DFAT-World Bank Partnership for South Asia
Grant Agreement

(Additional Financing for the North East Local Services Improvement Project)

between

DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated: May 8, 2014
Additional Financing for the
North East Local Services Improvement Project
GRANT AGREEMENT

AGREEMENT dated May 8, 2014, entered into between the DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("World Bank"), acting as administrator of the Australian Department of Foreign Affairs and Trade (DFAT) Trust Fund for the North East Local Services Improvement Project ("Grant Agreement").

WHEREAS (A) under an agreement dated November 8, 2010 between the Recipient and the World Bank and amended through the date of this Agreement, and as may be further amended from time to time by agreement between the Recipient and the Association ("Financing Agreement"), the World Bank agreed to provide the Recipient with a credit in an amount equivalent to thirty-three million Special Drawing Rights (SDR 33,000,000) (variously, "the Credit" and "the Financing") to assist in financing the North East Local Services Improvement Project described in Schedule 1 to the Financing Agreement ("Original Project");

(B) the Recipient has requested the World Bank to provide additional financial assistance in support of activities related to the Original Project, in the form of a grant from the DFAT-World Bank Partnership for South Asia (TF071677) in an amount equal to eighteen million eight hundred thousand United States Dollars (US$18,800,000), as said amount may be supplemented from time to time through additional contribution from DFAT; and

WHEREAS the World Bank has agreed, on the basis, inter alia, of the foregoing to extend such additional assistance to the Recipient upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the Recipient and the World Bank hereby agree as follows:

Article I
Standard Conditions; Definitions


1.02. 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
The Project

2.01. The Recipient declares its commitment to the objectives of the project described in Schedule 1 to this Agreement ("Project"). To this end, the Recipient shall carry out the Project through the MED in accordance with the provisions of Article II of the Standard Conditions.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank 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 III
The Grant

3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to eighteen million eight hundred thousand United States Dollars (US$18,800,000) ("Grant") to assist in financing the Project.

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

3.03. The Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the DFAT-World Bank Partnership for South Asia. In accordance with Section 3.02 of the Standard Conditions, the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by DFAT under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.

Article IV
Recipient's Representative; Addresses

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

4.02. The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:
4.03. 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 248423 (MCI) or 1-202-477-6391
Telex: Washington, D.C. 64145 (MCI)
Facsimile: 

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

Authorized Representative
Name: Priyantha Ratnayake
Title: Director General
Department of External Resources
Ministry of Finance and Planning
Colombo 01, Sri Lanka.

INTERNATIONAL DEVELOPMENT ASSOCIATION
acting as administrator of the
DFAT-World Bank Partnership for South Asia
By

Authorized Representative
Name: Doina Petrescu
Title: Acting Country Director for Sri Lanka and Maldives
SCHEDULE 1

Project Description

The objective of the Project is to support Local Authorities in the Northern Province, the Eastern Province and the Adjoining Provinces to deliver services and local infrastructure in a responsive and accountable manner.

The Project consists of the Original Project, except that the term “Grant” in the Financing Agreement is referred to in this Agreement as “Sub-Grant”.

5
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall maintain a Project Coordination Unit within MED with staff having skills, qualifications and experience satisfactory to the World Bank, and in sufficient numbers, as set out in the PIP and agreed with the World Bank, including internal auditors. The Recipient, through the PCU shall:

   (a) carry out the financial management, auditing, monitoring and reporting, and administration functions under the Project;

   (b) convene the National Project Steering Committee;

   (c) ensure coordination among the PCs, or such other agency as authorized under the laws of the Recipient, and the LAs;

   (d) maintain linkages with other agencies of the Recipient involved in local development, and ensure coordination and synergy with other development programs in the Northern Provinces, the Eastern Provinces, and the Adjoining Provinces;

   (e) raise awareness regarding the Project among key stakeholders, including legislators and senior officials of the Recipient;

   (f) ensure that lessons learned during Project implementation are captured and disseminated nationally; and

   (g) carry out the effective and continuous monitoring of the Project.

2. For the purposes of the project oversight and inter-ministerial coordination at the national level, the Recipient shall maintain a National Project Steering Committee having composition and terms of reference acceptable to the World Bank. The Recipient shall cause the NPSC to:

   (a) provide policy guidance and monitoring support at the national level;

   (b) ensure overall coordination and linkages with ministries and agencies of the Recipient not directly involved in the Project; and

   (c) promote an enabling environment for the Project.
3. To ensure the adequate representation and participation of the Provinces in the implementation of the Project, the Recipient through MED, shall ensure that the District Coordinating Committee meetings are held in each of the Provinces in accordance with the LAPIM and the PIP.

