

**FRAMEWORK FINANCING AGREEMENT  
(SRI: Second Integrated Road Investment Program)**

**Parties** This Framework Financing Agreement (“FFA”) dated 14 August 2017 is between the Democratic Socialist Republic of Sri Lanka (“Sri Lanka”), and Asian Development Bank (“ADB”).

**MFF Investment Program** Sri Lanka is committed to and will implement the Second Integrated Road Investment Program, which is an integral part of Sri Lanka’s investment plan for rural road connectivity (“Rural Road Connectivity Program”). Both the Rural Road Connectivity Program and the Investment Program are described in Schedule 1 here to.

The total cost of the Investment Program over the period 2017 to 2027 is expected to be \$1,084,600,000 equivalent.

**Multitranche Financing Facility** The Multitranche Financing Facility (the Facility) is intended to finance individual projects under the Investment Program applying time-slice modality, provided that such projects comply with the criteria set out in Schedule 4 hereto and that understandings set out in this FFA are complied with.

These may include:

(i) Road improvement component will upgrade and maintain about 3,400 kilometer (km) of rural access roads to all-weather standard; rehabilitate and maintain at a good condition about 340 km of national roads in Northern, Eastern, Uva, and Western Provinces.

(ii) Capacity development component will build the capacity of road agencies with respect to safeguards, road safety, maintenance, research capacity, and road design and construction.

This FFA does not constitute a legal obligation on the part of ADB to commit any financing. ADB has the right to deny any financing request made by Sri Lanka, cancel the uncommitted portion of the Facility, and withdraw Sri Lanka’s right to request any financing tranche under the Facility. Financing tranches may be made available by ADB provided matters continue to be in accordance with the general understandings and expectations on which the Facility is based and which are laid out in this FFA.

This FFA does not constitute a legal obligation on the part of Sri Lanka to request any financing. Sri Lanka has the right not to request any financing under the Facility. Sri Lanka also has the right at any time to cancel any uncommitted portion of the Facility.

Sri Lanka and ADB may exercise their respective rights to cancel the Facility or any uncommitted portion thereof, and ADB may exercise its right to refuse a financing request, by giving written

notice to such effect to the other parties. The written notice will provide an explanation for the cancellation or refusal and, in the case of a cancellation, specify the date on which the cancellation takes effect. With prior notice to the borrower, ADB may cancel the facility or reject a financing request when there is a material noncompliance with ADB policies or FFA undertakings; or there are undue delays in the submission of the financing requests or the implementation of the investment program.

### ***Financing Plan***

The financing plan for the Second Integrated Road Investment Program is summarized below.

<b>Financing Source</b>	<b>Total (\$ million)</b>	<b>Share (%) of Total</b>
Asian Development Bank	900.00	83.0
Government of Sri Lanka	184.60	17.0
<b>Total (Investment Program)</b>	<b>1084.60</b>	<b>100.0</b>

### **Financing Terms**

ADB will provide loans to finance projects under the Investment Program, as and when the latter are ready for financing, provided, Sri Lanka is in compliance with the understandings hereunder, and the projects are in line with those same understandings.

Each tranche may be financed under terms different from the financing terms of previous or subsequent tranches. The choice of financing terms will depend on the project, capital market conditions, and ADB's financing policies, all prevailing on the date of signing the legal agreement for such tranche.

Tranches may be provided in sequence or simultaneously, and some may overlap in time with each other.

Commitment charges or guarantee fees are not payable on the Facility. They are payable only on financing actually committed by ADB as a loan or guarantee. ADB rules on commitment charges and guarantee fees, which are in effect when the legal agreements are signed for a tranche, will apply with respect to such tranche.

### ***Amount***

The maximum financing amount available under the Facility is nine hundred million US dollars (\$900,000,000). It will be provided in individual tranches from ADB's ordinary capital resources, in loans

on regular terms<sup>1</sup> and/or concessional terms.<sup>2</sup>

### ***Availability Period***

The last date on which the Facility may be utilized is 31 March 2027. The last financing tranche is expected to be executed no later than 31 December 2023.

### ***Terms and Conditions***

Sri Lanka will cause the proceeds of each tranche to be applied to the financing of expenditures of the Investment Program, in accordance with conditions set forth in this FFA and the legal agreements for each tranche.

