Project Agreement

(Second Community Development and Livelihood Improvement Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

GEMI DIRIYA FOUNDATION

Dated October 22, 2009
PROJECT AGREEMENT

AGREEMENT dated October 22, 2009, entered into between the INTERNATIONAL DEVELOPMENT ASSOCIATION ("the Association") and the GEMI DIRIYA FOUNDATION ("the PIE") ("the Project Agreement") in connection with the Financing Agreement ("the Financing Agreement") of same date between the DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA ("the Recipient") and the Association. The Association and the PIE hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to the Financing 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 Financing Agreement or the General Conditions.

ARTICLE II — PROJECT

2.01. The PIE declares its commitment to the objectives of the Project and the Program. To this end, the PIE shall carry out the Project in accordance with the provisions of Article IV of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for the Project.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association and the PIE shall otherwise agree, the PIE shall carry out the Project in accordance with the provisions of the Schedule to this Agreement and Schedule 2 to the Financing Agreement.

ARTICLE III — TERMINATION

3.01. For purposes of Section 8.05(c) of the General Conditions, the date on which the provisions of this Agreement shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE IV — REPRESENTATIVE; ADDRESSES

4.01. The PIE’s Representative is its Chief Executive Officer.
4.02. The Association’s Address is:

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

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

4.03. The PIE’s Address is:

Gemi Diriya Foundation
40 High Level Road,
Kottawa, Pannipitiya,
Sri Lanka

Facsimile: 94-11-278-3401

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

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

/s/ Naoko Ishii
Authorized Representative

GEMI DIRIYA FOUNDATION

By

/s/ Gamini Batuwitage
Authorized Representative

/s/ Nihal Somaweera
Authorized Representative
SCHEDULE

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The PIE shall maintain at all times during Project implementation:
   (a) staff in numbers and with skills, qualifications and experience and responsibilities acceptable to the Association, including:
   (b) (i) a full time Chief Executive Officer; (ii) a National Team assisted by appropriate procurement, financial, and operational specialists at the central level; (iii) Regional Technical Support teams and Appraisal and Monitoring Teams; (iv) a District Facilitation Team in each Participating District; and (v) a Divisional Facilitation Team in each Participating Division;
   (c) a General Body and a Board of Directors both which shall include members from key stakeholders and shall meet and function in accordance with the quorum and frequency described in the Articles of Association of the PIE; and
   (d) internal auditors having qualifications and experience acceptable to the Association.

2. The PIE shall establish by March 31, 2010, and thereafter maintain throughout Project implementation a grievance redressal system having terms of reference and staffing acceptable to the Association.

B. Implementation Arrangements

1. The District Facilitation Teams and Divisional Facilitation Teams in each Participating District shall be responsible for: (a) overseeing the mobilization of communities, and the formation of Village Organizations, the Federations, and the Community Training Centers; (b) overseeing the planning and implementation of Sub-Projects; (c) receiving and reviewing Grant and Sub-Grant proposals; (d) liaising with and overseeing the work of the Federations and the Community Training Centers; (e) overseeing the procurement and financial management and social accountability arrangements of Sub-Projects; and (f) building local management capacity through on-the-job training.
2. The PIE shall:
   (a) Implement and cause all Project Participants to implement the Project in accordance with the PIP (including the Governance and Accountability Action Plan; and the Environmental Management Framework), and the Manuals as applicable;
   (b) not amend or waive any provision of the said documents without the Association’s prior approval; and
   (c) allocate sufficient staff and adequate resources to enable the PIE to comply with the provisions of this Paragraph.

3. The PIE shall, by December 31, 2009, prepare and adopt an information disclosure policy for the Project acceptable to the Association and thereafter implement such policy in a manner satisfactory to the Association for the duration of the Project.

4. The PIE shall ensure that Grants and Sub-Grants are released to Beneficiaries in a timely manner in accordance with the MOUs and the Sub-Grant Agreements.

5. The PIE shall establish by June 30, 2010, and thereafter maintain throughout Project implementation in a manner satisfactory to the Association, a Village Rating System acceptable to the Association to recognize and reward good performing villages and channel assistance to poor performing villages.

6. The PIE shall:
   (a) prepare, by no later than October 31 of each year starting from Financial Year 2009, an annual plan for implementing the Project in the following Financial Year, based on a demand-driven approach, including an assessment of the potential financing available from the Financing and other sources of funding (including the Recipient’s own resources and community contributions);
   (b) finalize the annual plan, with the Association’s approval, by not later than December 31 of the Financial Year; and
   (c) thereafter implement the annual plan in a manner satisfactory to the Association.
C. Sub-Grants

1. (a) The PIE shall make Sub-Grants to Village Organizations under Part A.2 of the Project in accordance with eligibility criteria and procedures set out in the PIP and the Community Operational Manual.

(b) Under Part B.3(a) of the Project, the PIE shall make Sub-Grants:

(i) to the Federations in accordance with the eligibility criteria and procedures set out in the PIP and the Federation Manual;

(ii) to Village Savings and Credit Organization Federations in accordance with the eligibility criteria and procedures set out in the PIP and the Village Savings and Credit Organization Federation Manual; and

(iii) to Community Training Centers in accordance with the eligibility criteria and procedures set out in the PIP and the CP Manual.