B. Implementation Arrangements

1. The Recipient, through MED, shall: (a) prepare and adopt, by June 30, 2014, an information disclosure policy for the Project acceptable to the World Bank; (b) thereafter implement such policy for the duration of the Project; and (c) not amend, abrogate or waive any provision of such policy without the prior written consent of the World Bank.

2. The Recipient, through MED, shall: (a) not later than October 31 in each year, commencing in 2014, furnish to the World Bank an annual budget for implementing the PIP in the following year; (b) not later than November 30 in each year, exchange views with the World Bank on such budget; and (c) not later than December 31 in each year finalize such budget, taking into account the World Bank’s comments.

3. In carrying out the Project, the Recipient, through MED, shall ensure that: (a) there shall be no involuntary land acquisition; (b) the Project shall be implemented as far as reasonably practicable on publicly-owned land, using exclusive land free from squatters, encroachments or other encumbrances; and (c) any acquisition of private land, if needed, shall be through outright purchase at market rates or voluntary donation in accordance with the laws of the Recipient and with the guidelines and procedures set forth in the PIP, provided that if there is any discrepancy between any provisions in the PIP and the provisions of this Agreement, the provisions of this Agreement shall apply.

C. Implementation Agreements

1. For the purposes of oversight, coordination and facilitation of the Project at the provincial and local level, the participating PCs shall be the Northern PC, the Eastern PC, the Adjoining Provinces PCs or other agencies as may be agreed in writing from time to time between the Recipient and the World Bank. The Recipient, through MED, shall enter into an agreement with each PC or such other agencies authorized in terms hereof, such agreement to provide, among other things, that:

(a) each PC or such other agency as authorized under the laws of the Recipient, through the Commissioner of Local Government, shall be responsible for management and coordination of project activities at the provincial level and shall maintain staff with skills, qualifications and
experience, and in sufficient numbers, as set out in the PIP and agreed with the World Bank.

(b) each PC or such other agency as authorized under the laws of the Recipient, through the Provincial Planning Committee, shall review overall progress of the Project activities at the provincial and local level;

(c) each PC or such other agency as authorized under the laws of the Recipient, through the Assistant Commissioner of Local Government, shall facilitate the preparation of LA Development Plans and the identification, preparation and execution of Subprojects, and shall provide such other assistance as needed to the LAs.

(d) each PC or such other agency as authorized under the laws of the Recipient shall: (i) ensure that LA Development Plans and Subprojects are prepared and appraised in accordance with the criteria and procedures specified in the LAPIM; and (ii) facilitate the receipt of the proceeds of the Grant by each of the Participating LAs from the PCU in a timely manner in accordance with the relevant Sub-Grant Agreement.

(e) the PCs or such other agency as authorized under the laws of the Recipient shall take all necessary measures to ensure that the LAs carry out Subprojects in accordance with the Sub-Grant Agreement, the PIP, the LAPIM, the GAAP; and the ESMF, provided that in the event of any discrepancy between the PIP or the LAPIM and this Agreement, the provisions of this Agreement shall apply.

(f) the PCs or such other agency as authorized under the laws of the Recipient shall not, and shall ensure that the LAs do not, amend or waive any provisions of the PIP, the LAPIM, the GAAP or the ESMF without the prior written consent of the World Bank.

2. In the event that a Provincial Council is not constituted or is dissolved in accordance with the Constitution of the Democratic Republic of Sri Lanka, the relevant Implementation Agreement shall be entered into between the Recipient and the MED or any agency agreed with the World Bank.

3. The Recipient shall exercise its rights under each Implementation Agreement in such a manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of the Grant. Except as the World Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Implementation Agreement or any of its provisions.
4. Implementation Agreements for and on behalf of the Recipient shall be entered into by the MED or by an officer duly authorized by MED prior to the commencement of activities under Part 1 of the Project.

