Loan Agreement

(Metro Colombo Urban Development Project)

between

DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated May 18, 2012
LOAN AGREEMENT

AGREEMENT dated May 19, 2012, between the DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA ("the Borrower") and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("the Bank"). The Borrower and the Bank 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 — LOAN

2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of two hundred and thirteen million Dollars ($213,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement ("the Loan"), to assist in financing the project described in Schedule I to this Agreement ("the Project").

2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.

2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.

2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to the Reference Rate for the Loan Currency plus the Fixed Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty (30) days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02(e) of the General Conditions.

2.05. The Payment Dates are May 15 and November 15 in each year.
2.06. The principal amount of the Loan shall be repaid in accordance with the provisions of Schedule 3 to this Agreement.

2.07. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an approved currency; (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa, or from a Variable Rate based on a Variable Spread to a Variable Rate based on a Fixed Spread; and (iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate.

(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

(c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar for which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.05(c) of the General Conditions up to the amount allocated from time to time for the purpose in the table in Section IV of Schedule 2 to this Agreement.

ARTICLE III — PROJECT

3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall carry out the Project, through the Project management unit within MoDUD, and in collaboration with the PIAs and PLAs, in accordance with the provisions of Article V of the General Conditions.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.
ARTICLE IV — TERMINATION

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

4.02. For purposes of Section 8.05(b) of the General Conditions, the date on which the obligations of the Borrower under this Agreement (other than those providing for payment obligations) shall terminate is ten (10) years after the date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Borrower’s Representative is its Secretary, Ministry of Finance and Planning.

5.02. The Borrower’s Address is:

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

Tel: 94 1 2484510-0
Facsimile: 94-112-447633

5.03. The Bank’s Address is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address: INTBAFRAD
Telex: 248423(MCI) or 64145(MCI)
Facsimile: 1-202-477-6391
AGREED at Colombo, Sri Lanka, as of the day and year first above written.

DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA
By

[Signature]
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
By

[Signature]
Authorized Representative
SCHEDULE 1

Project Description

The objective of the Project is to assist the Borrower to: (i) reduce flooding in the catchment of the Colombo water basin; and (ii) strengthen the capacity of local authorities in the CMA to rehabilitate, improve and maintain local infrastructure and services through selected demonstration investments.

The Project consists of the following parts:

Part 1: Flood and Drainage Management in the Colombo Water Basin

Part 1.1: Enhancement of drainage capacity in Colombo water basin including enhancement of runoff from the southeastern upper section of the basin, creation of lakes/retention areas in the central section of the basin, removal of bottlenecks in the downstream reaches of the canals, improvement of the outflow capacity and improvement/ construction of canal bank protections.


Part 1.3: Development of an integrated flood management system for the Colombo Water Basin, including carrying out selected investments to improve public usability of canals and lakes and acquisition of maintenance machinery.

Part 1.4: Rehabilitation and/or construction of embankments and developing a linear/nodal park along the east and southwest shores of Beira Lake, and establishing a natural park around degraded wetlands in Beddagana.

Part 2: Urban Development and Infrastructure Rehabilitation, and Capacity Building

Part 2.1: Investment Support to Project Local Authorities

Enhancing the capacity of the PLAs to deliver sustainable, high quality local services and to coordinate delivery of services at the metropolitan level through implementing select high-priority infrastructure improvements in areas within the jurisdiction of the PLAs, including rehabilitation and improvement of drainage and roads, upgrading of local public facilities, and acquisition of equipment to improve local public services.
Part 2.2: Institutional strengthening and capacity building

(a) Strengthening the capacity of the PLAs in the areas of road asset management, development and implementation of technical standards, preparation of road rehabilitation and maintenance works (including quality control), solid waste collection and management; and the operation of an integrated metro-level geographic information system platform.

(b) Supporting metropolitan development strategies and planning, including preparation of a city development strategy for the Colombo metropolitan region, an integrated master plan and a solid waste management feasibility study and action plan for the CMA and surrounding areas; and a detailed study for selected priority metropolitan services.

