September 12, 2012

Dr. P.B. Jayasundera
Secretary
Ministry of Finance and Planning,
The Secretariat
Colombo 1
Sri Lanka

PHRD Grant Agreement for Metro Colombo –
Towards a Flood Resilient Urban Environment
Trust Fund Number: TF011617

Dear Sir:

In response to the request for financial assistance made on behalf of 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 Japan Policy and Human Resources Development (PHRD) Technical Assistance Program, proposes to extend to the Recipient a grant in an amount not to exceed nine hundred thousand United States Dollars (US$900,000) (“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 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effective as of the date of the countersignature; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this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 30 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

[Signature]

Authorized Representative

AGREED:

DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA

By

P. B. JAYASUNDERA
Secretary
Ministry of Finance and Planning
Colombo 01
Sri Lanka

Authorized Representative

Name

Title

Date 20/11/2012

Enclosures:


(2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006.
ANNEX

Article I
Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank out of Various Funds dated February 15, 2012 ("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 enhance the capacity of the Government of Sri-Lanka to identify, assess, and reduce the vulnerability of the Sri Lanka's urban environment to natural disasters, with a focus on Metro Colombo. The Project consists of the following components:

**Component 1: Metro Colombo Integrated Flood Risk Assessment.** (a) carrying out of an integrated flood risk assessment for the Colombo metropolitan region, covering all three areas that affect risks of urban flooding: hazard, exposure and vulnerability; (b) developing a multi-sectoral approach to integrate the physical, social, economic and institutional dimensions of flood vulnerability in Metro Colombo; and (c) developing a training module to build technical capacity of government officials from the main central agencies, local government officials, and other key stakeholder.

**Component 2: Metro Colombo Flood Risk Mitigation Strategy and Action Plans.** (a) developing a flood risk mitigation strategy based on the results of the integrated risk assessment; and (b) developing a training program to mainstream flood risk mitigation in development plans.

**Component 3: Monitoring & Evaluation.** Developing a monitoring and evaluation system for the project and producing biannual progress reports.

**Component 4: Project Management and Administration.** Supporting the implementing agency in areas such as project management, procurement, financial management, communications, public awareness and operating costs.

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 Ministry of Defense and Urban Development in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) the "Guidelines on Preventing and
2.03. **Institutional and Other Arrangements.** The Ministry of Defense and Urban Development shall maintain throughout the period of Project implementation a Project Management Unit with qualified staff in adequate numbers, including Financial Management staff, all with qualifications and experience and terms of reference satisfactory to the World Bank.

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, 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 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 one month 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) comprehensive flood mitigation strategy developed for Colombo Metropolitan area based on the integrated flood risk assessment.

(ii) recommendations of the risk mitigation strategy for Metro Colombo mainstreamed in the city development strategy.

(iii) key officials and stakeholders trained in risk and vulnerability assessment.

(c) The Recipient shall cause the Ministry of Defense and Urban Development 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 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 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 audited Financial Statements for each 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 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:

(i) 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

(ii) 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 1.25 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, III, IV and V of the Consultant Guidelines.

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

(d) **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>740,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Training, Workshops and Seminars</td>
<td>120,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Incremental Operating Costs</td>
<td>40,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td>900,000</td>
<td></td>
</tr>
</tbody>
</table>

For the purposes of this section, the terms:

(a) “Incremental Operating Costs” means reasonable expenditures directly related to the Project (which expenditures would not have been incurred absent the Project), namely expenditures for travel and transportation for monitoring and supervision purposes, operation of equipment, bank charges, consumables, translations etc., but excluding the salaries, fees, honoraria, bonuses, allowances and other payments of officials of the Recipient’s public service.

(b) “Training, Workshops and Seminars” means reasonable expenditures incurred by the Recipient for the carrying out of in-country training, workshops and seminars, including fees of educational or other institutions that provide training, costs related to attendance, seminars and workshops (facilities rental, materials printing and photocopying, supplies, course fees), and travel and subsistence of trainees.

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.
3.01. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is July 31, 2014.

**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: INTBAFRAD  
Telex: 248423 (MCI) or 1-202-477-6391  
Facsimile: 64145 (MCI)