

01-Sep-2021

Mr. Ruchika Attygalle
Secretary
Ministry of Finance, Economy and Policy Development
Colombo
Sri Lanka

**Re: Democratic Socialist Republic of Sri Lanka
Water Supply and Sanitation Improvement Project (Credit No. 5685-LK)
Amendment to Financing Agreement**

Dear Mr. Attygalle:

We refer to the Financing Agreement (“Agreement”) dated November 6, 2015, between the Democratic Socialist Republic of Sri Lanka (“Recipient”) and the International Development Association (“Association”), as amended for the Water Supply and Sanitation Improvement Project (“Project”). We also refer to the letter from the Recipient dated March 2, 2020, requesting an additional financing to support the Project activities. Said request would necessitate certain amendments to the Agreement.

We are pleased to inform you that after due consideration, the Association hereby amends the Agreement as set forth below:

1. All references in the Agreement to the “Ministry of City Planning and Water Supply” or “MCPWS” shall be replaced with the “Ministry of Water Supply” or “MWS”, respectively.
2. The first paragraph of Schedule 1 is deleted in its entirety and replaced to read as follows:

“The objectives of the Project are to increase access to piped water services and improved sanitation in Selected Districts; and to strengthen the capacity of associated institutions, and in case of an Eligible Crisis or Emergency, respond promptly and effectively to it.”
3. A new Part 5 is added to Schedule 1 to read as follows:

“Part 5: Contingent Emergency Response

Provision of immediate response to an Eligible Crisis or Emergency, as needed.”
4. A new paragraph G is added to Section I, Schedule 2 to read as follows:

“G. Contingent Emergency Response

1. In order to ensure the proper implementation of contingent emergency response activities under Part 5 of the Project (“Contingent Emergency Response Part”), the Recipient shall ensure that:
 - (a) a Contingent Emergency Response Manual (“CERM”) is prepared and furnished to the Association for its review and no-objection, which shall set forth detailed implementation arrangements for the Contingent Emergency Response Part, including: (i) designation of, terms of reference for and resources to be allocated to, the entity or entities to be responsible for the coordination and implementation of the Contingent Emergency Response Part (“Coordinating Authority”); (ii) specific activities which may be included in the Contingent Emergency Response Part, Eligible Expenditures required therefor (“Contingent Emergency Expenditures”), and any procedures for such inclusion; (iii) financial management arrangements for the Contingent Emergency Response Part; (iv) procurement methods and procedures for Contingent Emergency Response Part; (v) documentation required for withdrawals of Contingent Emergency Expenditures; (vi) application of the relevant safeguard instruments to the Contingent Emergency Response Part; and (vii) any other arrangements necessary to ensure proper coordination and implementation of the Contingent Emergency Response Part;
 - (b) the Association is afforded a reasonable opportunity to review the proposed CERM;
 - (c) the CERM is promptly adopted as shall have been accepted by the Association;
 - (d) the Contingent Emergency Response Part is carried out in accordance with the CERM; provided, however, that in the event of any inconsistency between the provisions of the CERM and this Agreement, the provisions of this Agreement shall prevail; and
 - (e) the CERM is not amended, suspended, abrogated, repealed or waived without prior written no-objection by the Association.

2. The Recipient shall ensure that no activities are undertaken under the Contingent Emergency Response Part, unless and until the following conditions have been met in respect of said activities:
 - (a) the Recipient has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Association a request to include said activities in the Contingent Emergency Response Part in order to respond to said Eligible Crisis or Emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient thereof;
 - (b) The Recipient has prepared and furnished to the Association for its review and approval, in accordance with the provisions set forth in the CERM, a Contingent Emergency Response Implementation Plan (“CERIP”) which shall set forth detailed arrangements for the activation of Contingent Emergency Response Part, including: (i) specific activities to be financed

out of the Emergency Expenditures; (ii) itemized costs for each expenditure item; (iii) implementation arrangements for the Contingent Emergency Response Part, as defined in the CERM or with proposed amendments; (iv) procurement plan for the Contingent Emergency Response Part; (v) details regarding compliance with safeguard instruments; and (vi) any other arrangements necessary to ensure proper implementation of the Contingent Emergency Response Part; and

(c) all safeguard instruments as may be required for said activities have been prepared and disclosed in accordance with the CERM, the Association has approved all such instruments, and the Recipient has ensured the implementation of any actions which are required to be taken under said instruments.