Part 3: Implementation Support

Strengthening the capacity of the Borrower to carry out Project activities, including (i) provision of technical support to the PMU in the areas of Project management, monitoring and evaluation, procurement, financial management, and environmental and social safeguards; (ii) public awareness and communications support regarding Project interventions, public expectations, behavior changes and resettlement; (iii) provision of technical support to the SLLRDC, UDA, and the PLAs in construction, supervision, and compliance with environmental and social safeguards; and (iii) acquisition of vehicles, office furniture and IT equipment for the PMU.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. For purposes of implementation and coordination of the Project, the Borrower shall maintain a self-standing Project management unit within MoDUD with qualified staff in adequate numbers, including, but not limited to, a Project Director, an Accountant, a Procurement Specialist, an Environmental Specialist, a Civil Engineer, and a Social Specialist.

2. For purposes of oversight of the Project, the Borrower shall maintain a Steering Committee chaired by Secretary of MoDUD and comprising, in addition, representatives from the Project Implementing Agencies, the Project Local Authorities, and such other agencies of the Borrower as may be required to deal with specific issues arising during the implementation of the Project.

B. Implementation Arrangements

1. The PMU shall be responsible for: (a) procurement, disbursement and fiduciary arrangements; (b) preparation and implementation of all the Safeguards Instruments; (c) public awareness and communications (d) overall quality assurance; (e) monitoring and evaluation; and (f) consolidated Project reporting requirements, in collaboration with the PIAs and PLAs.

2. The PLAs and PIAs shall be responsible for detail design, construction supervision and compliance with environmental and social safeguards related to their respective Part of the Project and shall prepare bi-annual progress reports in respect of such Part of the Project for onward transmission to the PMU. The PMU shall assist the PLAs, as appropriate, with carrying out of the said responsibilities.

3. The PMU shall collect and consolidate the outcome and intermediate indicators prepared by the PLAs and PIAs based on the results framework presented in Annex 1 for onward transmission to the Bank as provided for in Section II of this Schedule 2.

C. Anti-Corruption

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

1. The Borrower shall ensure that the Project is carried out in accordance with the Safeguard Instruments.

2. Without limitation upon the provisions of the preceding paragraph the Borrower shall ensure that the Safeguard Instruments required under the Social Management Framework and the Environmental Management Framework are:
   (a) prepared in form and substance satisfactory to the Borrower and the Bank;
   (b) except as otherwise agreed with the Bank in writing, submitted to the Bank for review and approval; and
   (c) thereafter, adopted and locally disclosed before the commencement of any affected Project activities.

3. Except as the Bank shall otherwise agree in writing, the Borrower shall not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, any of the afore-mentioned, or any provision of any one thereof.

4. Without limitation upon the provisions of the preceding paragraph, the Borrower shall ensure that, whenever provisions of any Safeguard Instrument are varied or altered, such variation or alteration shall be appropriate, necessary and minimized, and that adequate mitigation measures shall be identified and incorporated in the design of the Project, as shall be acceptable to the Bank.

5. The Borrower shall ensure that each contract for civil works required for the Project and to be financed out of the proceeds of the Loan includes the obligation of the relevant contractor to implement and monitor the applicable requirements of the Safeguards Instruments.

6. The Borrower shall undertake regular environmental and social appraisal, supervision, monitoring and evaluation of Project implementation, all in accordance with guidelines and procedures satisfactory to the Bank, and shall take all measures necessary on its part to regularly collect, compile, and submit to the Bank, as part of the Project Reports, information on the status of compliance with the Safeguards Instruments, giving details of:
   (a) the measures taken in furtherance of the Safeguards Instruments;
   (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the Safeguards Instruments; and
(c) remedial measures taken or required to be taken to address such conditions.

7. In the event of a conflict between the provisions of any of the Safeguards Instruments and those of this Agreement, the provisions of this Agreement shall prevail.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Borrower shall cause the Project Implementing Agencies to monitor and evaluate the progress of their respective parts of Part 1 of the Project and provide sufficient relevant information on a timely basis to the Borrower to allow the Borrower to prepare Project Reports as set out in Paragraph 3 below.

2. The Borrower through the PMU shall:
   (a) monitor and evaluate the progress of Part 2.2(b) of the Project;
   (b) cause the PLAs to monitor and evaluate the progress of their respective parts of Part 2 of the Project and to provide sufficient relevant information on a timely basis to the Borrower to prepare Project Reports as set out in Paragraph 3 below; and
   (c) assist such PLAs to carry out the responsibilities set out in the preceding paragraph, as appropriate.

3. The PMU shall coordinate the collection and compilation and consolidation of the data provided by Project Implementing Agencies and the Project Local Authorities in accordance with the two (2) preceding paragraphs, and shall utilize such data to prepare Project Reports in accordance with the provisions of Section 5.08 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 (1) calendar semester, and shall be furnished to the Bank not later than forty-five (45) days after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Borrower shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Borrower shall prepare and furnish to the Bank forty-five (45) days after the end of each
calendar semester, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Bank.

3. The Borrower shall have its Financial Statements audited in accordance with the provisions of Section 5.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than eight (8) months after the end of such period.

Section III. Procurement

A. General

1. Goods, Works and Non-consulting Services. All goods, works and non-consulting 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 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 Bank of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods, Works and Non-consulting Services

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. Other Methods of Procurement of Goods, Works and Non-consulting Services. The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works and non-consulting services. The Procurement Plan shall specify the circumstances under which such methods may be used.
Procurement Methods

| (a) | National Competitive Bidding, subject to the additional procedures set forth in Attachment 2 to this Schedule |
| (b) | Shopping |
| (c) | Direct Contracting |
| (d) | Force Account |

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.

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Quality-based Selection</td>
</tr>
<tr>
<td>(b) Fixed Budget Selection</td>
</tr>
<tr>
<td>(c) Least-cost Selection</td>
</tr>
<tr>
<td>(d) Selection Based on Consultants' Qualifications</td>
</tr>
<tr>
<td>(e) Single Source Selection</td>
</tr>
<tr>
<td>(f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants</td>
</tr>
<tr>
<td>(g) Sole Source Procedures for the Selection of Individual Consultants</td>
</tr>
</tbody>
</table>

D. Review by the Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Bank's Prior Review. All other contracts shall be subject to Post Review by the Bank.
Section IV. Withdrawal of Loan Proceeds

A. General

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Bank 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 Loan, the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be financed (exclusive of taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services and consultants’ services, under Parts 1 and 2.1 of the Project</td>
<td>212,467,500</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Front-end Fee</td>
<td>532,500</td>
<td>Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07(b) of the General Conditions</td>
</tr>
<tr>
<td>(3) Interest Rate Cap or Interest Rate Collar premium</td>
<td>0</td>
<td>Amount due pursuant to Section 2.07(c) of this Agreement</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>213,000,000</td>
<td></td>
</tr>
</tbody>
</table>

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, except withdrawals up to an aggregate amount not to exceed $5,000,000 equivalent may be made for
payments made prior to this date but on or after June 1, 2011, for Eligible Expenditures.

2. The Closing Date is December 31, 2017.
ATTACHMENT 1 TO SCHEDULE 2 - Monitorable Indicators

**Project Development Objective (PDO):**
The project development objectives (PDOs) are to (i) reduce flooding in the catchment of the Colombo water basin, and (ii) contribute to strengthen the capacity of local authorities in the CMA to rehabilitate, improve and maintain local infrastructure and services through selected demonstration investments.

<table>
<thead>
<tr>
<th>PDO Level Results Indicators*</th>
<th>Core</th>
<th>Unit of Measure</th>
<th>Baseline</th>
<th>Cumulative Target Values**</th>
<th>Frequency</th>
<th>Data Source/Methodology</th>
<th>Responsibility for Data Collection</th>
<th>Description (Indicator definition etc.)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Indicator One:</strong> Reduction in the area under risk of flooding (50-year return period) in the project area.</td>
<td>☐</td>
<td>Km2</td>
<td>5.5</td>
<td>3.0</td>
<td>2</td>
<td>Baseline, mid-term (YR3) and at project closure (YR5).</td>
<td>SLLRDC and CMC’s hydrological &amp; hydraulic models.</td>
<td>SLLRDC and CMC, in coordination with PMU.</td>
</tr>
<tr>
<td><strong>Indicator Two:</strong> Percentage of total urban roads maintained by PLAs that are in good and fair conditions in the 4 PLAs.</td>
<td>☐</td>
<td>Percentage of total classified roads</td>
<td>50</td>
<td>53</td>
<td>57</td>
<td>Baseline, mid-term (YR3) and at project closure (YR5).</td>
<td>Baseline, mid-term (YR3) and at project closure (YR5).</td>
<td>Roads with International Roughness Index (IRI) between 3 and 7 are considered in good and fair conditions based on the Sri Lanka Road Development Authority classification.</td>
</tr>
</tbody>
</table>

