June 27, 2013

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

Dear Dr. Jayasundera:

Credit Number 4613-LK
RE: (Second Community Development and Livelihood Improvement Project)
Amendment to the Financing Agreement

We refer to the Financing Agreement between the Democratic Socialist Republic of Sri Lanka (the Recipient) and the International Development Association (the Association), dated October 22, 2009. We also refer to your request dated November 28, 2012 to amend some provisions of the Financing Agreement.

We are pleased to inform you that the Association, after due consideration, has agreed to the requested amendments, and accordingly, the Financing Agreement is hereby amended as follows:

1. Section 3.01 of the Financing Agreement is amended to read as follows:

   “3.01. The Recipient declares its commitment to the objectives of the Project and the Program. To this end, the Recipient shall carry out the Project through the Ministry of Economic Development in accordance with the provisions of Article IV of the General Conditions.”

2. Sections 4.01 and 4.02 are deleted in their entirety.

3. Article V is renumbered “Article IV”; current Sections 5.01 and 5.02 are deleted in their entirety and the current Sections 5.03 and 5.04 are renumbered as 4.01 and 4.02, in the renumbered Article IV.

4. Article VI is renumbered as Article V.

5. Schedule 1 to the Agreement is amended to read as reflected in attachment 1 to this Letter of amendment.

6. Schedule 2 to the Agreement is amended to read as reflected in attachment 2 to this Letter of amendment.
7. Appendix to the Agreement shall be amended to read as reflected in Attachment 3 to this Letter of amendment.

All terms and conditions of the Financing Agreement that have not been amended hereby shall remain unchanged and in full force and effect.

Please confirm your agreement to the amendment set out above by having an authorized representative of the Recipient sign the form of confirmation set forth herein below, and returning one fully executed original of this amendment letter to us at your earliest convenience and retaining one original for your records.

Upon countersignature, this amendment letter shall become effective.

Very truly yours,
INTERNATIONAL DEVELOPMENT ASSOCIATION

Ivan Rossignol.
Acting Country Director, Sri Lanka
South Asia Region

CONFIRMED AND AGREED

DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA

By: A. Kumarasiri
Name: A. KUMARASIRI
Title: DIRECTOR GENERAL
Date: September, 12, 2013

A. Kumarasiri
Director General
Department of External Resources
Ministry of Finance and Planning
The Secretariat
Colombo-01 - Sri Lanka.
The objective of the Project is to enhance incomes and quality of life of the poor households in the poorest divisions in the country while building capacity of government agencies, local governments and community organizations for service delivery and overall project implementation.

The Project constitutes the second phase of the Program, and consists of the following parts:

**Part A: Intra-Village Development**

1. Development and Strengthening of Village Organizations

   (a) Mobilization: Carrying out an information, education, and communications campaign in all villages and estates in the Participating Districts on the Project’s principles and guidelines, and provision of technical assistance, training and facilitation to Beneficiaries to assist them to form, operate and strengthen Village Organizations and Federations.

   (b) Training and Capacity Building. Review and refining of the Project Manuals and provision of training to Beneficiaries on the Project Manuals and on their specific duties under the Project.

   (c) Planning and Implementation Support. Provision of technical support to Village Organizations to assist them to identify, prioritize, prepare, and implement Sub-Projects.

2. Village Development Fund

   Provision of Sub-Grants to Village Organizations as follows:

   (a) Capacity Building Fund: Provision of Sub-Grants to finance institutional, administrative, and human resource support for Village Organizations.

   (b) Community Infrastructure and Social Services Sub-Projects: Provision of Sub-Grants to finance Sub-Projects for community infrastructure and social services.

   (c) Livelihood Support Fund: Provision of Sub-Grants to enable Village Organizations to: (i) provide one time Grants to the neediest members of the community; (ii) provide skills development training loans; and (iii) establish and maintain sustainable community-owned and managed savings facilities (Village Savings and Credit Organizations or VSCOs) for the purpose of providing revolving loans to their members to finance asset creation, household needs and livelihood enhancement.

**Part B: Inter-Village Connectivity Development**
1. **Strengthening of Pradeshiya Sabha Institutions**

Provision of technical assistance and training to Pradeshiya Sabhas in order to strengthen their capacity to: (i) carry out information dissemination campaigns; (ii) mobilize Village Organizations; (iii) develop participatory plans and budgets; and (iv) deliver their services in a cost effective and demand driven manner.

