of this paragraph, and, thereafter, take all measures required to ensure the efficient completion of Part Z of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

The following Schedule 101 is inserted in each Selected Legal Agreement.

## **SCHEDULE 101**

### **Operation of the Part Z Special Account**

1. Without prejudice to the other provisions of this Agreement relating to the Special Account, Sri Lanka may open and maintain in Dollars a separate special-deposit account for Part Z of the Project (the "Part Z Special Account") in its central bank, on terms and conditions satisfactory to the Association.

2. After the Association has received evidence satisfactory to it that the Part Z Special Account has been opened, withdrawals from the Financing Account of amounts to be deposited into the Part Z Special Account shall be made as follows:

(a) if Sri Lanka is not making Part Z Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

(b) if Sri Lanka is making Part Z Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

3. Payments out of the Part Z Special Account shall be made exclusively for Eligible Expenditures incurred for Part Z of the Project. For each payment made by Sri Lanka out of the Part Z Special Account, Sri Lanka shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for Eligible Expenditures under Part Z of the Project.

4. Notwithstanding the provisions of paragraph 2 of this Schedule 101, the Association shall not be required to make further deposits into the Part Z Special Account:

(a) if the Association, at any time, is not satisfied that the reports referred to in paragraph 13 of Schedule 1 relating to Part Z of the Project adequately provide the information required for Part Z Report-based Disbursements;

(b) if the Association determines at any time that all further withdrawals for payment of Eligible Expenditures incurred for Part Z of the Project should be made by Sri Lanka directly from the Financing Account; or

(c) if Sri Lanka shall have failed to furnish to the Association, within the period of time specified in Section 40.01 (b)(ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of: (A) the records and accounts for the Part Z Special Account; or (B) the records and accounts reflecting expenditures with respect to which withdrawals were Part Z Report-based Disbursements or were made on the basis of statements of expenditure, as the case may be.

5. The Association shall not be required to make further deposits into the Part Z Special Account in accordance with the provisions of paragraph 2 of this Schedule 101 if, at any time, the Association shall have notified Sri Lanka of its intention to suspend in whole or in part the right of Sri Lanka to make withdrawals from the Financing Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Association shall determine, in its sole discretion, whether further deposits into the Part Z Special Account may be made and what procedures should be followed for making such deposits, and shall notify Sri Lanka of its determination.

6. (a) If the Association determines at any time that any payment out of the Part Z Special Account was made for an expenditure which is not an Eligible Expenditure for Part Z of the Project, or was not justified by the evidence furnished to the Association, Sri Lanka shall, promptly upon notice from the Association, provide such additional evidence as the Association may request, or deposit into the Part Z Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment. Unless the Association shall otherwise agree, no further deposit by the Association into the Part Z Special Account shall be made until Sri Lanka has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association determines at any time that any amount outstanding in the Part Z Special Account will not be required to cover payments for Eligible Expenditures for Part Z of the Project during the six-month period following such determination, Sri Lanka shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) Sri Lanka may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Part Z Special Account.

(d) Refunds to the Association made pursuant to subparagraph (a), (b) or (c) of this paragraph 6 shall be credited to the Financing Account for subsequent withdrawal or for cancellation in accordance with the provisions of this Agreement.

**ANNEX A**  
**to**  
**SCHEDULE 101**

**Operation of the Part Z Special Account**  
**When Withdrawals Are Not Part Z**  
**Report-based Disbursements**

1. Without prejudice to the other provisions of this Agreement, for the purposes of this Annex A to Schedule 101, the term “Part Z Authorized Allocation” means the specific amount indicated against the name of this Project in paragraph 4 to be withdrawn from the Financing Account and deposited into the Part Z Special Account pursuant to paragraph 2 of this Annex.

2. Withdrawals of the Part Z Authorized Allocation and subsequent withdrawals to replenish the Part Z Special Account shall be made as follows:

(a) For withdrawals of the Part Z Authorized Allocation, Sri Lanka shall furnish to the Association a request or requests for deposit into the Part Z Special Account of an amount or amounts which in the aggregate do not exceed the Part Z Authorized Allocation. On the basis of each such request, the Association shall, on behalf of Sri Lanka, withdraw from the Financing Account and deposit into the Part Z Special Account such amount as Sri Lanka shall have requested.

(b) For replenishment of the Part Z Special Account, Sri Lanka shall furnish to the Association requests for deposit into the Part Z Special Account at such intervals as the Association shall specify. Prior to or at the time of each such request, Sri Lanka shall furnish to the Association the documents and other evidence required pursuant to paragraph 3 of Schedule 101 to this Agreement for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of Sri Lanka, withdraw from the Financing Account and deposit into the Part Z Special Account such amount as Sri Lanka shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Part Z Special Account for Eligible Expenditures under Part Z of the Project. Each such deposit into the Part Z Special Account shall be withdrawn by the Association from the Financing Account under one or more of the Eligible Categories.

3. Without prejudice to the other provisions of this Agreement, the Association shall not be required to make further deposits into the Part Z Special Account, once the total unwithdrawn amount of the Financing minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall equal the equivalent of twice the amount of the Part Z Authorized Allocation. Thereafter, withdrawal from the Financing Account of the remaining unwithdrawn amount of the Financing shall follow such procedures as the Association shall specify by notice to Sri Lanka. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such

amounts remaining on deposit in the Part Z Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures for Part Z of the Project.

4. The “Part Z Authorized Allocation” for this Project shall be determined according to the amount indicated against its name in the following table.

Teacher Education and Teacher Deployment Project (Cr. No. 2881-CE).	SDR140,000
Second General Education Project (Cr. No.3014-CE).	SDR570,000
Renewable Energy for Rural Economic Development Project (Cr. No. 3673-CE).	SDR1,000,000
Economic Reform Technical Assistance Project (Cr. No. 3722-CE).	SDR570,000
Improving Relevance and Quality of Undergraduate Education Project (Cr. No. 3781-CE).	SDR1,350,000
Second North East Irrigated Agriculture Project (Cr. No. 3935-CE)	SDR1,200,000
e-Sri Lanka Development Project (Cr. No. 3986-CE)	SDR800,000
Second Community Water Supply and Sanitation Project (H-035-CE)	SDR1,000,000
Health Sector Development Project (H-095-CE)	SDR2,900,000
Community Development and Livelihood “Gemi Diriya” Project (H-078-CE)	SDR1,200,000

**ANNEX B**  
**to**  
**SCHEDULE 101**

**Operation of the Part Z Special Account**  
**When Withdrawals Are Part Z**  
**Report-based Disbursements**

1. Without prejudice to the other provisions of this Agreement, withdrawals from the Financing Account shall be deposited by the Association into the Part Z Special Account in accordance with the provisions of Schedule 101 to this Agreement. Each such deposit into the Part Z Special Account shall be withdrawn by the Association from the Financing Account under one or more of the Eligible Categories.
  
2. Upon receipt of each application for withdrawal of an amount of the Financing, the Association shall, on behalf of Sri Lanka, withdraw from the Financing Account and deposit into the Part Z Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Association has determined, based on the reports referred to in paragraph 13 of Schedule 1 applicable to such withdrawal application, is required to be deposited in order to finance Eligible Expenditures for Part Z of the Project during the six-month period following the date of such reports.