### **Execution**

The Executing Agency will be Ministry of Higher Education and Highways (MOHEH). The Implementing Agency will be the Road Development Authority (RDA). The Executing Agency and Implementing Agency will implement the Investment Program in accordance with the principles set forth in Schedule 1 to this Agreement, and as supplemented in the legal agreements for each tranche.

### **Periodic Financing Requests**

Sri Lanka may request, and ADB may agree, to provide loans under the Facility to finance the Investment Program and its related projects upon the submission of a Periodic Financing Request (PFR). Each PFR should be submitted by Sri Lanka. Sri Lanka will make available to MOHEH and RDA, the proceeds of the tranche in accordance with the related PFR, and the legal agreements for the tranche.

Each individual tranche will be for an amount of no less than fifty million US dollars (\$50,000,000), or its equivalent. ADB will review the PFRs and, if found satisfactory, prepare the related legal agreements.

The projects for which financing is requested under the PFR will be subject to the selection criteria set out in Schedule 4 hereto, satisfactory due diligence, and preparation of relevant safeguard and fiduciary frameworks and other documents. The Facility will be implemented in accordance with the general framework set out in Schedule 3 to this FFA, and the Facility Administration Manual agreed between Sri Lanka and ADB.

Until notice is otherwise given by Sri Lanka, the Secretary to Treasury, Ministry of Finance and Mass Media, or Director General of Department of External Resources, Ministry of National Policies

<sup>1</sup> Provisions of the Ordinary Operations Loan Regulations, dated 1 January 2017, would apply to each Loan, subject to modifications, if any, that may be included under any Loan Agreement.

<sup>2</sup> Provisions of the Ordinary Operations (Concessional) Loan Regulations, dated 1 January 2017, would apply to each Loan, subject to modifications, if any, that may be included under any Loan Agreement.

and Economic Affairs, will be Sri Lanka's authorized representative for purposes of executing PFRs.

The Facility will be implemented in accordance with the general framework set out in Schedule 3 hereto.

**General  
Implementation  
Framework  
Procedures**

Tranches to be provided under the Facility will be subject to following procedures and undertakings:

- (i) Sri Lanka will have notified ADB of a forthcoming PFR in advance of the submission of the PFR.
- (ii) Sri Lanka will have submitted a PFR in the format agreed with ADB.
- (iii) ADB may, in its sole discretion, decline to authorize the negotiation and execution of any legal agreement for a tranche.
- (iv) If ADB confirms acceptance of the PFR, the legal agreements will be negotiated and executed by the parties.

**PFR information**

The PFR will substantially be in the form attached hereto, and will contain the following details:

- (i) Loan amount;
- (ii) Description of projects to be financed;
- (iii) Cost estimates and financing plan;
- (iv) Implementation arrangements specific to the projects;
- (v) Confirmation of the continuing validity of and adherence to the understanding in this Agreement;
- (vi) Confirmation of compliance with the provisions under previous Loan Agreement(s) and Project Agreement(s), as appropriate; and
- (vii) Other information as may be required under the Facility Administration Manual, or reasonably requested by ADB.

Attached as Schedule 5 are references to the Safeguard Frameworks that will be complied with during the implementation of the Facility.

<b>Safeguards</b> <sup>3</sup>	ADB's Safeguard Policies in effect as of the date of signing of legal agreements for a tranche will be applied with respect to the projects financed under such financing tranche.
<b>Procurement</b>	All goods and services to be financed under the Facility will be procured in accordance with ADB's <i>Procurement Guidelines</i> (2015, as amended from time to time).
<b>Consulting Services</b>	All consulting services to be financed under the Facility will be procured in accordance with ADB's <i>Guidelines on the Use of Consultants</i> (2013, as amended from time to time).
<b>Advance contracting; Retroactive financing</b>	Under each tranche, ADB may, subject to its policies and procedures, allow on request (a) advance contracting of civil works, equipment, and consulting services and (b) retroactive financing of eligible expenditures for civil works, consulting services, and project management up to 20% of proposed individual loan, incurred prior to loan effectiveness but not earlier than 12 months before the date of signing of the related legal agreement. Sri Lanka acknowledges that any approval of advance contracting and/or retroactive financing will not constitute a commitment by ADB to finance the related project.
<b>Disbursements</b>	Disbursements will be made in accordance with ADB's <i>Loan Disbursement Handbook</i> (2017, as amended from time to time).
<b>Monitoring, Evaluation, and Reporting Arrangements</b>	Schedule 2 hereto sets as the Design and Monitoring Framework for the Facility, against which the implementation effectiveness will be evaluated.  Further details to be complied with regarding the monitoring, evaluation, and reporting arrangements are provided in the Implementation Framework in Schedule 3.
<b>Undertakings</b>	Attached as Schedule 6 are the undertakings provided by Sri Lanka.