**INTERMEDIATE RESULTS**

**Intermediate Result (Component One): Flood and Drainage Management**

<p>| 1.1 Length of primary canals improved by the | ☐ | Km | 0 | - | - | 6 | 9.2 | Baseline, mid-term | Progress report | SLLRDC, in coordination | - |</p>
<table>
<thead>
<tr>
<th>Project Description</th>
<th>Units</th>
<th>Baseline Mid-term</th>
<th>YR3 (YR4)</th>
<th>Project Closure (YR5)</th>
<th>SLLRDC Status</th>
<th>With PMU</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.2 Increase in drainage capacity (gravity system)</td>
<td>m³/s</td>
<td>149</td>
<td>189</td>
<td>268</td>
<td>Progress report</td>
<td>SLLRDC in coordination with PMU</td>
</tr>
<tr>
<td>1.3 Increase in drainage capacity (pumping system, subject to the results of the hydrological model)</td>
<td>m³/s</td>
<td>3.5</td>
<td>10</td>
<td>25</td>
<td>Progress report</td>
<td>SLLRDC in coordination with PMU</td>
</tr>
<tr>
<td>1.4 Micro-drainage subprojects implemented under the Project that reduce risk of flooding in localized areas (10-year return period)</td>
<td>Number</td>
<td>0</td>
<td>0</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1.5 IFMS developed and mainstreamed into SLLRDC's operations</td>
<td>Y=Yes N=No</td>
<td>-</td>
<td>N N Y Y Y</td>
<td>Annual Progress report</td>
<td>SLLRDC in coordination with PMU</td>
<td></td>
</tr>
<tr>
<td>1.6 Users satisfied with the Beira Lake Development</td>
<td>Percentage of interviewed</td>
<td>TBD.</td>
<td>-</td>
<td>50% 80%</td>
<td>User satisfaction</td>
<td>SLLRDC in coordination User satisfaction surveys carried</td>
</tr>
</tbody>
</table>
Intermediate Result (Component Two): Urban Development and Institutional Building for Metro Colombo Local Authorities, and Implementation Support

| 2.1 Metropolitan Colombo City Development Strategy and Integrated Master Plan delivered and endorsed by UDA | Delivered = D  
Endorsed = E | D | E | Annual Progress report | UDA in coordination with PMU |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2.2. Km of road/drainage built/rehabilitated based on prescribed standards.</td>
<td>Km</td>
<td>0</td>
<td>0</td>
<td>20</td>
<td>30</td>
</tr>
</tbody>
</table>
| 2.3 Core asset management system for municipal roads and drainage delivered and fully operational in the four PLAs. | Delivered = D  
Operational = O | - | - | D | O | O | Annual | PLAs' municipal data | PLAs in coordination with PMU |
| 2.4. Households provided with access to regular solid waste collection in the 4 PLAs. | Number of HHs and percentage of total HHs in the four PLAs | 217,468 (80%) | 225,000 (85%) | 240,000 (90%) | (YR3) and at project closure (YR5) | Progress reports | PLAs in coordination with PMU |
| Number of daily trips per 1,000 | 1.7 | 3 | 4 | (YR3) and at project | Progress reports | PLAs in coordination with PMU |

1 User Satisfaction Surveys will be carried out for both subprojects within two months from project approval to determine the baseline.
<table>
<thead>
<tr>
<th>1,000 households in the 4 PLAs s</th>
<th>HHs.</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th>collection multiplied by average number of vehicles’ daily trips, per 1,000 HHs in the 4 PLAs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.6. Users satisfied with area-based demonstration projects in Colombo City.</td>
<td>Percentage of interviewed users.</td>
<td>-TBD</td>
<td>-</td>
<td>50%</td>
<td>80%</td>
<td>(YR3) and at project closure (YR5). User satisfaction survey. PLAs in coordination with PMU User satisfaction surveys carried out within two months of approval. Mid and End Project</td>
</tr>
</tbody>
</table>
ATTACHMENT 2

TO

SCHEDULE 2

Requirements under National Competitive Bidding

In order to ensure economy, efficiency, transparency and broad consistency with the provisions of the Procurement Guidelines, goods, works, and non consultant services procured under the National Competitive Bidding (NCB) method shall be subject to the following requirements.

