Financing Agreement

(Provincial Roads Project)

between

DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated January 11, 2010
FINANCING AGREEMENT

AGREEMENT dated January 11, 2010, entered into between the DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA ("the Recipient") and the INTERNATIONAL DEVELOPMENT ASSOCIATION ("the Association"). The Recipient and the Association 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 — FINANCING

2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to Sixty Six Million One Hundred Thousand Special Drawing Rights (SDR 66,100,000) (variously, “the Credit” and “the Financing”) to assist in financing the project described in Schedule 1 to this Agreement (“the Project”).

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

2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.

2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.

2.05. The Payment Dates are March 15 and September 15 in each year.

2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

2.07. The Payment Currency is Dollars.
ARTICLE III — PROJECT

3.01 The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall: (a) cause the Uva PC to carry Parts A.1 and B.1 of the Project; (b) cause the Eastern PC to carry out Parts A.2 and B.2 of the Project; (c) cause the Northern PC to carry out Parts A.3 and B.3 of the Project; and (d) through MLGPC, carry out Part C of the Project and, in collaboration with the PCs, manage the consultants to be procured to supervise the works under Part A of the Project, all in accordance with the provisions of Article IV of the General Conditions.

3.02 Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

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

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01 The Recipient’s Representative is its Secretary of Finance and Planning.

5.02 The Recipient’s Address is:

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

Facsimile:

94 11 2449823/94 11 2447633
5.03. The Association’s Address is:

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

Cable: Telex: Facsimile:
INDEVAS 248423 (MCI) 1-202-477-6391
Washington, D.C.

AGREED at Colombo, Democratic Socialist Republic of Sri Lanka, as of the day and year first above written.

DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA
By: /s/ Punchi Banda Jayasundera

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION
By: /s/ Naoko Ishii

Authorized Representative
SCHEDULE 1

Project Description

The objective of the Project is to improve access to socio-economic centers in the Uva, Eastern and Northern Provinces of the Recipient through the sustainable management of improved road infrastructure.

The Project consists of the following parts:

Part A: Rehabilitation of Provincial Roads

1. Upgrading and rehabilitation of approximately 150 kilometers of provincial roads and other road infrastructure in selected, prioritized areas in the Uva Province.

2. Upgrading, rehabilitation of approximately 100 kilometers of provincial roads and other road infrastructure in selected, prioritized, areas in the Ampara District of the Eastern Province.

3. Upgrading, rehabilitation of approximately 100 kilometers of provincial roads and other road infrastructure in selected, prioritized, areas in the Jaffna District of the Northern Province.

Part B: Maintenance program

1. Development and implementation of an effective maintenance strategy, including carrying out of routine, preventative and emergency maintenance, for the network of paved roads in the Uva Province.

2. Development and implementation of an effective maintenance strategy, including carrying out of routine, preventative and emergency maintenance, for the network of paved roads in the Eastern Province.

3. Development and implementation of an effective maintenance strategy, including carrying out of routine, preventative and emergency maintenance, for the network of paved roads in the Northern Province.

Part C: Implementation Support and Capacity Building

1. Strengthening of the capacity of the Provincial Road Development Departments and the local construction industry in planning and budget management and Project implementation, through the provision of technical assistance (including supervision of works contracts under Part A of the Project) and training, the acquisition of office and laboratory equipment and vehicles, and the carrying out of selected studies.
SCHEDULE 2

Project Execution

Section I.  Implementation Arrangements

A.  Institutional Arrangements

1. For the purposes of carrying out Parts A.1 and B.1 of the Project, the Recipient shall cause the Uva PC to maintain a Project Implementation Unit (the PIU Uva) headed by the Provincial Roads Director in its Provincial Road Development Department having staff in numbers and with qualifications, skills and terms of reference acceptable to the Association.

2. For the purposes of carrying out Parts A.2 and B.2 of the Project, the Recipient shall cause the Eastern PC to maintain its Provincial Road Development Department with staff in numbers and with qualifications, skills and terms of reference acceptable to the Association.

3. For the purposes of carrying out Parts A.3 and B.3 of the Project, the Recipient shall cause the Northern PC to maintain its Provincial Road Development Department with staff in numbers and with qualifications, skills and terms of reference acceptable to the Association.

4. For the purposes of: (a) carrying out Part C of the Project; (b) undertaking the supervision of works consultants under Part A of the Project; and (c) carrying out the overall coordination, monitoring, evaluation and reporting for the Project, the Recipient shall maintain a Project Coordination Unit (the PCU) within MLGPC.