D. Eligibility of Subprojects

1. The Recipient shall make Sub-Grants to Participating LAs to carry out Subprojects under Part 1 of the Project in accordance with the criteria and procedures set out in the LAPIM, which shall include the following:

(a) To be eligible to receive a Sub-Grant, an LA shall:
   (i) be located in the Northern Province or the Eastern Province, or territories adjacent to it as agreed with the World Bank;
   (ii) have completed the preparation of all due annual financial statements in a manner satisfactory to the Recipient;
   (iii) have received, from the Recipient's Auditor General, audit opinions with respect of its financial statements for the past two (2) fiscal years that are neither adverse nor in the nature of disclaimers of opinion;
   (iv) have key financial management staff who are adequately trained;
   (v) have prepared an LA Development Plan and corresponding budget; and
   (vi) have established standing committees or advisory committees for stakeholder participation as set out in the LAPIM.

(b) To be eligible to receive a Sub-Grant, an activity or activities shall:
   (i) be part of the LA Development Plan of the LA making the submission, and be consistent with the priorities set out in such LA Development Plan; and
   (ii) be technically feasible and socially and economically viable.

(c) The LA submitting such activity or activities for consideration shall be capable of effectively managing the implementation of the activity or activities; and

(d) The communities to be impacted by the activity or activities shall have been involved in the decision-making process that shall have led to the
inclusion of such activity or activities in the LA Development Plan submitted for consideration; and measures shall have been taken to ensure that such communities shall be involved in the supervision and maintenance of the Subprojects.

E. Terms and Conditions of Subprojects

1. The Recipient shall make each Sub-Grant under a Sub-Grant Agreement with the Covered LA on the terms and conditions specified in the LAPIM which shall include, but not be limited to the following:

(a) The amount of each Sub-Grant shall be calculated according to the formula specified in the LAPIM;

(b) The Sub-Grant shall be denominated in Sri Lankan Rupees;

(c) The Recipient shall obtain rights adequate to protect its interests and those of the World Bank, including the right to:

(i) suspend or terminate the right of the LA to use the proceeds of the Sub-Grant, or to obtain a refund of all or any part of the amount of the Sub-Grant then withdrawn, upon the LA’s failure to perform any of its obligations under the Sub-Grant Agreement;

(ii) require each LA to:

(A) carry out its Subproject with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the World Bank, including in accordance with the provisions of the Anti-Corruption Guidelines, the PIP, the LAPIM, the GAAP, and the Safeguards Instruments; provided that in the event of any discrepancy between any of the provisions of the PIP, the LAPIM, the Safeguards Instruments or the GAAP and those of this Agreement, the provisions of this Agreement shall apply;

(B) provide, promptly as needed, the resources required for the purpose;

(C) procure the goods, works and services to be financed out of the proceeds of the Sub-Grant in accordance with the provisions of Section III of this Schedule 2;
(D) make adequate provision for the insurance of any goods required for the Subprojects, and to be financed out of the proceeds of the Grant, against hazards incident to the acquisition, transportation and delivery of the goods to the place of their use of installation. Any indemnity for such insurance shall be payable in a freely usable currency to replace or repair such goods;

(E) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the World Bank, the progress of the Subproject and the achievement of its objectives;

(F) (1) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the World Bank, and in a manner adequate to reflect the operations, resources and expenditures related to the Subproject; and (2) at the World Bank’s, the relevant PCs or such other agency as authorized under the laws of the Recipient, or the Recipient’s request, have such financial statements audited by independent auditors acceptable to the Auditor General and the World Bank, in accordance with consistently applied auditing standards acceptable to the World Bank, and promptly furnish the statements as so audited to the Recipient, the relevant or such other agency as authorized under the laws of the Recipient, and the World Bank;

(G) enable the Recipient, the relevant PC or such other agency as authorized under the laws of the Recipient, and the World Bank to inspect the Subproject, its operation and any relevant records and documents; and

(H) prepare and furnish to the Recipient, the relevant PC or such other agency as authorized under the laws of the Recipient, and the World Bank all such information as the Recipient, the relevant PC or such other agency as authorized under the laws of the Recipient, or the World Bank shall reasonably request relating to the foregoing.

2. The Recipient shall exercise its rights under each Sub-Grant Agreement in such manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of the Sub-Grant. Except as the World Bank shall
otherwise agree, the Recipient shall not assign, amend, abrogate or waive any Sub-Grant Agreement or any of its provisions.