(c) The PIE shall make Sub-Grants to Economic Activity Federations under Part B.3(b) of the Project in accordance with the eligibility criteria and procedures set out in the PIP and the EAF Manual.

2. The PIE shall make each Sub-Grant under a Sub-Grant Agreement on the terms and conditions set out in the PIP and the appropriate Manual as set out in the preceding paragraph, which include, and shall at all times include, the following:

(a) Sub-Grants shall be used exclusively to finance goods, works, and services required for preparation, approval, and implementation of approved Sub-Projects or, in the case of Sub-grants under Part A.2(c) of the Project, to provide grants or revolving loans to finance asset creation, household needs and livelihood enhancement.

(b) Goods, works, and services shall be procured in accordance with the procedures set out in Schedule 2 to the Financing Agreement and in the PIP and the Manuals; provided, however, that in the case of inconsistency, the procurement procedures referred to in the Financing Agreement shall apply.

(d) The PIE shall obtain rights adequate to protect its interests and those of the Recipient and the Association, including the right to:

(i) suspend or terminate the right of the Beneficiary 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 Beneficiary’s failure to perform any of its obligations under the Sub-Grant Agreement; and

(ii) require each Beneficiary carrying out a Sub-Project to: (A) carry out its Sub-project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Association, including in accordance with the provisions of the Anti-Corruption Guidelines and the Environmental Management Framework; (B) provide, promptly as needed, the resources required for the purpose; (C) procure any goods, works and services to be financed out of the proceeds of the Sub-Grant in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement; (D) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Association, the progress of the Sub-Project or other activity financed under the Sub-Grant and the achievement of its objectives; (E) (1) where appropriate, maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations, resources and expenditures related to the Sub-Project; and (2) at the Recipient’s or the Association’s or the PIE’s request, have such financial statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements as so audited to the Recipient, the Association and the PIE; (F) enable the Recipient, the Association and the PIE to inspect the Sub-Project, its operation and any relevant records and documents; and (G) prepare and furnish to the Recipient, the Association and the PIE all such information as the Recipient or the Association or the PIE shall reasonably request relating to the foregoing.

3. The PIE shall exercise its rights under each Sub-Grant Agreement in such manner as to protect the interests of the Recipient, the Association and the PIE and to accomplish the purposes of the Financing. Except as the Recipient and the Association shall otherwise agree, the PIE shall not assign, amend, abrogate or waive any Sub-Grant Agreement or any of its provisions.
D. Anti-Corruption

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

E. Land Use and Acquisition

The PIE shall ensure that:

(a) the Project shall be implemented as far as reasonably practicable on publicly-owned land, using exclusively land free from squatters, encroachments, or other encumbrances;

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

(c) where unavoidable, land acquisition shall be kept to a minimum, and undertaken exclusively on the basis of mutually agreed sales transactions or voluntary land donations, and in accordance with guidelines and procedures set forth in the PIP and the Manuals.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The PIE shall monitor and evaluate the progress of the Project and prepare consolidated 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 Schedule 5 to the Financing Agreement. Each such Project Report shall cover the period of one calendar quarter, 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. The PIE shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in Schedule 5 to the Financing Agreement, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about June 30, 2012, a report integrating the results of the monitoring and evaluation activities performed pursuant to sub-paragraph (a), above, on the progress achieved in the carrying out of the Project during the period preceding the date of said 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

(c) review with the Association, by September 30, 2012, or such later date as the Association shall request, the report referred to in (b) 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.

3. (a) The PIE shall, by September 30, 2010, and jointly with the Recipient carry out an evaluation of the impact of the first phase of the Program under terms of reference acceptable to the Association; and

(b) not later than December 31, 2010, and based on the findings of the evaluation, prepare jointly with the Recipient a proposal on any warranted modifications to be made to the Project for the remaining Project implementation period for consideration by the Association.

4. The PIE shall:

(a) jointly with the Recipient and the Association carry out two evaluations not later than December 31, 2012: (i) of the readiness of the Samurdhi Authority to implement the Project and the succeeding phases of the Program in accordance with the rules and procedures set out in the PIP and the Manuals; and (ii) of the sustainability of Village Organizations and the Federations to operate and maintain Sub-Projects; and

(b) not later than June 30, 2013, and based on the findings of these evaluations, prepare jointly with the Recipient a proposal on the implementation arrangements for the remaining Project implementation period for consideration by the Association.

B. Financial Management, Financial Reports and Audits

1. The PIE shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations and financial condition of the PIE, including the operations, resources and expenditures related to the Project.

2. Without limitation on the provisions of Part A of this Section, the PIE shall prepare as part of the consolidated 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 PIE shall have the financial statements referred to above audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of these financial statements shall cover the period of one Financial Year of the PIE. The audited financial statements for each period shall be furnished to the Association not later than six (6) months after the end of the period.

Section III. Procurement

All goods, works and services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement.