June 5, 2014

Dr. P.B. Jayasundera
Secretary
Ministry of Finance
The Secretariat
Colombo 1

Dear Dr. Jayasundera:

Re: Japan Trust Fund for Mainstreaming Disaster Reduction Initiative of the Global Facility for Disaster Reduction and Recovery Support to Mainstreaming Disaster Risk Management Project Grant Number TF016699

In response to the request for financial assistance made on behalf of the Democratic Socialist Republic of Sri Lanka ("Recipient"), I am pleased to inform you that the International Development Association ("World Bank"), acting as administrator of grant funds provided by Japan ("Donor") under the Trust Fund for Mainstreaming Disaster Reduction Initiative of the Global Facility for Disaster Reduction and Recovery, proposes to extend to the Recipient a grant in an amount not to exceed four hundred twenty thousand United States Dollars (U.S.$420,000) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in the financing of the project described in the Annex ("Project").

This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the Donor. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Donor under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.

Please confirm the Recipient’s agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of the
countersigned copy, this Agreement shall become effective as of the date of the countersignature.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]

Francine Clottes
Country Director for Sri Lanka and the Maldives

AGREED:
DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA

By

[Signature]

Authorized Representative

[Name]: Priyantha Ratnayake
[Title]: Director General
[Department]: Department of External Resources
[Ministry]: Ministry of Finance and Planning
[Secretariat]: The Secretariat, Colombo 01, Sri Lanka
[Date]: July 11, 2014

Enclosures:

(2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006
Article I
Standard Conditions; Definitions


1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement.

Article II
Project Execution

2.01. **Project Objectives and Description.** The objectives of the Project is to build the technical capacities of the Ministry of Disaster Management (MDM) and the agencies under its purview and the relevant stakeholders identified to assess and quantify disaster risks and to formulate appropriate policy and operational responses to the risk.

The activities (“Activities”) for which the Grant is given consists of the following parts:

**Part 1.** Implementation of the Recommendation of Risk Assessment and Vulnerability Assessment in the Eastern Province of Sri Lanka. Carrying out risk analysis and prioritizing the recommendations found within the existing Risk Assessment and Vulnerability Assessments, integrating the results into the urban development plan.

**Part 2.** Landslide Management. Developing a landslide early warning system and installation of automatic rain gauges in landslides prone districts.

**Part 3.** Conduct Skill Training for the Government Staff. Developing a comprehensive training program in building capacity of the MDM on different key areas of disaster risk management, including post disaster needs assessment, risk assessment, early warning systems, and mainstreaming disaster risk management into development planning.

**Part 4.** Project Implementation and Monitoring. Project management support to the MDM for the implementation and monitoring of the Project.

2.02. **Project Execution Generally.** The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through the MDM in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 (“Anti-Corruption Guidelines”); and (c) this Article II.
2.03. **Institutional and other Arrangements.** The Recipient shall cause the MDM to maintain appropriate staff in adequate numbers, with experience and qualifications satisfactory to the World Bank, to carry out the procurement functions of the Project.

2.04. **Donor Visibility and Visit.** (a) The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donor’s support for the Project.

(b) For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank’s request, take all measures required on its part to enable the representatives of the Donor to visit any part of the Recipient’s territory for purposes related to the Project.

2.05. **Project Monitoring, Reporting and Evaluation.** (a) The Recipient shall cause the MDM to monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the indicators set forth below in paragraph (b) of this Section. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than forty-five (45) days after the end of the period covered by such report.

(b) The performance indicators referred to above in paragraph (a) consist of the following:

(i) Hazard maps, vulnerability assessment and risk profiles for 10 medium cities developed and integrated into the respective city development plans of the Urban Development Authority (UDA)

(ii) Training needs assessment conducted for the staff of the MDM and the agencies under its purview and key training programs, priority based on the needs assessment conducted.

(iii) At least twenty (20) Sri Lankan Public Sector Professionals trained on Probabilistic Disaster Risk Assessment.

(iv) At least twenty (20) Sri Lankan Public Sector Professionals trained on Post Disaster Needs Assessment.

(v) A real time landslide monitoring and early warning system developed covering landslide prone districts.

(c) The Recipient shall cause the Ministry of Disaster management to prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six months after the Closing Date.
2.06. **Financial Management.** (a) The Recipient shall cause the MDM to ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall cause the MDM to ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank as part of the Project Report not later than forty-five (45) days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six months after the end of such period.

2.07. **Procurement**

(a) **General.** All goods and consultants’ services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:


(ii) Sections I and IV of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Consultant Guidelines”) in the case of consultants’ services; and

(iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).

(b) **Definitions.** The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World 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.
Particular Methods of Procurement of Goods and Non-consulting Services

(i) Except as otherwise provided in sub-paragraph (ii) below, goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

(ii) The following methods, other than International Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts which are specified in the Procurement Plan: (A) Shopping; (B) Direct Contracting; and (C) National Competitive Bidding subject to the following additional provisions:

(A) Invitations for bids will be advertised in all three languages in at least one widely circulated national newspaper, at least 21 days prior to the deadline for submission of bids;

(B) Bidding documents shall be made available, by mail or in person, to all who are willing to pay the required fee;

(C) Foreign bidders shall not be precluded from bidding and no preference of any kind be given to national bidders in the bidding process;

(D) 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;

(E) There shall not any restriction on the means of delivery of the bids, which shall be either through post or hand-delivered. Electronic submissions shall not be permitted;

(F) Bids shall 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);

(G) Bids shall not be rejected merely on the basis of a comparison with an official estimated without the prior concurrence of the World Bank;

(H) Evaluation of bids shall be made in strict adherence to the criteria disclosed in the bidding document, in a format within the specified period agreed with the World Bank, and within the bid validity period specified in the bidding documents;

(I) 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;

(J) Contracts shall be awarded to the lowest evaluated substantially responsive bidder;

(K) Post-bidding negotiations shall not be allowed with the lowest bidder or any other bidders;

(L) Except in an exceptional situations, re-invitation of bids shall not be carried out;

(M) All bidders/contractors shall provide bid/performance security as indicated in the bidding/contract documents;
Bidder’s bid security shall apply only to the specific bid, and a contractor’s performance security shall apply only to the specific contract under which it was furnished; and

Bids shall not invited on the basis of percentage premium or discount over the estimated cost, unless agreed with the World Bank.

(d) Particular Methods of Procurement of Consultants’ Services

(i) Except as otherwise provided in item (ii) below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods, other than Quality- and Cost-based Selection, may be used for the procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (A) Quality-based Selection; (B) Selection under a Fixed Budget; (C) Least Cost Selection; (D) Selection based on Consultants’ Qualifications; (E) Single-source Selection of consulting firms; (F) Selection of Individual Consultants; and (G) Single-source procedures for the Selection of Individual Consultants.

(e) Review by the World Bank of Procurement Decisions. The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All other contracts shall be subject to Post Review by the World Bank.

Article III
Withdrawal of Grant Proceeds

3.01. Eligible Expenditures. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant 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 Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Consultants’ Services</td>
<td>150,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Training and Workshops</td>
<td>140,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Goods, including water gauges</td>
<td>90,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Operating Cost</td>
<td>40,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>420,000</td>
<td></td>
</tr>
</tbody>
</table>

For the purposes of this paragraph, the terms: (i) “Training and Workshops” means expenditures to finance reasonable costs of services associated with training and workshops, including local travel and subsistence costs for workshop participants, rental of facilities, workshop materials, preparation and reproduction of training materials, and other costs directly related to training course and workshop preparation and implementation; and (ii) “Operating Costs” means reasonable cost of expenditures for incremental expenses incurred by the Recipient on account of Project implementation (which expenditures would not have been incurred absent the Project), including vehicle operation and maintenance, communication, insurance costs, banking charges, rental expenses, office and office equipment maintenance, utilities, document duplication/printing, consumables, travel cost for Project staff for travel linked to the implementation of the Project, and salaries of contractual staff for the Project but excluding salaries or salary supplements of officials of the Recipient’s civil service.

3.02. Withdrawal Conditions. Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for:

   (i) payments made prior to the date of countersignature of this Agreement by the Recipient; and

   (ii) rain gauges, unless the MDM has secured, through an agreement or a decree, in form acceptable to the World Bank, the right for the Project to use a particular land block for installing the water gauges, for a period of three (3) years.

3.03. Withdrawal Period. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is June 30, 2015.
Article IV
Recipient's Representative; Addresses

4.01. Recipient's Representative. The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is the Secretary, Ministry of Finance and Planning.

4.02. Recipient's Address. The Recipient's Address referred to in Section 7.01 of the Standard Conditions is:

Ministry of Finance and Planning
The Secretariat
Colombo 01, Sri Lanka

Facsimile: 94 11 244 9823/94 11 244 7633

4.03. World Bank's Address. The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable: INDEVAS
Telex: 248423 (MCI) or 64145 (MCI)
Facsimile: 1-202-477-6391