F. Safeguards

1. The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Safeguards Instruments.

2. Without limitation upon the provisions of the preceding paragraph, whenever an additional or revised Environmental Assessment, Environmental Management Plan, Social Impact Assessment, or Resettlement Action Plan shall be required for any proposed Project activity in accordance with the provisions of the Environmental and Social Management Framework, the Recipient shall, prior to the commencement of such activity, proceed to have such EA, EMP, SIA, or RAP (a) prepared in accordance with the provisions of the ESMF; (b) furnished to the World Bank for review and approval; and (c) thereafter adopted and disclosed as approved by the World Bank, in a manner acceptable to the World Bank.

3. Except as the World Bank shall otherwise agree in writing, the Recipient shall not assign, amend, abrogate, waive, or permit to be assigned, amended, abrogated, or waived, any Safeguards Instrument, or any provision thereof.

4. Without limitation upon its other reporting obligations under Section II.A of this Agreement, the Recipient shall take all measures necessary to regularly collect and compile, and submit to the World Bank, as part of the Project Reports, information on the status of compliance with the Safeguards Instruments, providing details of:

(i) the measures taken in furtherance of the Safeguards Instruments;

(ii) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the Safeguards Instruments; and

(iii) remedial measures taken or required to be taken to address such conditions.

5. 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.

6. The Recipient shall report to the World Bank in a timely manner any issues impacting or potentially impacting the implementation of the requirements of this section.
G. Anti-Corruption

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

H. Donor Visibility and Visit

1. 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.

2. 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, after informing the Recipient through its authorized representative, for purposes related to the Project.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient, through MED, shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of Standard Conditions and on the basis of indicators set forth in the LAPIM agreed with the World Bank. Each Project Report shall cover the period of one (1) 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.

2. Without limitation upon the provisions of the preceding paragraph, the Recipient, through MED, shall: (a) prepare under terms of reference satisfactory to the World Bank, and furnish to the World Bank, a mid-term review report summarizing the results of the monitoring and evaluation activities carried out by it pursuant to the preceding paragraph, and setting out the status of the Project and the measures recommended to ensure its efficient completion and to accomplish its objectives; (b) no later than thirty (30) days after receipt by the World Bank of such report or such other date as the World Bank shall specify, exchange views with the World Bank on such report; and (c) promptly thereafter, carry out the recommendations acceptable to the World Bank of such report.

B. Financial Management, Financial Reports and Audits

1. The Recipient, through MED, shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 2.07 of the Standard Conditions.
2. Without limitation upon the provision of Part A of this Section, the Recipient, through MED, shall:

(a) carry out the financial management of the project in accordance with the Financial Management Manual and shall not amend, abrogate or waive such manual without the prior written consent of the World Bank; and

(b) prepare and furnish to the World Bank 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 World Bank.

3. The Recipient, through MED, 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 (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

Section III. Procurement

1. All goods, works, and services required for the Project and to be financed out of the proceeds of this Grant shall be procured in accordance with the provisions of Section III of the Financing Agreement.

Section IV. Withdrawal of the Proceeds of the Grant

A. General

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of Article III of the Standard Conditions, this Section, and such additional instructions as the World Bank 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 World Bank and as made applicable to this Agreement pursuant to such instructions), to financed 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 Grant (“Category”), the allocations of the amounts of 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 Financing Allocated (expressed in US$)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, consultants' services, Incremental Operating Costs and Training and Workshops</td>
<td>1,800,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Sub-Grants under Part 1 of the Project</td>
<td>17,000,000</td>
<td>100% of amount disbursed</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>18,800,000</strong></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:

   (a) for payments prior to the date of countersignature of this Agreement; and

   (b) under Category (2) until detailed financial management assessments have been completed for Participating LAs in the Adjoining Provinces eligible under the Project, and such assessments are satisfactory to the World Bank.

2. The Closing Date is December 31, 2015.
APPENDIX

Section I. Definitions

1. "Adjoining Provinces" means the provinces bordering Northern Provinces and Eastern Provinces in the territory of the Recipient, as described in the 13th Amendment of the Constitution of the Recipient, as agreed with the World Bank.

2. "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.


4. "Assistant Commissioners of Local Government" mean the assistants to the Commissioner of Local Government or any successor thereto.

5. "Auditor General" means the Recipient’s Auditor General, or any successor thereto.

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

7. "Commissioner of Local Government" means the administrative head of the local government department in each of the PCs or any successor thereto.

8. "Covered LAs" means LAs in the Northern Province and the Eastern Province and in any other Districts in a province agreed to in writing by the Recipient and the World Bank, and "Covered LA" means any one of such Covered LAs.

9. "Districts" means second level of administrative division in the territory of a province of the Recipient.

10. "District Coordinating Committee" means each forum, chaired by a Senior Minister or the Member of Parliament, who represents the respective area, where all district level political and administrative authorities meet regularly to make decisions related to development activities within that district.
11. "Eastern PC" means the provincial council having jurisdiction over the Eastern Province as provided for in the 13th Amendment of the Constitution of the Recipient.

12. "Eastern Province" means the Eastern Province in the territory of the Recipient, as described in the 13th Amendment of the Constitution of the Recipient.

13. "Environmental Assessments" and "EAs" means each environmental assessment to be prepared by the Recipient in accordance with the ESMF, and pursuant to Section 1.F.2 of Schedule 2 to this Agreement, each such assessment in form and substance satisfactory to the World Bank, and defining details of potential environmental risks and adverse impacts associated with the implementation of Project activities, as said assessments may be revised from time to time with the prior written agreement of the World Bank, and such term includes any annexes or schedules to such assessments.

14. "Environmental and Social Management Framework" and "ESMF" mean the framework dated February 2014 prepared and publicly disclosed by the Recipient, and approved by the World Bank, which sets out, among other things: (i) key principles for social and environmental management of Subprojects; (ii) procedures to screen and process Subprojects for significant social and environmental impacts, and to assist in mitigating these impacts; (iii) procedures to ensure that these principles are properly applied; and (iv) guidelines for capacity building and monitoring, which have been incorporated into the PIP.

15. "Environmental Management Plans" and "EMPs" means each plan to be prepared by the Recipient in accordance with the ESMF, and pursuant to Section 1.F.2 of Schedule 2 to this Agreement, each such plan in form and substance satisfactory to the World Bank, and setting forth the measures for mitigating the environmental risks and impacts associated with the implementation of Project activities, as well as the administrative and monitoring arrangements for ensuring the implementation of said plans, as said plans may be revised from time to time with the prior written agreement of the World Bank, and such term includes any annexes or schedules to such plans.

16. "Financial Management Manual" means the manual, dated November 2, 2010, prepared and adopted by the Recipient and approved by the World Bank and to be followed by the Recipient pursuant to the provisions of Schedule 2, Section II, paragraph B.2(a) of this Agreement, containing among other things, the disbursement, financial reporting, internal audit and performance monitoring procedures for the Project, as such manual may be revised with the prior written consent of the World Bank.

17. "Fiscal Year" means the fiscal year of the Recipient and the LAs which runs concurrently with the calendar year.
18. "Governance and Accountability Action Plan" and "GAAP" mean the plan adopted by the Recipient, dated April 5, 2010, for improving governance and accountability under the Project.

19. "Implementation Agreements" means the agreements to be entered into between the Recipient and each of the PCs, as set out in Schedule 2, Section I, Part C to this Agreement, setting out the respective roles and responsibilities of the Recipient and the PCs with regard to the Project, and "Implementation Agreement" means either one of such Implementation Agreements.

20. "Incremental Operating Costs" means incremental recurrent expenditures incurred by the Recipient on account of the Project for travel and subsistence expenses, office supplies, vehicle rental charges including insurance, vehicle operating charges including fuel and maintenance, maintenance of office equipment, telephone and other communications charges, office rent, bank charges, advertising costs, and salaries and contractual allowances of contracted staff, but excluding salaries of the Recipient’s civil servants.

21. "LA Council" means the ruling body of each LA whose mandate includes the passing of by-laws and the approval of LA Development Plans as provided for pursuant to the Recipient’s Pradeshiya Sabhas Act (No. 15 of 1987), Municipal Council Ordinance and Amendment Act of 1987 and Urban council Ordinance and Amendments Act of 1987 and as the case may be.

22. "LA Advisory Committee" means the committee appointed by the LA Council to ensure stakeholder participation in LA affairs and to approve LA Development Plans in the absence of the LA Council.

23. "LA Development Plans" means the plans developed by each Participating LA and approved by the relevant LA Council or LA Advisory Committee and cleared by the relevant PC, setting out activities proposed to be financed in part by the proceeds of Grants under Part 1 of the Project.

24. "LA Project Implementation Manual" and "LAPIM" mean the manual dated September 30, 2009 adopted by the Recipient approved by the World Bank; as such manual may be revised from time to time with the prior written consent of the World Bank.