**SRI LANKA**

By \_\_\_\_\_  
R.H.S. SAMARATUNGA  
Secretary to the Treasury

**ASIAN DEVELOPMENT BANK**

By \_\_\_\_\_  
SRI WIDOWATI  
Country Director, SLRM

<sup>3</sup> ADB. 2009. *Safeguard Policy Statement*. Manila.

## SCHEDULE 1

### MFF CONSTITUENTS

#### A. Road Map

1. **Background.** With a coastline of about 1,600 km, Sri Lanka consists mostly of flat-to-rolling coastal plains, with mountains in the south-central core. The maximum length of the island (from north to south) is 435 km while the maximum width (east to west) is 240 km. The highest point is 2,524 meters above the sea level. The country occupies a strategic position near the main sea trade corridors between Europe and Asia, a factor of which allowed Colombo to develop as an international port city and then subsequently as a trans-shipment point for cargo originating and destined for the Indian sub-continent.

2. Sri Lanka's economy has grown at an annual average of about 6% over the last decade. Per capita income increased to \$3,925 in 2015, making Sri Lanka close to attaining the upper middle income country status. With the strong economic growth, poverty rate has dropped significantly from 22.7% in 2002 to 6.7% in 2012–2013.<sup>4</sup>

3. In spite of the rapid progress in poverty reduction, Sri Lanka still faces several challenges to fully eradicate poverty. Poverty disparities still exist across the provinces and districts, particularly in districts of Northern, Eastern and Uva Provinces, where headcount poverty rates are close to, or even exceed, 20%. In addition, there are pockets of poverty even in Western Province. Thirty-six percent of the population remains vulnerable and close to the poverty line, living on less than \$4.00 per day. Also, inequality in both consumption and income has increased since 2009, as growth in consumption and income of the bottom half segment of the population grew more slowly than that of the upper half.<sup>5</sup> Pro-poor economic growth will need to be driven not only by the high rates of public expenditures, but also by market-oriented value addition and private sector-led investment. In this context, access to market, business and knowledge opportunities and benefits especially along agricultural value chains will be a key to further poverty reduction and shared prosperity in rural areas. However, poor transport infrastructure, in particular the provincial and local authority roads, has hindered the access to these resources.

4. Sustainable and inclusive development remains a key concept of the government to secure prosperity for everyone. The government's development policy statements identified five development goals: (i) generating one million jobs; (ii) enhancing income levels; (iii) developing rural economies; (iv) ensuring land ownership in the rural and estate sectors; and (v) creating and growing a strong middle class.<sup>6</sup> To develop rural economies, the government plans to establish 2,500 rural development centers, expanding from 1,000 centers proposed by the previous government, as hubs of rural economic market. This will be achieved through the grouping of many villages under identified potential development centers. The centers will have access to

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<sup>4</sup> Department of Census and Statistics, 2015. *Household Income and Expenditure Survey 2012/13*. [http://www.statistics.gov.lk/HIES/HIES2012\\_13FinalReport.pdf](http://www.statistics.gov.lk/HIES/HIES2012_13FinalReport.pdf)

<sup>5</sup> World Bank. 2016. *Country Partnership Framework for The Democratic Socialist Republic of Sri Lanka for the period of FY2017–20*. Washington, DC.

<sup>6</sup> From the Prime Minister's statements to Parliament on 5 November 2015 and on 27 October 2016.

fully equipped rural economic market units. To align with this concept, rural access routes—including local authority, provincial, and national roads—will be upgraded or rehabilitated.

5. **Sector performance and key issues.** Sri Lanka's road network is dense and well laid out, providing basic access to the country's population and economic activity centers. Its road network of 117,012 km is classified into national, provincial, and local authority roads, according to administrative responsibility. National roads, comprising about 161 km of expressways, 12,208 km of class A and class B roads, are managed by the central government through the Road Development Authority. The provincial road network, comprising 19,038 km of class C and class D roads, is managed by the provincial councils. Local roads (class E), comprising of 85,560 km, are managed by local governments. In addition, about 20,000 km of roads are managed by other government agencies like Forest Department and Irrigation Department.