1. Only the model bidding documents for NCB agreed with the Bank shall be used for bidding.

2. Invitations for bids will be advertised in at least one (1) widely circulated national daily newspaper, and bidding documents will be made available at least twenty-one (21) days before, and issued up to, the deadline for submission of bids.

3. Qualification criteria will be stated in the bidding documents, and if a registration process is required, a foreign firm declared as the lowest evaluated responsive bidder shall be given a reasonable time for registering, without let or hindrance.

4. Bids will be opened in public in one location, immediately after the deadline for the submission of bids, as stipulated in the bidding document (the bidding document will indicate the date, time and place of bid opening).

5. Except in cases of force majeure or exceptional situations beyond the control of the implementing agency, the extension of bid validity will not be allowed.

6. Bids will not be rejected merely on the basis of a comparison with an official estimate.

7. Except with the prior concurrence of the Bank, there will be no negotiation of price with bidders, even with the lowest evaluated bidder.

8. A bidder’s bid security will apply only to the specific bid, and a contractor’s performance security will apply only to the specific contract under which they are furnished.

9. Bids will not be invited on the basis of percentage premium or discount over the estimated cost, unless agreed with the Bank.
SCHEDULE 3

Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date ("Installment Share"). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<table>
<thead>
<tr>
<th>Principal Payment Date</th>
<th>Installment Share (Expressed as a Percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each May 15 and November 15</td>
<td>2.5%</td>
</tr>
<tr>
<td>Beginning May 15, 2017 through November 15, 2036</td>
<td></td>
</tr>
</tbody>
</table>

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows.

(a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.

(b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule ("Original Installment Share") and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Amounts of the Loan withdrawn within two (2) calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.
(b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the Withdrawn Loan Balance is denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.
APPENDIX

Definitions

1. “Affected Persons” means persons who, on account of implementation of the Project, have experienced or would experience direct economic and social impacts caused by: (a) the involuntary taking of land resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; or (iii) loss of income sources or means of livelihood, whether or not such persons must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person.


3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.

4. “Colombo Metropolitan Area” and “CMA” mean the area under the jurisdiction of the Project Local Authorities (as defined in this Appendix).


6. “Cultural Management Plan” means a plan acceptable to the Bank to be prepared by the Borrower, if required as provided for in the Social Management Framework, for assessing potential impacts of the Project on any movable or immovable objects, sites, structures, groups of structures, and natural features and landscapes that have archaeological, paleontological, historical, architectural, religious, aesthetic, or other cultural significance which are encountered in the course of implementing the Project, and preventing, minimizing, or compensating for adverse impacts and enhancing positive impacts on such physical cultural resources through site selection and design.

7. “Environment Management Plan for a Front-Runner Activity” means each of the Borrower’s plans disclosed on November 16, 2011, and acceptable to the Bank for a Front-Runner Activity, setting forth the specific actions, measures and policies designed to maximize the environmental benefits of such activity and to eliminate, offset or mitigate any adverse environmental impacts, or reduce such impacts to acceptable levels, along with administrative and monitoring arrangements to ensure the implementation of said actions, measures and policies, as said plan may be revised from time to time with the prior written
agreement of the Bank, and such term includes any annexes or schedules to such plan.

8. “Environment Protection Laws’ means, collectively, the Borrower’s National Environmental Act (Act No. 47 of 1980), Fauna and Flora Protection Ordinance (Ordinance No. 2 of 1937), Coast Conservation Act (Act No. 57 of 1981) and Marine Pollution Prevention Act (Act No. 59 of 1981), and the Forest Ordinance (Ordinance No. 16 of 1907), as the same may be duly amended from time to time.

9. “Environmental Management Framework” means the Borrower’s framework, acceptable to the Bank and publicly disclosed on November 16, 2011, for undertaking environmental analysis and developing mitigation measures for all Project activities, as said Framework may be revised from time to time with the prior written agreement of the Bank, and such term includes any annexes or schedules to such Framework.

10. “Front-Runner Activities” means the activities which have the following characteristics: (a) their precise scope, location and magnitude of impacts is known; (b) they are urgent and priority investments at an advanced stage of preparation; and (c) they have limited or no social and environmental impact; and “Front-Runner Activity” means any one of such Front-Runner Activities.


12. “Land Acquisition Act” means the Borrower’s Land Acquisition Act No. 9 of 1950 and subsidiary Land Acquisition Regulations of 2008, as the same may be revised from time to time.


15. “Other Activities” means activities to be financed under the Project other than Front-Runner Activities; and “Other Activity” means any one of such Other Activities.


17. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated February 8, 2012 and referred to in paragraph 1.18 of the Procurement
Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

18. “Project Implementing Agencies” and “PIAs” means, collectively; (i) the Sri Lanka Land Reclamation and the Development Corporation; and (2) the Urban Development Authority.

19. “Project Local Authorities” and “PLAs” mean, collectively: (a) the Colombo Municipal Council; (b) the Municipal Council of Dehiwala-Mt Lavinia; (c) the Municipal Council of Sri Jayawardenapura-Kotte; and (d) the Urban Council of Kolonnawa.

20. “Project Management Unit” and “PMU” mean the unit established by the Borrower within MoDUD for the purposes of Project implementation, and to be maintained as provided for in Schedule 2, Section I, Part A.1 of this Agreement.

21. “Resettlement Action Plan” means a plan, acceptable to the Bank, to be prepared by the Borrower for any one of the Other Activities in accordance with the guidelines and procedures set forth in the Social Management Framework, as set out in Schedule 2, Section D, Paragraph 2 to this Agreement, setting forth principles and procedures governing the acquisition of land and related assets, and the compensation, resettlement, and rehabilitation of Affected Persons, as said plan may be revised from time to time with the prior written agreement of the Bank, and such term includes any annexes or schedules to such plan.

22. “Safeguards Instrument” means any Environmental Management Plan for Front-Runner Activities, any Social Action Plan for Front-Runner Activities, the Environmental Management Framework, the Social Management Framework, or any Environment Management Plan, Cultural Management Plan, Social Action Plan, or Resettlement Action Plan prepared with respect to activities under the Project, as said instrument may be revised from time to time with the prior written agreement of the Bank, and such term includes any annexes or schedules to such instruments.

23. “Social Action Plan for Front-Runner Activities” means each of the Borrower’s plans, acceptable to the Bank publicly disclosed on November 16, 2011 setting forth the criteria, principles and procedures for taking mitigation measures regarding social impacts of Project activities, including provisions to ensure gender equity, as said plan may be revised from time to time with the prior written agreement of the Bank, and such term includes any annexes or schedules to such plan.

24. “Social Action Plans for Other Activities” means the plans to be prepared by the Borrower in accordance with the guidelines and procedures set forth in the Social Management Framework, as set out in Schedule 2, Section D, Paragraph 2,
setting forth, with respect to Other Activities, principles and procedures for
taking mitigation measures regarding social impacts of Project activities, as said
plan may be revised from time to time with the prior written agreement of the
Bank, and such term includes any annexes or schedules to such plan.

25. “Social Management Framework” means the Borrower’s framework, acceptable
to the Bank and publicly disclosed on November 16, 2011, for undertaking social
analysis and developing mitigation measures for Project activities, as said
Framework may be revised from time to time with the prior written agreement of
the Bank, and such term includes any annexes or schedules to such Framework.

26. “Sri Lanka Land Reclamation and Development Corporation” and “SLLRDC”
mean the agency responsible for the development of low-lying areas, flood
control and drainage investments and the management and maintenance of the
primary canal system in the territory of the Borrower; or any successor thereto.

27. “Steering Committee” means the committee established by the Borrower to
oversee Project preparation and implementation and facilitate inter-agency
cooperation, and to be maintained as provided for in Schedule 2, Section I, Part
A.2 of this Agreement.

28. “Urban Development Authority” and “UDA” mean the Borrower’s central
planning agency for the Colombo Metropolitan Area, with responsibilities for
urban physical planning, regulation and development, producing structural plans
that often are not keeping pace with the speed of development on the ground; or
any successor thereof.