5. For the purposes of overseeing the implementation of the Project, the Recipient shall:

(a) maintain a national level Steering Committee chaired by the Secretary of MLGPC, and having a composition satisfactory to the Association, including the Chief Secretary of the Uva Province, Chief Secretary of the Eastern Province, Chief Secretary of the Northern Province, other members of the PCs, and representatives of the central level utilities including the Central Environment Authority, MENR, and MOFP; and

(b) cause the PCs to each establish and maintain for the duration of the Project a Provincial Steering Committee chaired by the Chief Secretary of Province and having a composition satisfactory to the Association.
B. Implementation Agreements

1. The Recipient shall: (i) ensure that the Project is carried out in accordance with the Governance and Accountability Action Plan, the Social Impact Management Framework, including the Resettlement Plans to be prepared thereunder, and the Environmental Assessment and Management Framework; (ii) not amend or waive any provision of the said documents without the Association’s prior approval; and (iii) allocate sufficient and appropriately qualified staff with adequate resources to enable it to comply with the provisions of this Paragraph.

2. For the purposes of Parts A.1 and B.1 of the Project, the Recipient shall make the proceeds of the Financing allocated to Category 1 in the table in Section IV of Schedule 2 to this Agreement available to the Uva PC under an agreement (the Uva Implementation Agreement) between the Recipient and the Uva PC.

3. For the purposes of Parts A.2 and B.2 of the Project, the Recipient shall make the proceeds of the Financing allocated to Category 2 in the table in Section IV of Schedule 2 to this Agreement available to the Eastern PC under an agreement (the Eastern Implementation Agreement) between the Recipient and the Eastern PC.

4. For the purposes of Parts A.3 and B.3 of the Project, the Recipient shall make the proceeds of the Financing allocated to Category 3 in the table in Section IV of Schedule 2 to this Agreement available to the Northern PC under an agreement (the Northern Implementation Agreement) between the Recipient and the Northern PC.

5. The Implementation Agreements shall each consist of terms and conditions approved by the Association which shall include the following:

   (a) that the proceeds of the Credit shall be made available to the PC as a Grant;

   (b) that the PC shall establish and maintain for the duration of the Project a Provincial Steering Committee chaired by the Chief Secretary of Province and having a composition satisfactory to the Recipient and the Association;

   (c) that the Recipient, through the MLGPC, shall supervise the works consultants to be procured for Part A of the Project in collaboration with the PC;

   (d) that the PC shall implement its Parts of the Project in accordance with the Social Impact Management Framework, including the Resettlement Plans to be prepared thereunder; and the Environmental
Assessment and Management Framework, and shall not amend or waive any provision of the said documents without the Association’s prior approval;

(e) (i) that the PC shall implement its Parts of the Project as far as reasonably practicable on publicly-owned land, using exclusively land free from squatters, encroachments, or other encumbrances;

(ii) the Project shall not involve any involuntary land acquisition;

(iii) where unavoidable, land acquisition shall be kept to a minimum, and undertaken exclusively on the basis of voluntary land donations for minor land requirements. In cases of use of voluntarily donated land, a participatory and transparent process will be followed and an agreement shall be signed between the donor and the recipient that will confirm: (A) the ownership of the land and voluntary nature of the donation; (B) that the land is appropriate for the intended purpose; (C) that the land does not belong to any donor who is below the poverty line or whose holding would be reduced below the minimum size required for such holding to be economically viable; (D) that there are no encumbrances on the land; (E) that the donation does not negatively impact on the livelihood of any vulnerable group, or if it does, that mitigation measures have been developed by the relevant community and are acceptable to the affected persons; (F) that no compensation will be paid for the land; and (G) that the owner gives up all claims on the land and the title will be transferred to the PC through a Notary Public or a registered deed or any other procedure prescribed by the laws of the Recipient.

(f) that the PC shall implement the Project in accordance with the Anti-Corruption Guidelines;

(g) that the PC shall allocate sufficient and appropriately qualified staff with adequate resources to enable the PC to comply with the provisions of this Paragraph;

(h) in the case of the Uva PC, that it shall, commencing in 2010 and thereafter for the duration of the Project, commit annually for routine road maintenance from revenue collected from vehicle licensing at least LKR 60,000,000, or such further amount as may be required to meet minimum routine road maintenance requirements, and that it shall use the funds provided by the Recipient pursuant to Section I, D of this
Schedule exclusively for the maintenance of its roads; and

(i) in the case of the Eastern PC, that it shall, commencing in 2010, and thereafter for the duration of the Project commit all revenues collected from vehicle licensing to be used for routine and periodic road maintenance.