6. The current demand for passenger travel is about 80 billion passenger-kilometers per year. Out of such demand, the road transport accounts for 93%. During the last decade, an average increase of travel demand has been about 7 percent annually, which will be further increased in the future due to anticipated economic growth.

7. Notable progress has been achieved since 2005 in addressing the trunk road network deficiencies; however, progress on provincial and rural roads has been relatively slow. While the proportion of national roads in good and fair condition rose from 48% in 2005 to 70% in 2015, more than 80% of rural road network still requires rehabilitation. Improvement of the poor rural transport infrastructure is key to achieving the government's development goal. The main challenges facing road connectivity are that most rural access roads, including provincial and local roads, cannot provide all-weather user-friendly access, and that parts of the trunk road network are in poor condition. There are several key issues behind the slow rural road development. Firstly, competition for budget allocations with other sectors remains high. Approaching to the upper middle income country, the government needs to allocate the scarce budget more to transform the economy into open, diversified and efficient structure. Secondly, limited availability of suitable raw materials, such as sand and gravel, has caused increase in construction cost. Thirdly, capacity of road agencies, particularly at the provincial and local levels, remains insufficient to implement rural road projects efficiently. Fourthly, selection criteria of rural road development program might not be clear and transparent. Lastly, communities along rural roads have not been sufficiently involved in road planning and implementation.

8. It is another challenge to preserve the rehabilitated infrastructure asset worth, particularly the road infrastructure managed by the provinces and local authorities.<sup>7</sup> To manage the national road network, RDA deployed a comprehensive road asset management system in its planning division. The planning division (i) operates a commercial off-the-shelf application, the Highway Information Management System (HIMS), to manage the road inventory and condition database; and (ii) uses the Highway Development and Management (HDM) model to estimate budget requirements and to program conditions. RDA is currently enhancing the system to improve internal management efficiency with the assistance from the World Bank. Expansion of the road

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<sup>7</sup> Though the government has completed 4,900 km of provincial and 39,000 km of rural road rehabilitation (including rural roads administrated by other government agencies), about 80% of rural road network still requires rehabilitation.

asset management system to provincial and local authority roads is supported under the first Integrated Road Investment Program. A road maintenance trust fund (RMTF) was established in 2005 to provide, through operational budget, a sustainable source of funding for routine and periodic maintenance of the national road network. The maintenance budget, which was LKR 1.8 billion in 2005, has increased after the establishment of RMTF to LKR 4.3 billion in 2015. The fund allocation to the national road maintenance is not always sufficient relative to estimated requirement in the National Road Master Plan (2007–2017); however, road condition of national roads has been broadly improved together with enhancement of technical maintenance capacity of RDA and introduction of the road asset management system.

9. On the other hand, there remained room for improvement of rural road sustainability. Several factors need to be addressed to secure sustainability of the rural road asset, including (i) inadequate rural road design standards and construction specifications; (ii) poor contractors' capacity at provincial and local levels; (iii) the limited technical maintenance and road asset management capacity of road agencies at the provincial and local levels; (iv) lack of capital investment coupled with sound maintenance regimes; and (v) insufficient maintenance budget allocation to the rural roads. Under the first IRIP,<sup>8</sup> several initiatives have been taken: (i) improvement of rural road design and specifications from bitumen surface treatment to asphalt pavement; (ii) introduction of 3-year performance based maintenance contract to engage the contractor for the maintenance as well as to assure quality of the civil works; and (iii) technical capacity development of local road agencies; whereas, RMTF has yet to be expanded to cover the roads managed by provincial and local road agencies.

## **B. Strategic Context**

10. Public Investment Programme 2017–2020<sup>9</sup> provides policy directions of the road sector to facilitate the country's economic growth by creating an efficient road network connecting large and emerging cities, townships, economic centers and rural hubs, ensuring safety and equity. The Public Investment Programme also presents a medium term target to improve connectivity to 2,500 villages by rehabilitation and improvement of rural, provincial and national road network as required.

11. The government has adopted a two-tier strategy to provide nationwide connectivity: (i) establishing a trunk road network with expressways and well-connected national roads linked to global value chain, and (ii) completing a rural road network to connect the rural population to trunk roads for poverty reduction and shared prosperity.