2. **Pradeshiya Sabha Inter-village Connectivity Fund**

Provision of Grants to Pradeshiya Sabhas as follows:

(a) for Sub-Projects for Inter-Village Infrastructure and Social Services; and

(b) for the implementation of Institutional Strengthening Plans.

**Part C: Public, People and Private Sector Partnerships**

1. Strengthening the capacity of the Economic Activity Groups or Producer Groups to market their products and services and to form linkages with the private sector through the provision of technical assistance and training and the carrying out of studies, including but not limited to studies on supply and value chain development.

2. Piloting innovative ideas which need experimentation, learning, and incubation and that have the potential for being scaled-up and replicated through, among other, the development of new economic activities with value-added products for livelihood improvement, and the provision of access to information technology and communications to rural communities.

**Part D: Project Management and Monitoring**

1. Carrying out of Project management and coordination, and facilitation of Project implementation.

2. Carrying out of Project monitoring, reporting, evaluation and learning activities, including maintaining and upgrading the Project’s management information system and carrying out baseline surveys.

**Part E: Convergence and Policy Support**

1. Provision of technical assistance and training to the Ministry, including the Samurdhi Authority, Divineguma department and other agencies of the Recipient engaged in carrying out the Gamaneguma Program in order to strengthen their capacity to carry out poverty reduction programs using a community driven development approach.

2. Strengthening the implementation capacity of Project Participants at the divisional, district, regional and national levels through the provision of technical assistance and training.

3. Strengthening Village Organizations on sustainability activities and linking them with government agencies as part of exit strategies and convergence with government programs for public service support.
SCHEDULE 2
Project Execution

Section 1. Implementation Arrangements

A. Institutional Arrangements

1. For the purposes of carrying out of the Project, the Recipient shall maintain a unit (the Convergence and Policy Support Unit) under the Ministry, with staff in numbers and having qualifications, skills and terms of reference acceptable to the Association.

2. The Recipient shall take all necessary action to ensure that the PMU is responsible for coordination of all Project activities and for carrying out the Project.

B. Implementation Arrangements

1. The Recipient, through the Ministry, shall:
   
   (a) implement Part B.2 of the Project, and cause all other Project Participants to implement such Part, in accordance with the PIP (including the Governance and Accountability Action Plan and the Environmental Management Framework) and the PS Manual;
   
   (b) not amend or waive any provision of the said documents without the Association’s prior approval; and
   
   (c) allocate sufficient staff with adequate resources to enable them to comply with the provisions of this Paragraph.

2. The Recipient, jointly with the PMU shall:
   
   (a) prepare, by no later than October 31 of each year starting from Financial Year 2009, an annual plan for implementing Part B.2 of the Project in the following Financial Year;
   
   (b) finalize the annual plan, with the Association’s approval, by not later than December 31 of the Financial Year; and
   
   (c) thereafter implement such annual plan in a manner satisfactory to the Association.

C. Sub-Projects and Institutional Strengthening Plans

1. The Recipient, through the Ministry and jointly with the PMU, shall make Grants for financing Sub-Projects and Institutional Strengthening Plans to Pradeshiya Sabhas under Part B.2 of the Project in accordance with eligibility criteria and procedures, on the terms and conditions and for the purposes set out in PIP and the PS Manual.
2. The Recipient shall make each Grant to a Pradeshiya Sabha under a memorandum of understanding (the MOU) to be entered into between the Ministry, the PMU and the respective Pradeshiya Sabha on the terms and conditions set out in the PS Manual which include the following:

(a) that the proceeds of Grants under Part B.2 of the Project shall be used exclusively to finance goods, works, and services required for preparation, approval, and implementation of Sub-Projects and Institutional Strengthening Plans in accordance with terms and conditions set forth in the PIP and PS Manual; and

(b) that goods, works, and services for Sub-Projects and Institutional Strengthening Plans under Part B.2 of the Project shall be procured in accordance with procedures set out in Schedule 2 to this Agreement and set forth in the PIP and PS Manual, provided however that in the event of any inconsistency, the provisions of Schedule 2 to this Agreement shall apply.

3. The Recipient shall obtain rights adequate to protect its interests and those of the Association, including the right to:

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

(ii) require each Pradeshiya Sabha to: (A) carry out the supported Sub-Projects and Institutional Strengthening Plans 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 the goods, works and services to be financed out of the Grant in accordance with the provisions of this 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 implementation of the institutional development plan and the achievement of its objectives; (E) (1) 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 or Institutional Strengthening Plan; 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 PMU; (F) enable the Recipient, the Association and the PMU to inspect the Sub-Projects and their operation, or the activities related to the implementation of the Institutional Strengthening Plan, 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 PMU shall reasonably request relating to the foregoing.

4. The Recipient shall exercise its rights under each MOU in such a manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Grant. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive any MOU or any of its provisions.
5. (a) Upon entering into an MOU with a Pradeshiya Sabha as provided for in Paragraph 2 above, the Recipient shall send a notice to the Provincial Council within whose jurisdiction the Pradeshiya Sabha falls, informing the Provincial Council of the MOU and its contents.

(b) The Recipient shall inform the Provincial Council within whose jurisdiction a Pradeshiya Sabha falls of each fund release to the Pradeshiya Sabha under an MOU.

D. Anti-Corruption

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

E. Land Use and Acquisition

1. The Recipient shall ensure that:

   (a) Part B.2 of 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) Part B.2 of 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 PS Manual.

F. Other Implementation Arrangements

1. The Recipient shall cause the District Facilitation Teams and Divisional Facilitation Teams in each Participating District to be responsible for: (a) overseeing the mobilization of communities, and the formation of Village Organizations, (b) overseeing the planning and implementation of Sub-Projects; (c) receiving and reviewing Grant and Sub-Grant proposals; (d) overseeing the procurement and financial management and social accountability arrangements of Sub-Projects; and (e) building local management capacity through on-the-job training.

2. The Recipient shall cause the PMU to:

   (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 Recipient shall cause the PMU to, 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 Recipient shall cause the PMU to 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 Recipient shall cause the PMU to 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 Recipient shall cause the PMU to:

(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.

G. Sub-Grants

1. (a) The Recipient shall cause the PMU to 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) The Recipient shall cause the PMU to make Sub-grants under Part B.3(a) of the Project:

(i) to the Village Organizations in accordance with the eligibility criteria and procedures set out in the PIP and the Community Operating Manual (COM); and

(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 Manual; and

(c) The Recipient shall ensure that: (i) such sub grants to the VOs and VSCOs shall be managed and utilized by the organizations in accordance with the provisions of the COM and the agreement by the Maha Sabha or village assembly for the use of such funds; and (ii) the funds and the profit made thereof will be domiciled in the VO and VSCO for continuous livelihood development of the community.

(d) The Recipient shall cause the PMU to make Sub-Grants to Producer Groups under Part C of the Project in accordance with the eligibility criteria and procedures set out in the PIP and the Producer Group Manual.
2. The Recipient shall cause the PMU to 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.

(c) The PMU 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 PMU’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 PMU; (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 PMU all such information as the Recipient or the Association or the PMU shall reasonably request relating to the foregoing.

3. The Recipient shall cause the PMU to exercise its rights under each Sub-Grant Agreement in such manner as to protect the interests of the Recipient, the Association and the PMU and to accomplish the purposes of the Financing. Except as the Recipient and the Association shall otherwise agree, the PMU shall not assign, amend, abrogate or waive any Sub-Grant Agreement or any of its provisions.
Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. (a) The Recipient 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 this Agreement. Each 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 Recipient shall:
   
   (a) not later than June 30, 2013 jointly with Association carry out evaluations of the sustainability of Village Organizations to operate and maintain Sub-Projects; and
   
   (b) not later than October 31, 2013 and based on the findings of these evaluations, prepare 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 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 cause the PMU to prepare 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 Financial Year. 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 as provided for in the Recipient’s Procurement Guidelines for Goods &amp; Works, dated 2006, subject to the provisions set forth in Schedule 4 to this Agreement</td>
</tr>
<tr>
<td>(b) National Shopping</td>
</tr>
<tr>
<td>(c) Direct Contracting</td>
</tr>
<tr>
<td>(d) Community Participation</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:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Quality-Based</td>
</tr>
<tr>
<td>(b) Fixed Budget</td>
</tr>
<tr>
<td>(c) Consultant’s Qualifications</td>
</tr>
<tr>
<td>(d) Single Source</td>
</tr>
<tr>
<td>(e) Individual consultant</td>
</tr>
</tbody>
</table>