25. "Local Authorities" and "LAs" mean the following local authorities which make up the third tier in the governance structure of the Recipient and fall under the administrative authority of PCs as set out in the 13th Amendment to the Recipient’s Constitution:

(a) the Recipient’s Pradeshiya Sabhas, as defined in, and empowered by, the Recipient’s Pradeshiya Sabhas Act (No. 15 of 1987);
(b) the Recipient’s Municipal Councils as defined in, and empowered by, the
Recipient’s Municipal Council Ordinance and Amendment Act of 1987; and

(c) the Recipient’s Urban Councils as defined in, and empowered, by the

and “LA” means any one of such LAs”.

26. “MED” means the Recipient’s Ministry of Economic Development, or any
successor thereto.

27. “National Project Steering Committee” and “NPSC” mean the committee
established by the Recipient and to be maintained in accordance with Schedule 2,
Section I, Part A.2 of this Agreement.

28. “Northern PC” means the provincial council having jurisdiction over the
Northern Province as provided for in the 13th Amendment of the Constitution of
the Recipient.

29. “Northern Province” means the Northern Province in the territory of the
Recipient, as described in the 13th Amendment of the Constitution of the
Recipient.

30. “Participating LAs” means LAs that have been selected to receive Grants under
Part 1 of the Project, in accordance with the eligibility criteria set out in LAPIM,
and “Participating LA” means one of such Participating LAs.

31. “PCs” means collectively, the provincial councils in the provinces participating
in the Project, namely the Northern PC, the Eastern PC, and any other PC agreed
to in writing by the Recipient and the World Bank, and “PC” means either of
them.

32. “Project Coordination Unit” and “PCU” mean the unit established within MED
and to be maintained as provided for in Schedule 2, Section I, Part A.1.1 of this
Agreement.

33. “Project Implementation Plan” and “PIP” mean the plan dated April 2, 2010
adopted by the Recipient and acceptable to the World Bank, for the
implementation of the Project, as such plan may be revised from time to time
with the agreement of the World Bank.

34. “Provincial Planning Committee” means the committee set up by each PC for the
purposes of planning activities of the LAs related to the Project or any successor
thereeto.
35. "Resettlement Action Plans" and "RAPS" means each plan to be prepared by the Recipient in accordance with the ESMF, and pursuant to Section 1.F.2 of Schedule 2 to this Agreement, each such plan in form and substance satisfactory to the World Bank, and setting forth the principles and procedures governing the acquisition of land and related assets, and the compensation, resettlement, and rehabilitation of Affected Persons, as said plans may be revised from time to time with the prior written agreement of the World Bank, and such term includes any annexes or schedules to such plans.

36. "Safeguard Instruments" means collectively, the EAs, the EMPs, the SIAs, the ESMF, and the RAPs.

37. "Social Impact Assessment" or "SIA" means each social assessment to be prepared by the Recipient in accordance with the ESMF, and pursuant to Section 1.F.2 of Schedule 2 to this Agreement, each such assessment in form and substance satisfactory to the World Bank, and defining details of potential social impact of the planned Project activities on the provinces, as said assessment may be revised from time to time with the written prior written agreement of the World Bank, and such term includes any annexes or schedules to such assessment; and "Social Impact Assessments" and "SIAs" refers to two or more of such assessments.

38. "Sri Lankan Rupees" means the lawful currency of the Recipient.

39. "Sub-Grant Agreements" means the agreements to be entered into between the Recipient and the LAs providing for the provision of Sub-Grants by the Recipient to the LAs and the latter's obligations in carrying out Subprojects, and "Sub-Grant Agreement" means any one of such Grant Agreements.

40. "Sub-Grants" means grants provided or to be provided under Part 1 of the Project to Participating LAs as provided for in Schedule 2, Section I, Parts D and E to this Agreement.

41. "Subproject" means a small-scale rural connectivity infrastructure activity financed, or eligible to be financed, out of the proceeds of a Sub-Grant under Part 1 of the Project.

42. "Training and Workshops" means the costs of training activities under the Project, based on annual work plans and budgets approved by the World Bank, and attributable to seminars, workshops, and domestic and overseas study tours, along with travel and subsistence allowances for training participants, services of trainers, rental of training facilities, preparation and reproduction of training materials, and other activities directly related to course preparation and implementation.