12. In line with the government's national strategy, Country Partnership Strategy 2018–2022 of the Asian Development Bank (ADB) aims to address major constraints to the nation's development through the following pillars: (i) strengthen the drivers of economic growth; and (ii) improve the quality of growth. The transport sector is one of the key areas in implementing the strategy. For the second pillar, ADB places a high value on improvement of the accessibility of the road network, in order to integrate rural communities with the socioeconomic centers. With

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<sup>8</sup> ADB. 2014. *Multitranchise Financing Facility to Sri Lanka for Integrated Road Investment Program*. Manila.

<sup>9</sup> Government of Sri Lanka, Ministry of National Policies and Economic Affairs, Department of National Planning. 2017. *Public Investment Program 2017–2020*. Colombo.



this view, the first IRIP with a multitranche financing facility (MFF) of \$800 million was provided in 2014 for upgrading of the rural road network in five provinces and one district of Western Province.<sup>10</sup>

### C. Policy Framework

13. The Public Investment Programme guides overall sector policy. Though a new national road master plan is being prepared, the concept of the two-tier strategy remains in the center of road sector development. Based on the strategy, a new rural road connectivity program was launched in 2014 to enhance the road network of rural areas.<sup>11</sup> The government established an implementation framework for Road Development Authority (RDA) to execute, jointly with the local road agencies, provincial and local authority roads. This arrangement intends to accelerate completing a rural road network by complementing the limited capacity of the local road agencies. The road policy framework including the rural road development is outlined in the Table 1.

**Table 1: Road Sector Policy Framework**

<b>Key Area</b>	<b>Policy and Initiatives for Sector Development</b>
Sector strategy	<ul style="list-style-type: none"> <li>• The overall target is to develop the entire road network as all-weather roads, with rural accessibility and creating high mobility inter-regional expressways to facility the efficient movement of people and goods. To achieve the target, the public investment plan between 2017-2020 includes:               <ul style="list-style-type: none"> <li>○ Expressway development: a 204 km expressway network will be constructed to connect major cities.</li> <li>○ Elevated highway construction in Colombo: 12.7 km elevated road network will be constructed in Colombo city.</li> <li>○ National road capacity enhancement: 2,400 km of national highways will be rehabilitated, and 300 bridges on national road network will be reconstructed.</li> <li>○ Rural road connectivity program: connectivity to 2,500 villages will be improved by rehabilitation and upgrading of rural, provincial and national roads.</li> <li>○ Capacity development: the capacity of road related institution will be strengthened.</li> </ul> </li> </ul>
Road connectivity planning	<ul style="list-style-type: none"> <li>• National road master plan 2007 to 2017 developed by the planning division, RDA. A new national master plan is to be developed.</li> <li>• Most provincial and local road agencies plan the road connectivity on an annual basis to address the demands of communities under Rural Road Connectivity Program.</li> </ul>
Rural road connectivity development	<ul style="list-style-type: none"> <li>• MOHEH and RDA implement rural road connectivity program with the following framework:</li> </ul>

<sup>10</sup> Southern Province, Sabaragamuwa Province, Central Province, North Central Province and North Western Province; and Kalutara district of Western Province.

<sup>11</sup> The government implements an investment plan for rural road connectivity which is designed to provide physical infrastructure and capacity to enhance the road connectivity of rural areas. Originally, about 1,000 rural communities were selected as rural hubs according to their population and development potential. Access routes—including local authority, provincial, and national roads—will be upgraded or rehabilitated. The total investment demand was about \$1.8 billion. The government has recently expanded the number of rural hubs to 2,500.

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	<ul style="list-style-type: none"> <li>○ Implement rural road projects by RDA, jointly with local road agencies, to complement the limited capacity of the local road agencies.</li> <li>○ Adopt higher standards of asphalt pavement</li> <li>○ Set up clear criteria to select projects under the program</li> <li>○ Introduce 3-year performance based maintenance contract (5-year for national roads)</li> <li>○ Strengthen community participation scheme through context-sensitive design approach.</li> <li>○ Pay due attention to safeguards and road safety when implementing projects.</li> </ul>
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Road asset management	<ul style="list-style-type: none"> <li>● MOHEH and RDA lead a program on building the capacity of road asset management of road agencies. <ul style="list-style-type: none"> <li>○ Review and improve the business process model of RDA on road asset management</li> <li>○ Update the data collection manual</li> <li>○ Upgrade the road asset management system</li> <li>○ Outsource the data collection function to private sector</li> <li>○ Develop a road asset management strategy in MOHPS, including the performance target and reporting protocols.</li> <li>○ Replicate the RDA model in provincial and local road agencies.</li> </ul> </li> </ul>
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Operation and maintenance	<ul style="list-style-type: none"> <li>● A road maintenance trust fund (RMTF) was established in 2005 to provide a sustainable source of funding for routine and periodic maintenance. Thanks to the RMTF, road condition of national roads has been broadly improved, though the fund allocation to the national road maintenance is not always sufficient relative to estimated requirement in the National Road Master Plan. On the other hand, there remained room for improvement of rural road sustainability. MOHEH and RDA will undertake certain policy measures for the financial sustainability over the investment program. These could include, but not limited to, the followings: <ul style="list-style-type: none"> <li>○ Increasing allocations to RMTF</li> <li>○ Expanding RMTF to include the regional level by developing policies and mechanisms to increase participation and to obtain the contribution of provincial and local government.</li> <li>○ RDA to take responsibility for the rural road maintenance.</li> <li>○ Creating a new funding mechanism for the maintenance in provinces</li> <li>○ Introducing a special division for bridge management.</li> </ul> </li> </ul>
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Road safety	<ul style="list-style-type: none"> <li>● National Council for Road Safety operates under Ministry of Transport through Motor Traffic amendment act No. 05 of 1998.</li> <li>● A Road Safety Fund has been established. Towards this fund insurance companies should contribute 1% from their third party insurance coverage.</li> <li>● With a vision of “Safe roads for everyone,” the National Council for Road Safety undertakes the following key functions: <ul style="list-style-type: none"> <li>○ Payment of compensation for victims of accidents caused by unidentified vehicles.</li> <li>○ Formulate and implement projects on Road safety.</li> <li>○ Coordinate road safety related activities in government and non-government organizations</li> </ul> </li> </ul>
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<ul style="list-style-type: none"> <li>○ Solicit financial and other support for road safety activities</li> <li>○ Advise the government on road safety related policies and projects.</li> <li>○ Coordinate with similar international institutions and share experience</li> <li>○ Collect data on related subjects and conduct research and field inspections</li> <li>○ Maintaining a database pertaining to road safety.</li> </ul>	
<hr/> <p>Capacity development and knowledge transfer</p>	<ul style="list-style-type: none"> <li>● RDA will review the quality control and/or assurance mechanism used in its practices of engineering design and construction supervision, and establish a complete system to ensure to quality of road construction, rehabilitation, and maintenance.</li> <li>● Skill transfer program between RDA and the provincial and local road agencies will be established.</li> <li>● Enhance RDA research capacity.</li> <li>● Develop Mechanistics-Empirical pavement design to address the limited availability of raw materials.</li> </ul>

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Km = kilometer; MOHEH = Ministry of Higher Education and Highways; MOHPS = Ministry of Highways, Ports and Shipping; RDA = Road Development Authority; RMTF = road maintenance trust fund.

#### **D. Investment Program**

14. The proposed investment program will improve the accessibility of the road network in rural areas of Sri Lanka, and thereby increase the involvement of the rural population in nationwide economic and social development. It will upgrade and maintain about 3,400 kilometer (km) of rural access roads to all-weather standard; rehabilitate and maintain at a good condition about 340 km of national roads in Northern, Eastern, Uva and Western Provinces, and improve the capacity of road agencies with respect to safeguards, road safety, maintenance, research capacity, and road design and construction.

15. The first IRIP with an MFF of \$800 million was provided in 2014 for upgrading of the rural road network in five provinces<sup>12</sup> and one district of Western Province.<sup>13</sup> The second investment program will complement the assistance of the ongoing IRIP in other areas, thereby covering all priority rural development hubs throughout the country.

#### **E. Financing Plan**

16. The investment program is estimated to cost \$1,084.6 million (Table 2), including taxes and duties, physical and price contingencies, interest, and other charges during implementation.

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<sup>12</sup> Southern Province, Sabaragamuwa Province, Central Province, North Central Province, and North Western Province.

<sup>13</sup> Kalutara district of Western Province.

**Table 2: Investment Program**  
(\$ million)

Item	Amount <sup>a</sup>
<b>A. Base Cost<sup>b</sup></b>	
1. Civil works	892.40
2. Equipment	5.80
3. Consulting services for project implementation and capacity development	37.90
4. Recurrent costs (project management)	17.20
<b>Subtotal (A)</b>	<b>953.30</b>
<b>B. Contingencies<sup>c</sup></b>	<b>108.30</b>
<b>C. Financing Charges During Implementation<sup>d</sup></b>	<b>23.00</b>
<b>Total (A+B+C)</b>	<b>1,084.60</b>

<sup>a</sup> Includes taxes and duties of \$124.30 million to be financed from government resources.