**D. Review by the Association of Procurement Decisions**
The Procurement Plan shall set forth those contracts which shall be subject to the Association’s Prior Review. 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 Financing 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 SDR)</th>
<th>Percentage of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Grants and Sub-Grants</td>
<td>38,700,000</td>
<td>80%</td>
</tr>
<tr>
<td>(2) Goods, works, consultants’ services, training and Incremental Operating Costs</td>
<td>11,700,000</td>
<td>70%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>50,400,000</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 made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed $7,500,000 equivalent may be made for payments made prior to this date but on or after January 1, 2009, for Eligible Expenditures.

2. The Closing Date is March 31, 2014.
APPENDIX

Section I. Definitions


2. “Beneficiary” means an individual, a group of individuals or community, including a community of estate workers, who has received or will receive a Grant, Sub-Grant or other assistance under the Project or for the benefit of whom a Sub-Project is or will be carried out.

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

4. “Community Operational Manual” and “COM” mean the operational manual dated April 30, 2009, found acceptable by the Association which sets out with respect to the preparation, implementation, and monitoring of Sub-Projects by Village Organizations, including estate communities: (a) the roles and responsibilities of individuals, communities and public agencies; (b) the processes, and procedures to be followed; (c) environmental and social safeguard measures to be taken; and (d) financial management and procurement methods and social accountability measures to be used; as such manual shall be revised from time to time with the prior agreement of the Association.


6. “District Facilitation Team” means the team to be maintained by the PMU in each Participating District for the purposes of carrying out Project activities.

7. “Divisional Facilitation Team” means the team to be maintained by the PMU in each Division to provide technical and other support to village communities and Village Organizations in applying for Sub-Grants and implementing Sub-Projects.

8. “Economic Activity Group or Producer Group” means a rural community-based voluntarily constituted group of Beneficiaries with a common interest in the production of goods or services constituted for the purposes of livelihood support or entrepreneurship, that satisfies the eligibility criteria in the PIP and PG Manual for receiving Sub-Grants under Part C of the Project, and other assistance under the Project.
9. "Producer Group Manual" means the Economic Activity Manual dated November 14, 2012, found acceptable by the Association with sets out the rules and procedures for the creation and maintenance of Economic Activity Group and the criteria and terms and conditions for providing Sub-Grants to qualifying Economic Activity Group under Part C of the Project, as such manual shall be revised from time to time with the prior agreement of the Association.

10. "Environmental Management Framework" means the Environmental and Social Safeguards Framework dated April 20, 2009, (as amended to date), adopted by the Recipient and acceptable to the Association, which sets out, among other things: (i) key principles for social and environmental management of Sub-Projects; (ii) procedures to screen and process Sub-Projects 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.

11. "Financial Year" means the Recipient’s financial year commencing on January 1 in each year.


13. "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.


15. "Grant" means financing made, or proposed to be made, to a Pradeshiya Sabha under Part B.2 of the Project to finance goods, works or services for carrying out a Sub-Project or Institutional Strengthening Plan.

16. "Incremental Operating Costs" means incremental recurrent expenditures incurred on account of the Project for traveling and subsistence expenses, office supplies, vehicle rental charges (including insurance), vehicle operating charges (fuel, maintenance, and insurance), maintenance of office equipment, telephone and other communications charges, office rent, bank charges, advertising costs, and salaries and contractual allowances of contract staff, honorarium for Board of Directors of the PMU but excluding salaries of officials of the Recipient's civil and public service.

17. "Institutional Strengthening Plan” means a plan for the institutional strengthening of a Pradeshiya Sabha for which financing in the form of a Grant is made available under Part B.2 of the Project.


20. "National Project Team" means the team at the national level for coordinating and implementing the Project.

21. "Participating District" means a district in which a Project activity is being or will be carried out.

22. "Participating Division" means an administrative division within a Participating District.

23. "PS Manual" means the Pradeshiya Sabha Operational Manual for Interconnectivity Development dated April 30, 2009, acceptable to the Association containing with respect to the preparation, implementation, and monitoring of Sub-Projects under Part B.2 of the Project: (a) the roles and responsibilities of individual agencies; (b) the processes, and procedures to be followed; (c) environmental and safeguard measures to be taken; and (d) financial management and procurement methods and social accountability measure to be used, as such manual shall be revised from time to time with the prior agreement of the Association.

24. "MOU" means a memorandum of understanding to entered into between the Recipient, through the Ministry, the PMU and a Pradeshiya Sabha as provided for in Section I Paragraph D.2 of Schedule 2 to this Agreement and pursuant to which the Recipient through the Ministry shall make a Grant to the Pradeshiya Sabha under Part B.2 of the Project.

25. "Pradeshiya Sabha" means a local elected authority constituted under the Pradeshiya Sabha Act (No. 15 of 1987).


27. "Procurement Plan" means the Recipient’s procurement plan for the Project, dated April 30, 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.

28. "Program" means the Recipient’s program described in a letter from the Recipient to the Association dated February 13, 2004, whose objective is to strengthen the Recipient’s decentralized community development strategy and develop the village as a center for national development through an integrated total village development program.
“Project Implementation Plan” and “PIP” mean the plan for implementation of the Project dated April 30, 2009, acceptable to the Association, as amended from time to time with the Association’s agreement, containing, among other things: (i) details regarding the categories of Sub-Projects, and the Sub-Project cycle; (ii) criteria for selecting Beneficiaries for Grants, Sub-Grants and other assistance under the Project; (iii) terms and conditions for Grants and Sub-Grants, and criteria for monitoring and evaluation of activities; (v) the monitoring and performance indicators; (vi) the Governance and Accountability Action Plan; and (vii) the Environmental Management Framework, provided, however, that in the event of a conflict between this Agreement and the PIP, the provisions of this Agreement shall prevail.

“Project Participant” means an individual, group or entity that is involved in carrying out an activity financed in whole or in part out of the proceeds of the Financing.

“Provincial Council” means a Provincial Council having jurisdiction over a province of the Recipient.

“Samurdhi Authority” means the independent authority established under the Ministry by the Recipient’s Samurdhi Authority Act No. 30 of 1995.

“Sub-Grant Agreement” means the agreement entered into or to be entered into between the PMU and a Beneficiary governing the terms and conditions on which a Sub-Grant is made.

“Sub-Grant” means financing made, or proposed to be made, to a Beneficiary under Parts A.2 and B.3 of the Project.

“Sub-Project” means a specific development project, scheme or other activity for which financing in the form of a Sub-Grant or Grant is made available under the Project, but excluding activities financed by the proceeds of one time Grants made under Part A.2(c)(i) of the Project.

“Village Organization” and “VO” mean a rural community based organization, association, society, community of estate workers, or other group duly constituted under the laws of the Recipient that satisfies the eligibility criteria in the PIP and Community Operational Manual for receiving Sub-Grants and other assistance under the Part A of the Project.

“Village Savings and Credit Organization” and “VSCO” mean an organization constituted by a Village Organization for the purposes of providing savings and loan services to its members, as provided for in the Community Operational Manual.

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

... (i) 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."
Dear Mr. ........

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

Dear ...........

RE: (Second Community Development and Livelihood Improvement Project)
Credit Number 4613-LK
Termination of the Project Agreement

We refer to the Project Agreement between the International Development Association (the Association), and Gemi Diriya Foundation, dated October 22, 2009. In view of the fact that Gemi Diriya has ceased to exist, through this letter, the Agreement is terminated.

Please confirm your agreement with the above by signing the form of confirmation set forth herein below, and returning one fully executed original of this amendment letter to us at your earliest convenience and retaining one original for your records.

Upon countersignature, the Agreement shall be deemed terminated.

Very truly yours,

INTERNATIONAL DEVELOPMENT ASSOCIATION

...........
Ivan Rossignol
Acting Country Director, Sri Lanka
South Asia Region

CONFIRMED AND AGREED
DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA
By: ________________________________
Name: ______________________________
Title: ______________________________
Date: ______________________________