3. The Recipient shall, throughout the period of implementation of the Contingent Emergency Response Part, maintain the Coordinating Authority, with adequate staff and resources satisfactory to the Association.”

5. The table in paragraph 2 of Section IV.A of Schedule 2 is deleted in its entirety and replaced to read as follows:

Category	Amount of the Credit Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, consultants’ services, and Training under Parts 1, 2 and 3 of the Project	103,090,000	100%
(2) Grants under Part 1(a)(iii) of the Project	4,690,000	100% of amounts disbursed
(3) Goods, non-consulting services, consultants’ services, and Incremental Operating Costs under Part 4 of the Project	9,620,000	100%
(4) Emergency Expenditure under Part 5 of the Project	0	100%
TOTAL AMOUNT	117,400,000	

6. Section IV.B of Schedule 2 is deleted in its entirety and replaced to read as follows:

B. Withdrawal Conditions; Withdrawal Period.

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made:

(a) for payments made prior to the Signature Date; or

- (b) for Contingent Emergency Expenditures under Category (4), unless and until the Association is satisfied that all of the following conditions have been met in respect of said expenditures:
- (i) the Recipient has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Association a request to include said activities in the Contingent Emergency Response Part in order to respond to said crisis or emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient thereof;
 - (ii) the Recipient has ensured that all safeguard instruments required for said activities have been prepared and disclosed, and the Recipient has ensured that any actions which are required to be taken under said instruments have been implemented, all in accordance with the provisions of Section I.G.2(c) of this Schedule;
 - (iii) the entities in charge of coordinating and implementing the Contingent Emergency Response Part have adequate staff and resources, in accordance with the provisions of the CERM, for the purposes of said activities; and
 - (iv) the Recipient has adopted the CERM and the CERIP, in form and substance acceptable to the Association, and the provisions of the CERM and the CERIP remain – or have been updated in accordance with the provisions of Section I.G.1(e) of this Schedule 2 so as to be – appropriate for the inclusion and implementation of the Contingent Emergency Response Part.

2. The Closing Date is December 31, 2023.”

7. The following new definitions are incorporated in numerical order in the Appendix to the Agreement, and the terms are renumbered in accordance with such insertions:

“Contingent Emergency Expenditure” means any of the eligible expenditures set forth in the Contingent Emergency Response Manual in accordance with the provisions of Section I.G.1(a) of Schedule 2 to this Agreement and required for the Contingent Emergency Response Part.

“Contingent Emergency Response Manual” and “CERM” each means the manual referred to in Section I.G.1(a) of Schedule 2 to this Agreement, in form and substance satisfactory to the Association, to be adopted for the Contingent Emergency Response Part in accordance with the provisions of said Section.

“Contingent Emergency Response Part” means a specific activity or activities to be carried out in the event of an Eligible Crisis or Emergency under Part 5 of the Project.

“Eligible Crisis or Emergency” means an event that has caused, or is likely to imminently cause, a major adverse economic and/or social impact to the Recipient, associated with a natural or man-made crisis or disaster.

“Ministry of Water Supply” and the acronym “MWS” each means the Recipient’s ministry responsible for urban development and water supply, or any successor thereto.

Except as specifically amended by this letter, all other provisions of the Agreement shall remain unchanged and in full force and effect.

Please confirm your agreement with the amendments set out above by countersigning, dating, and returning to us the enclosed copy of this letter. Upon receipt by the Association of the countersigned copy of this letter, the amendments shall become effective as of the date of the countersignature.

Very truly yours,

INTERNATIONAL DEVELOPMENT ASSOCIATION



Faris H. Hadad-Zervos
Country Director for Maldives, Nepal and Sri Lanka
South Asia Region

AGREED:

DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA

By: Mr. S.R Attygalle
Name: Mr. S.R Attygalle
Title: Secretary to the Treasury
Date: 04-Sep-2021