Dr. P.B. Jayasundara  
Secretary  
Ministry of Finance and Planning  
Secretariat  
Colombo 1.

Dear Dr. Jayasundara:

Re: Sri Lanka: JSDF Grant for Local Level Nutrition Interventions for the Northern Province Project  
Grant No. TF097171

In response to the request for financial assistance made on behalf of the Democratic Socialist Republic of Sri Lanka (the Recipient), I am pleased to inform you that the International Development Association ("World Bank"), as administrator of grant funds provided by Japan under the Japan Social Development Fund, proposes to extend to the Recipient ("Member Country"), a grant in an amount not to exceed two million seven hundred thirty-one thousand seven hundred United States Dollars (U.S.$ 2,731,700) ("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 Japan Social Development Fund for which the World Bank receives periodic contributions. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the Recipient may withdraw the Grant proceeds 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 with 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 this countersigned copy, this Agreement shall become effective as of the date of the countersignature; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement within 90 days after the date of signature of this Agreement by the World Bank, unless the World Bank shall have established a later date for such purpose.

Very truly yours,
INTERNATIONAL DEVELOPMENT ASSOCIATION

/s/ Diarietou Gaye

Country Director for Sri Lanka and Maldives

January 31, 2011
AGREED:
DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA

By: /s/ Dr. P. B. Jayasundara

Title: Secretary to the Treasury

Date: January 31, 2011

Enclosures:


Article I
Standard Conditions; Definitions

1.01. Standard Conditions. The Standard Conditions for Grants Made by the World Bank out of Various Funds dated July 1, 2008 ("Standard Conditions") constitute an integral part of this Agreement.

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 objective of the Project is to reduce the compounded effects of the global food and financial crises on the displaced populations in the Northern Province of Sri Lanka, by reducing malnutrition rates among pregnant and lactating women and children below five years of age. The Project consists of the following parts:

Part 1. Supply of Emergency Food Rations

During an initial 6-months period of the Project, provision of emergency food rations to improve food energy and protein (rice and pulses) to the following groups, in villages in the Northern Province with returning internally displaced peoples and for those living with host families:

(i) undernourished pregnant women and /or those not gaining adequate weight;
(ii) lactating women (until 6 months post delivery);
(iii) vulnerable pregnant and lactating women living with host families;
(iv) children under 5 years old experiencing growth stagnation, faltering or classified as being undernourished and;
(v) vulnerable children living with host families.

Part 2. Capacity Building and Community Mobilization

During the initial 6-months period of the Project:

(i) Recruitment and training of community volunteers, health workers and members of women’s groups, in basic nutrition, nutrition behavior change and community mobilization to promote appropriate infant and young child feeding and caring practices, nutrition in pregnant women and intake of micronutrient supplements;
(ii) Supply of basic equipment for weighing posts (height and weight measuring equipment and growth monitoring charts) and carrying out of minor repairs and renovations of damaged weighing posts and sections of local clinics;
(iii) Development and printing of culturally appropriate Behavior Change Communication materials; and
(iv) Community mobilization to improve nutrition.
Part 3. Community-based Nutrition Interventions

Provision through volunteers, public health midwives and/or local health staff in each district of the following:

(i) Intensive behavior change counseling to malnourished pregnant and lactating women;
(ii) Growth monitoring and promotion for mothers and guardians of children under 5 years of age;
(iii) Supplementary feeding and house visits to mothers and children at risk; and
(iv) Organization of behavioral change sessions for pregnant women, and mothers of small children to promote appropriate nutrition practices and the importance of hygiene. These sessions will also be targeted at husbands, mothers in law and adolescent girls.

Part 4. Project Supervision, and Monitoring and Evaluation and Advocacy

(i) Support to the Recipient in the areas of Project management, coordination and monitoring including supervisory visits from the Provincial level to the district and village levels; and
(ii) Support for advocacy and resource mobilization by the Provincial Councils for increased support for nutrition initiatives and a follow-on program of longer-term nutritional interventions.

