

Mr. S.R. Attygalle
Secretary
Ministry of Finance
Colombo
Sri Lanka

Re: Democratic Socialist Republic of Sri Lanka: COVID-19 Emergency Response and Health Systems Preparedness Project (Credit No. 6595-LK) Amendment to the Financing Agreement

Dear Mr. Attygalle:

We refer to the Financing Agreement (“Agreement”) dated April 3, 2020, as amended, between the Democratic Socialist Republic of Sri Lanka (“Recipient”) and the International Development Association (“Association”), for the COVID-19 Emergency Response and Health Systems Preparedness Project (“Project”). We also refer to the letter from the Recipient dated February 19, 2021, requesting an additional financing to support procurement and distribution of COVID-19 vaccines under the Project. Said request would necessitate certain amendments to the Agreement.

The Association agrees to your request and proposes to amend the Agreement as follows:

1. Article 3.01 is amended to read as follows:

“3.01. The Recipient declares its commitment to the objectives of the Project and the MPA Program. To this end, the Recipient shall carry out (i) Parts 1.1, 1.3, 2, 3, 4 and 5 of the Project through its MoH and SMoPCLGA; and (ii) Part 1.2 of the Project through its MoH, MoF and State Ministry of Samurdhi, Household Economy, Micro Finance, Self-Employment, Business Development and Underutilized State Resources Development, in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.”

2. The words “Ministry of Finance, Economy and Policy Development” in Article 5.01 are replaced with the words “Ministry of Finance”.

3. Schedule 2, Section I.2 is amended to read as follows:

“2. The Recipient shall vest responsibility for the implementation of Parts 1.1, 1.3, 2, 3, 4 and 5 of the Project in MoH and SMoPCLGA, and of Part 1.2 of the Project in the MoH, MoF and State Ministry of Samurdhi, Household Economy, Micro Finance, Self-Employment, Business Development and Underutilized State Resources Development. To this end, the Recipient shall:

(a) maintain, throughout the implementation of the Project, the Project Management Unit within MoH for the purposes of day-to-day Project management and

implementation, including financial management, procurement, and social and environmental safeguards issues, with the composition, responsibilities and terms of reference satisfactory to the Association;

- (b) adopt the Project Operational Manual, satisfactory to the Association and setting forth the procedures and requirements for the implementation of the Project activities, and after that implement the Project in accordance with such manual. The Project Operational Manual shall include *inter alia*, for Part 1.2 of the Project: the eligibility criteria for selection of Cash Transfer and In-Kind Support recipients, the procedures for making the Cash Transfers and In-Kind Support; the record keeping requirements and fiduciary controls at different levels of implementation, and the audit requirements; and the monitoring and evaluation mechanisms;
 - (c) ensure that the collection, use and processing (including transfers to third parties) of any Personal Data collected under the Project will be done in accordance with the requirements and procedures set forth in the Project Operational Manual, and ensuring legitimate, appropriate and proportionate treatment of such data; and
 - (d) establish and maintain, throughout the implementation of the Project, a Project Coordination Unit (PCU) within the State Ministry of Samurdhi, Household Economy, Micro Finance, Self-Employment, Business Development and Underutilized State Resources Development; and maintain, throughout the implementation of the Project, the PCU-MoF; for the purposes of day-to-day Project management and implementation of Part 1.2 of the Project, including financial management and social and environmental safeguards issues, with the composition, responsibilities and terms of reference satisfactory to the Association.”
4. The following new Section I.B, Section I.C, Section I.D and Section I.E are added immediately after Section I.A of Schedule 2:

“B. Cash Transfers and In-Kind Support

- (a) For the purpose of carrying out Part 1.2(a) of the Project, the Recipient shall provide Cash Transfers to eligible recipients in accordance with the provisions of this Agreement and the provisions of the Project Operational Manual; and
- (b) For the purpose of carrying out Part 1.2(b) of the Project, the Recipient shall provide In-Kind Support to eligible recipients in accordance with the provisions of this Agreement and the provisions of the Project Operational Manual.

C. Vaccine Delivery and Distribution Plan

- 1. In order to ensure adequate implementation of Part 1.3 of the Project, the Recipient shall, by no later than one (1) month after the Effective Date, or such later date as the Association may agree, but in any event prior to the commencement of any delivery and distribution of Project COVID-19 Vaccines within the Recipient’s territory, prepare and adopt, a plan for COVID-19 Vaccine delivery and distribution (“Vaccine Delivery and Distribution Plan”), in form and substance satisfactory to the Association, which shall include:

- (a) rules and procedures for prioritizing intra-country vaccine allocation following principles established in the WHO Fair Allocation Framework, including an action plan setting out the timeline and steps for implementing such rules;
 - (b) rules and procedures establishing minimum standards for vaccine management and monitoring, including medical and technical criteria, communications and outreach plan, cold chain infrastructure, and other related logistics infrastructure;
 - (c) rules and procedures for processing and collection of Personal Data in accordance with good international practice;
 - (d) vaccine distribution plan, including action plan setting out timeline and steps for immunization; and
 - (e) detailed guidelines and procedures for the purchase, delivery and distribution of the Project COVID-19 Vaccine, including, *inter alia*, with respect to: administration and coordination, monitoring and evaluation, financial management, procurement and accounting procedures, environmental and social safeguards, corruption and fraud mitigation measures, a grievance redress mechanism, roles and responsibilities for Project implementation, and such other arrangements and procedures as shall be required for the effective implementation of the Project, in form and substance satisfactory to the Association.
2. The Recipient shall carry out the Project in accordance with this Agreement, the Project Operational Manual and the Vaccine Delivery and Distribution Plan. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate, or waive the provisions of the Project Operational Manual or Vaccine Delivery and Distribution Plan without prior approval of the Association. In the event of any conflict between the provisions of the Project Operational Manual or Vaccine Delivery and Distribution Plan and this Agreement, the provisions of this Agreement shall prevail.

D. Standards for COVID-19 Vaccine Approval

All Project COVID-19 Vaccines shall satisfy the Vaccine Approval Criteria.”

5. The original Section I.B (Environmental and Social Standards) and Section I.C (Contingent Emergency Response) of Schedule 2 are renumbered to Section I.E (Environmental and Social Standards) and Section I.F (Contingent Emergency Response), respectively. Any reference to the original Section I.B or Section I.C to the Financing Agreement shall be deemed to reference to the renumbered Section I.E or Section I.F, respectively.
6. The renumbered Section I.E (Environmental and Social Standards) of Schedule 2 (is amended by amending the new Section I.E.7 to read as follows:
- “7. Should there be any use of security or military personnel in the implementation of Project activities and for provision of security to Project workers, sites and/or assets, the Recipient, through MoH, shall take the following measures related to the use of security or

military personnel, if any, in the implementation of Project activities and for provision of security to Project workers, sites and/or assets, in a manner satisfactory to the Association:

- (a) ensure standards, protocols and codes of conduct are followed for the selection and use of security or military personnel, and ensure that such personnel have not engaged in past unlawful or abusive behavior, including sexual exploitation and abuse (SEA), sexual harassment (SH) or excessive use of force;
- (b) ensure that MoH enters into memorandum of understanding (MoU), with the MoD, setting out the arrangements for the engagement of the military or security personnel under the Project, including compliance with the relevant requirements of the ESCP;
- (c) ensure that such personnel is deployed in accordance with the relevant requirements of ESSs and the ESCP;
- (d) ensure that such personnel is adequately instructed and trained, prior to deployment and on a regular basis, on the use of force and appropriate conduct (including in relation to civilian-military engagement, SEA and SH, and other relevant areas), as set out in the Project Operational Manual and/or the ESMF;
- (e) ensure that the stakeholder engagement activities under the Stakeholder Engagement Plan include a communication strategy on the involvement of security or military personnel under the Project; and
- (f) ensure that any concerns or grievances regarding the conduct of such personnel are received, monitored, documented (taking into account the need to protect confidentiality), resolved through the Project's grievance mechanism; and reported to the Association no later than fifteen (15) days after being received.

7. The renumbered Section I.F (Contingent Emergency Response) of Schedule 2 is amended to read as follows:

- "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 manual ("CERC Manual") is prepared and adopted in form and substance acceptable to the Association, which shall set forth detailed implementation arrangements for the Contingent Emergency Response Part, including: (i) any structures or institutional arrangements for coordinating and implementing the Contingent Emergency Response Part; (ii) specific activities which may be included in the Contingent Emergency Response Part, Eligible Expenditures required therefor ("Emergency Expenditures"), and any procedures for such inclusion; (iii) financial management arrangements for the Contingent Emergency Response Part; (iv) procurement methods and procedures for the Contingent Emergency Response Part; (v) documentation required for withdrawals of Financing amounts to finance Emergency Expenditures; (vi) a description of the environmental and social assessment and management arrangements for the Contingent Emergency Response Part; and (vii) a template Emergency Action Plan;

- (b) the Emergency Action Plan is prepared and adopted in form and substance acceptable to the Association;
 - (c) the Contingent Emergency Response Part is carried out in accordance with the CERC Manual and the Emergency Action Plan; provided, however, that in the event of any inconsistency between the provisions of the CERC Manual or the Emergency Action Plan and this Agreement, the provisions of this Agreement shall prevail; and
 - (d) neither the CERC Manual nor the Emergency Action Plan is amended, suspended, abrogated, repealed or waived without the prior written approval by the Association.
2. The Recipient shall ensure that the structures and arrangements referred to in the CERC Manual are maintained throughout the implementation of the Contingent Emergency Response Part, with adequate staff and resources satisfactory to Association.
 3. The Recipient shall ensure that:
 - (a) the environmental and social instruments required for the Contingent Emergency Response Part are prepared, disclosed and adopted in accordance with the CERC Manual and the ESCP, and in form and substance acceptable to the Association; and
 - (b) the Contingent Emergency Response Part is carried out in accordance with the environmental and social instruments in a manner acceptable to the Association.
 4. Activities under the Contingency Emergency Response Part shall be undertaken only after an Eligible Crisis or Emergency has occurred.”
8. The table in Schedule 2, Section III.A is deleted in its entirety and replaced with the following:

Category	Amount of the Credit Allocated (expressed in USD)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, Training, Incremental Operating Costs, consulting services and Transportation Costs (effective from April 3, 2020) for Parts 1.1, 2, 3 and 4 of the Project	93,366,000	100%
(2) Emergency Expenditures	0	

(3) Front-end Fee	234,000	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 3.08 (b) of the General Conditions
(4) Interest Rate Cap or Interest Rate Collar premium	0	Amount due pursuant to Section 4.06 (c) of the General Conditions
TOTAL AMOUNT	93,600,000	

9. Section III.B.1(b) is amended to read as follows:

“(b) for Emergency Expenditures under Category (2), unless and until all of the following conditions have been met in respect of said expenditures:

- (i) (A) the Recipient has determined that an Eligible Crisis or Emergency has occurred, and has furnished to the Association a request to withdraw Financing amounts under Category (2); and (B) the Association has agreed with such determination, accepted said request and notified the Recipient thereof; and
- (ii) the Recipient has adopted the CERC Manual and Emergency Action Plan, in form and substance acceptable to the Association.”

10. Paragraph 1 of Section IV of Schedule 2 is amended to read as follows:

“1. Should there be any activities carried out by the MoD under the Project, if any, all such activities shall be under the coordination of the MoH and shall be undertaken exclusively for the purposes related to the Project. All goods, works, services, Incremental Operating Costs, and Training financed by the Financing proceeds may be used by the MoD under the direction and control of MoH and strictly in accordance with the Project Operational Manual, Vaccine Delivery and Distribution Plan and other arrangements or protocols that the Association may require for carrying out these activities.”

11. The following new paragraphs 3 and 4 are added to Section IV of Schedule 2 immediately after paragraph 2.

- “3. The Recipient further undertakes that no Financing proceeds or resources may be used for security and military purposes or for any payments made to any security or military personnel without the Association’s express approval.
- 4. The Recipient shall ensure that no withdrawal for any expenditure is claimed under this Project, where the Recipient, or any of its agencies, shall have financed or agreed to finance any such expenditure incurred under any other credit, loan or grant under any contract with the Association or any national or international agency or organization or a sovereign government.”

12. The following new definitions are incorporated in alphabetical order in the Appendix (Definitions) to the Agreement, and the terms are renumbered in accordance with such insertions:

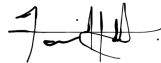
“Security Management Plan” means the security management plan to be adopted by the Recipient, satisfactory to the Association, and to be disclosed on the Recipient’s website, as said instrument may be updated from time to time with the prior written agreement of the Association.

“Stakeholder Engagement Plan” means the Recipient’s stakeholder engagement plan dated March 5, 2021, and to be further updated for the implementation of the Project, and implemented in a manner acceptable to the Association, as set forth in the ESCP, to ensure that stakeholder engagement and information disclosure activities under the Project are carried out in accordance with the Environmental and Social Standards, as said Stakeholder Engagement Plan may be revised from time to time, with prior written agreement of the Association.”

All other provisions of the Agreement, except as revised herein, remain unchanged.

Please confirm your agreement to the foregoing on behalf of the Recipient by countersigning and dating the corresponding form of confirmation set forth below and returning one fully countersigned original of this letter of amendment to us. Upon receipt by the Association of the original of this letter of amendment countersigned by you, this letter of amendment shall become effective as of the date of the countersignature.

Yours sincerely,
INTERNATIONAL DEVELOPMENT ASSOCIATION



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

Agreed:

DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA

By: S. R. Attygalle
Name: S. R. Attygalle
Title: Secretary to the Treasury
Date: 13-May-2021