6. The Recipient shall exercise its rights under the Implementation Agreements in such a manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Implementation Agreements or any of their provisions.

C. Anti-Corruption

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

D. Other Covenants

1. The Recipient shall remit at least the following amounts for periodic road maintenance to Uva Province: $1,200,000 equivalent in 2011, $1,600,000 equivalent in 2012, $2,000,000 equivalent in 2013; and $2,400,000 equivalent in 2014; or such additional amounts in each such year as shall be required to meet minimum routine road maintenance requirements in that year.

2. The Recipient shall remit to the Eastern Province any amounts required to bring the amount available for routine and periodic road maintenance to a minimum of LKR 100,000,000 annually, or such additional amount as shall be required to meet minimum routine road maintenance requirements.

3. The Recipient shall not commence any studies under Part C of the Project without the prior agreement of the Association.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators set forth in Annex 2 to this Schedule. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.
2. Without limitation on the provisions in paragraph A.1 of this Section II above, the Recipient shall:

(a) prepare, under terms of reference satisfactory to the Association, and furnish to the Association on or about March 31, 2013, a mid-term report on the progress achieved in carrying out of the Project during the period preceding such report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(b) review with the Association by June 30, 2013, or such later date as the Association shall request, the mid-term report referred to in subparagraph (a) above, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association’s views on the matter.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association as part of the Project Report not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.

3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09(b) of the General Conditions. Each 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 Association not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. Goods and Works. All goods and works 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 Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

**B. Particular Methods of Procurement of Goods and Works**

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

2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. 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) National Competitive Bidding, subject to the additional procedures set out in the Annex to this Schedule</td>
</tr>
<tr>
<td>(b) Shopping</td>
</tr>
<tr>
<td>(c) Direct Contracting</td>
</tr>
<tr>
<td>(d) Force Account</td>
</tr>
<tr>
<td>(e) Community Based Procurement</td>
</tr>
</tbody>
</table>

**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.
### Procurement Method

<table>
<thead>
<tr>
<th>(a)</th>
<th>Quality Based Selection</th>
</tr>
</thead>
<tbody>
<tr>
<td>(b)</td>
<td>Selection Under a Fixed Budget</td>
</tr>
<tr>
<td>(c)</td>
<td>Least-cost Selection</td>
</tr>
<tr>
<td>(d)</td>
<td>Selection Based on Consultants’ Qualifications</td>
</tr>
<tr>
<td>(e)</td>
<td>Single Source Selection</td>
</tr>
<tr>
<td>(f)</td>
<td>Individual Consultants</td>
</tr>
</tbody>
</table>

#### D. Review by the Association of Procurement Decisions

Except as the Association shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the Association: (a) each contract for works estimated to cost the equivalent of $2,000,000 or more per contract; (b) each contract for goods estimated to cost the equivalent of $300,000 or more per contract; (c) the first contract for works procured on the basis of National Competitive Bidding by each of the Provincial Road Development Departments of the Eastern and Northern Provinces, the PIU Uva and the PCU; (d) each contract procured on the basis of Direct Contract; (e) each contract for consultants’ services provided by a firm estimated to cost the equivalent of $100,000 or more; (f) each contract for consultants’ services provided by an individual estimated to cost the equivalent of $50,000 or more; and (g) each contract for consultants’ services procured through single source selection. All other contracts shall be subject to Post Review by the Association.

#### Section IV. Withdrawal of the Proceeds of the Financing

**A. General**

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall 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 Association 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 Financing (“Category”), the allocations of the amounts of the Credit 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 Credit Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (Inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, consultants’ services and Incremental Operating Costs under Parts A.1 and B.1 of the Project</td>
<td>37,240,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, works, consultants’ services and Incremental Operating Costs under Parts A.2 and B.2 of the Project</td>
<td>13,210,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Goods, works, consultants’ services and Incremental Operating Costs under Parts A.3 and B.3 of the Project</td>
<td>13,210,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Goods, consultants’ services, training and Incremental Operating Costs under Part C of the Project</td>
<td>2,440,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>66,100,000</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;

   (a) made prior to the date of this Agreement; or

   (b) in respect of a Province unless: (i) an Implementation Agreement, acceptable to the Association, has been executed on behalf of the Recipient and the Provincial Council in charge of such Province, and the Association has received a legal opinion satisfactory to the Association of counsel acceptable to the Association, that such Implementation Agreement has been duly authorized or ratified by the Recipient and the Provincial Council and is legally binding upon the Recipient and the Provincial Council in accordance with its terms; (ii) the Provincial Council has established a Provincial Steering Committee having composition and staffing acceptable to the Association; and (iii) MLGPC
has established a National Steering Committee having composition and staffing acceptable to the Association.

(c) Under Category (2) until: (i) financial management and staffing arrangements, satisfactory to the Association have been put in place for the Eastern PC; and (ii) the Recipient, the Eastern PC and the Association have agreed on the selection of roads to be financed under Parts A.2 and B.2 of the Project.

(d) Under Category (3) until: (i) financial management and staffing arrangements, satisfactory to the Association have been put in place for the Northern PC; (ii) the Recipient, the Northern PC and the Association have agreed on the selection of roads to be financed under Parts A.3 and B.3 of the Project; and (iii) the Recipient and the Northern Province has reached an agreement, acceptable to the Association, for the provision of funds for routine road maintenance.

2. The Closing Date is March 31, 2015.
ANNEX 1
TO
SCHEDULE 2

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 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.

2. 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.

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

4. 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.

5. 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.

6. 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.

7. 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).

8. 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.

9. 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.

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

11. Bids will not be rejected merely on the basis of a comparison with an official estimate, without the prior concurrence of the Association.

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

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

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

15. 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.

16. Bids will not be invited on the basis of percentage premium or discount over the estimated cost, unless agreed with the Association.
ANNEX 2
TO
SCHEDULE 2

Project Outcome Indicators

The indicators referred to in Paragraph 2 of Section II.A of Schedule 2 are as follows:

<table>
<thead>
<tr>
<th>PDO</th>
<th>Project Outcome Indicators</th>
<th>Use of Project Outcome Information</th>
</tr>
</thead>
</table>
| The proposed project is aimed at improving access to socio-economic centers in Northern, Eastern and Uva provinces through the sustainable management of improved road infrastructure | (i) Reduction in average travel time by targeted beneficiaries on project roads.  
(ii) Increase in the share of roads in good condition.  
(iii) Increase in the level of satisfaction along the project corridors increased in the level of satisfaction from communities and road users along projects roads. | Assess the project’s contribution to improving the quality of the road network and the improvement in the community’s access to socio economic activity |

<table>
<thead>
<tr>
<th>Intermediate Outcomes</th>
<th>Intermediate Outcome Indicators</th>
<th>Use of Intermediate Outcome Monitoring</th>
</tr>
</thead>
</table>
| **Rehabilitation of Provincial Roads**  
Upgrading and rehabilitation of 150 km of provincial roads and other road infrastructure in Uva and 100 km and other road infrastructure in Eastern Province and Northern Province | The following length of roads is rehabilitated and upgraded in:  
Uva – 150 km  
Eastern Province – 100 km  
Northern Province – 100km | Evaluation of improved strategy for the provincial road network in Northern, Uva and Eastern Provinces |
| **Maintenance program**  
Development of a long-term maintenance strategy for the provincial road network in Northern, Uva and Eastern Provinces | (i) Maintenance strategy developed and approved  
(ii) Annual maintenance plans developed | Evaluation of improved management of road network maintenance |
<table>
<thead>
<tr>
<th>Implementation Support and Capacity Building</th>
<th>(iii) km of roads receiving routine maintenance annually</th>
</tr>
</thead>
</table>

The capacity of the Provincial Road Development Departments (PRDD) is strengthened in planning and budget management within a framework of fiscal constraints.

- (i) Capacity of PRDDs in safeguards and fiduciary management built by project end
- (ii) Road Asset Management System developed, rolled in and used by PRDDs
- (iii) Milestones in GAAP met

Implementation of training policy
SCHEDULE 3

Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each March 15 and September 15, commencing March 15, 2020, to and including September 15, 2029</td>
<td>5%</td>
</tr>
</tbody>
</table>

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03(b) of the General Conditions.
APPENDIX

Section I. Definitions


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

3. “Central Environment Authority” means the Central Environment Authority of the Recipient or any successor thereto.


5. “Eastern Implementation Agreement” means the agreement referred to in Paragraph 3 of Section I.B of Schedule 2 to this Agreement pursuant to which the Recipient shall make part of the proceeds of the Financing available to the Eastern PC.


7. “Environmental Assessment and Management Framework” and “EAMF” mean the framework dated October 29, 2009, prepared, publicly disclosed, and adopted by the Recipient and found acceptable by the Association.

8. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005, (as amended through October 15, 2006), with the modifications set forth in Section II of this Appendix.


10. “Implementation Agreement” means the Uva Implementation Agreement, the Eastern Implementation Agreement, or the Northern Implementation Agreement and “Implementation Agreements” means collectively, the Uva Implementation Agreement, the Eastern Implementation Agreement and the Northern Implementation Agreement.
11. “Incremental Operating Costs” means the incremental recurrent expenditures incurred on account of the Project for per diems, office supplies, vehicle rental charges (including passenger insurance), government motorcycle and vehicle operating charges (fuel, maintenance, and insurance), maintenance of office equipment, telephone and other communications charges, office rent, advertising costs for procuring goods, works and services, bank charges for the operation of designated account, and salaries of contract staff, but excluding salaries of officials of the Recipient or the PCs civil and public services.

12. “MENR” means the Ministry of Environment and Natural Resources of the Recipient, or successor thereto.


15. “Northern Implementation Agreement” means the agreement referred to in Paragraph 4 of Section I.B of Schedule 2 to this Agreement pursuant to which the Recipient shall make part of the proceeds of the Financing available to the Uva PC.

16. “Northern PC” means the Provincial Council having jurisdiction over the Northern Province of the Recipient.

17. “Province” means the Uva Province of the Recipient, the Eastern Province of the Recipient or the Northern Province of the Recipient and “Provinces” means, collectively, Uva Province of the Recipient, the Eastern Province of the Recipient and the Northern Province of the Recipient.

18. “Provincial Council” and “PC” mean the Uva PC, the Eastern PC or the Northern PC, and “Provincial Councils” and “PCs” means, collectively, the Uva PC, the Eastern PC and the Northern PC.

19. “Provincial Road Development Department” and “PRDD” mean the Provincial Road Development Department of the Uva Province, the Provincial Road Development Department of the Eastern Province or Provincial Road Development Department of the Northern Province and “Provincial Road Development Departments” and “PRDDs” mean, collectively, the Provincial Road Development Departments of the Uva, Eastern and Northern Provinces.

20. “PCU” means the Project Coordination Unit to be maintained by the Recipient in the MLGPC as provided for in Paragraph 4 of Section I.A of Schedule 2 to this Agreement.
21. “PIU Uva” means the Project Implementing Unit to be maintained by the Uva PC as provided for in Paragraph 1 of Section I.A of Schedule 2 to this Agreement.


23. “Procurement Plan” means the Recipient’s procurement plan for the Project, May 15, 2009, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

24. “Resettlement Plan” means any of the Plans to be prepared by the Recipient as provided for in Paragraph 1 of Section I.B of Schedule 2 to this Agreement pursuant to the Social Impact Management Framework.


26. “Uva Implementation Agreement” means the agreement referred to in Paragraph 2 of Section I.B of Schedule 2 to this Agreement pursuant to which the Recipient shall make part of the proceeds of the Financing available to the Uva PC.

27. “Uva PC” means the Provincial Council having jurisdiction over the Uva Province of the Recipient.

Section II. Modifications to the General Conditions

The modifications to the General Conditions for Credits and Grants of the Association, dated July 1, 2005, (as amended through October 15, 2006) are as follows:

1. Section 2.07 is modified to read as follows:

   “Section 2.07. Refinancing Preparation Advance

   If the Financing Agreement provides for the repayment out of the proceeds of the Financing of an advance made by the Association or the Bank (“Preparation Advance”), the Association shall, on behalf of the Recipient, withdraw from the Financing Account on or after the Effective Date the amount required to repay the withdrawn and outstanding balance of the advance as at the date of such withdrawal from the Financing Account and to pay all accrued and
unpaid charges, if any, on the advance as at such date. The Association shall pay the amount so withdrawn to itself or the Bank, as the case may be, and shall cancel the remaining unwithdrawn amount of the advance.”

2. Paragraph (i) of Section 6.02 is modified to read as follows:

“Section 6.02. Suspension by the Association

... (l) Ineligibility. The Association or the Bank has declared the Project Implementing Entity ineligible to receive proceeds of any financing made by the Association or the Bank or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the Association or the Bank, as a result of a determination by the Association or the Bank that the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by the Association or the Bank.”

3. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

(a) The term “Project Preparation Advance” is modified to read “Preparation Advance” and its definition is modified to read as follows:

“‘Preparation Advance’ means the advance referred to in the Financing Agreement and repayable in accordance with Section 2.07.”