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 Northern Provincial Council/Ministry of Health and Indigenous Medicine in accordance with: (a) the provisions of 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 (“Anti-Corruption Guidelines”), with the modifications set forth in the Appendix to this Agreement; and (c) this Article II.

2.03. Institutional and Other Arrangements. The Ministry of Health and Indigenous Medicine of the Northern Province, shall be responsible, subject to the general oversight of the Recipient’s Finance Commission, and technical support and guidance from the Recipient’s Ministry of Healthcare and Nutrition, for the day-to-day management and implementation of the Project, including, development of the annual work program and budget, establishment and maintenance of a financial management system, preparation and production of periodic progress reports as agreed with the Association, preparation and production of audits and financial statements, management of procurement and disbursement, review and approval of sub-grant applications, and monitoring and evaluation activities.

Ground level implementation will be done though the Regional Directors of Health Services (who are responsible for district level programs), by Medical Officers of Health (who are responsible for preventive services at the sub-district/divisional levels), and by Public Health Midwives, community health volunteers and other relevant staff.

MOHs will issue food vouchers to target recipients which will be “cashed” for food rations at Multi Purpose Cooperative Shops. The Northern Province Health Ministry will liaise with Cooperative stores and central level to organize for the availability of these rations.
2.04. **Financial Management.** (a) The Recipient shall 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 ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank 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 for the Project audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The Recipient shall ensure that the audited Financial Statements for each period shall be: (i) furnished to the World Bank not later than six months after the end of such period; and (ii) made publicly available in a timely fashion and in a manner acceptable to the World Bank.

2.05. **Procurement**

(a) **General.** All goods, works and 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:

(i) Section I of the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the World Bank in May 2004 and revised in October 2006 and May 2010 (“Procurement Guidelines”), in the case of goods and works;

(ii) Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the World Bank in May 2004 and revised in October 2006 and May 2010 (“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 1.16 of the Procurement Guidelines and paragraph 1.24 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 the Procurement Guidelines, or the Consultant Guidelines, as the case may be.

(c) **Particular Methods of Procurement of Goods and Works**

(i) Except as otherwise provided in sub-paragraph (ii) below, goods and works shall be procured under contracts awarded on the basis of National Competitive Bidding subject to the following additional procedures set forth in Annex-1 to this Agreement.
(ii) The following methods, other than National Competitive Bidding, may be used for procurement of goods and works for those contracts specified in the Procurement Plan: (A) Shopping; (B) Direct contracting; (C) Procurement from UN Agencies; (D) Procurement of Commodities; and (E) Community Participation procedures which have been found acceptable to the World Bank.

(d) Particular Methods of Procurement of Consultants’ Services

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

(ii) The following methods may be used for the procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (A) Least Cost Selection; (B) Selection based on Consultants’ Qualifications; and (C) 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) Article III of 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 U.S. $)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Works</td>
<td>105,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods</td>
<td>2,258,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Consultant Services</td>
<td>100,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Training</td>
<td>42,500</td>
<td>100%</td>
</tr>
<tr>
<td>(5) Operating Costs</td>
<td>226,200</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>2,371,700</strong></td>
<td></td>
</tr>
</tbody>
</table>

For the purposes of this Section: (i) the term “training” means training conducted in the territory of the Recipient, including purchase and publication of materials, rental of facilities, course fees, and travel and subsistence of trainees; and (ii) the term “operating costs” means operating costs required for the Project including consumable materials and supplies, communications, mass media and printing services, vehicle rental, operation and maintenance, charges for the opening and operation of bank accounts required for the Project, and travel, lodging and per diems, but excluding salaries 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 payments made prior to the date of countersignature of this Agreement by the Recipient.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is four years after the date of countersignature of this Agreement by the Recipient.

**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 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 1, Sri Lanka  
Facsimile: 94 11 2449823/94 11 2447633

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 1-202-477-6391  
Facsimile: Washington, D.C. 64145 (MCI)
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:

- Only the Sri Lanka–specific Standard Bidding Documents satisfactory to the Association (and as amended from time to time and agreed with the Association) will be used.

- Invitations for bids will be advertised in at least one 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.

- Bidding documents will be issued by mail or in person to all who are willing to pay the required fee.

- Foreign bidders shall not be precluded from bidding and no preference of any kind shall be given to national bidders (including state-owned enterprises or small-scale enterprises) in the bidding process. No special preferences will be accorded to any enterprises or bodies.

- 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.

- There will not be any restrictions on the means of delivery of the bids, which shall be either through post or hand-delivered. Electronic submissions will not be permitted.

- 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).

- Evaluation of bids will be made in strict adherence to the criteria disclosed in the bidding document, in a format and within the specified period agreed with the Association, and within the bid validity period specified in the bidding document.

- 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 without the prior concurrence of the Association: (i) for the first request for extension if it is beyond four weeks, and (ii) for all subsequent requests for extension irrespective of the period.

- Contracts will be awarded to the lowest evaluated responsive bidder.

- Bids will not be rejected merely on the basis of a comparison with an official estimate, without the prior concurrence of the Association.
- Except with the prior concurrence of the Association, there will be no negotiation of price with bidders, even with the lowest evaluated bidder.

- Re-invitation of bids will not be carried out without the prior concurrence of the Association.

- All bidders and contractors/suppliers shall provide bid and performance securities as required in the bidding and contract documents.

- 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.

- Bids will not be invited on the basis of percentage premium or discount over the estimated cost, unless agreed with the Association.
APPENDIX

Modifications to the Anti-Corruption Guidelines

The modifications to the Anti-Corruption Guidelines are as follows:

1. Section 5 is re-numbered as Section 5(a) and a new Section 5(b) is added to read as follows:

   "...(b) These Guidelines also provide for the sanctions and related actions to be imposed by the Bank on Borrowers (other than the Member Country) and all other individuals or entities who are recipients of Loan proceeds, in the event that the Borrower or the individual or entity has been debarred by another financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier."

2. Section 11(a) is modified to read as follows:

   "...(a) sanction in accordance with prevailing Bank’s sanctions policies and procedures (fn13) a Borrower (other than a Member Country) (fn 14) or an individual or entity, including (but not limited to) declaring such Borrower, individual or entity ineligible publicly, either indefinitely or for a stated period of time: (i) to be awarded a Bank-financed contract; (ii) to benefit from a Bank-financed contract, financially or otherwise, for example as a sub-contractor; and (iii) to otherwise participate in the preparation or implementation of the project or any other project financed, in whole or in part, by the Bank, if at any time the Bank determines (fn 15) that such Borrower, individual or entity has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in connection with the use of loan proceeds, or if another financier with which the Bank has entered into an agreement for the mutual enforcement of debarment decisions has declared such person or entity ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier."

Footnotes:

"13. An individual or entity may be declared ineligible to be awarded a Bank financed contract upon completion of sanctions proceedings pursuant to the Bank’s sanctions policies and procedures, or under the procedures of temporary suspension or early temporary suspension in connection with an ongoing sanctions proceeding, or following a sanction by another financier with whom the Bank has entered into a cross debarment agreement, as a result of a determination by such financier that the firm or individual has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier."
"14. Member Country includes officials and employees of the national government or of any of its political or administrative subdivisions, and government owned enterprises and agencies that are not eligible to bid under paragraph 1.8(b) of the Procurement Guidelines or participate under paragraph 1.11(c) of the Consultant Guidelines."

"15. The Bank has established a Sanctions Board, and related procedures, for the purpose of making such determinations. The procedures of the Sanctions Board sets forth the full set of sanctions available to the Bank. In addition, the Bank has adopted an internal protocol outlining the process to be followed in implementing debarments by other financiers, and explaining how cross-debarments will be posted on the Bank’s website and otherwise be made known to staff and other stakeholders."