<sup>b</sup> In mid-2017 prices.

<sup>c</sup> Physical contingencies computed at 10% of civil works, and 10% for consulting services. Price contingencies computed at about 1.5% on foreign exchange costs and about 5.0% on local currency costs; includes provision for potential exchange rate fluctuation.

<sup>d</sup> Includes interest and commitment charges. Interest during construction for ADB's regular loan from OCR has been computed at the 5-year fixed swap LIBOR plus a spread of 0.5% and a maturity premium of 0.2%. Commitment charges for ADB's regular loan are 0.15% per year to be charged on the undisbursed loan amount. Interest during construction for ADB's concessional loan from OCR has been computed at 2% per year.

Source: Asian Development Bank estimates.

17. The government has requested an MFF in an amount up to \$900 million equivalent from ADB's ordinary capital resources (OCR) to help finance a part of the investment program. The MFF will consist of several tranches, subject to the government's submission of related periodic financing requests, execution of the related loan and project agreements for each tranche, and fulfillment of terms of conditions and undertakings set forth in the framework financing agreement. Each tranche will finance parts of the works and consulting services contracts using the time-slice approach for large-scale projects. Once a tranche is disbursed, the government will submit a periodic financing request for a subsequent tranche, which will continue to finance the contracts awarded under tranche 1.

**Table 3: Financing Plan**

Source	Amount (\$ million)	Share of Total (%)	Indicative Tranche Schedule and Amount (\$ million)				
			1 (2017)	2 (2018)	3 (2019)	4 (2020)	5 (2021)
ADB	900.0	83.0	150.0	150.0	200.0	200.0	200.0
OCR (RL)	815.0	75.1	90.0	125.0	200.0	200.0	200.0
OCR (CL)	85.0	7.8	60.0	25.0	0.0	0.0	0.0
Government	184.6	17.0	22.1	22.1	28.7	28.7	83.0
<b>Total</b>	<b>1084.6</b>	<b>100.0</b>	<b>172.1</b>	<b>172.1</b>	<b>228.7</b>	<b>228.7</b>	<b>283.0</b>

ADB=Asian Development Bank; CL = concessional loan; OCR=ordinary capital resources; RL = regular loan.

Sources: Asian Development Bank.

18. The MFF will finance slices of long-term contract packages under the investment plan. Each contract package is time-sliced in line with the indicative tranching plan. Each tranche will finance slices of a group of contracts for civil works or consulting services. The amount of each tranche will be requested according to the disbursement progress and projection. The tranching schedule will be modified based on the disbursement projection to improve the disbursement ratio and minimizing financing charges.

## SCHEDULE 2

### DESIGN AND MONITORING FRAMEWORK FOR THE INVESTMENT PROGRAM

<b>Impact the Program is Aligned with</b> Connectivity between rural communities and socioeconomic centers in Sri Lanka improved (Public Investment Programme, 2017–2020) <sup>a</sup>			
<b>Results Chain</b>	<b>Performance Indicators with Targets and Baselines</b>	<b>Data Sources and Reporting Mechanisms</b>	<b>Risks</b>
<b>Outcome</b> Transport efficiency on project roads increased	<p>By 2027:</p> <p>a. Travel time on rural project roads reduced by 20% from 2016 rate (2016 baseline: travel time of each project)</p> <p>b. Travel time on national project roads reduced by 10% from 2016 rate (2016 baseline: travel time of each project)</p> <p>c. Average daily vehicle-km increased to 4.6 million (2016 baseline: 3.5 million vehicle-km)</p>	a–c. RDA survey	Government's budgetary constraints lead to inadequate maintenance of road assets.
<b>Outputs</b> 1. Road conditions between the selected rural communities and socioeconomic centers improved	<p>1a. By 2024: at least 3,400 km of rural access roads improved to an all-weather standard and maintained under PBM contracts (2017 baseline: not improved)</p> <p>1b. By 2026: at least 340 km of national roads rehabilitated and maintained under PBM contracts (2017 baseline: not rehabilitated)</p> <p>1c. By 2024: at least three awareness sessions per district held on (i) road safety, with women comprising more than 50% of participants; and (ii) sexually transmitted diseases, including HIV, with women comprising more than 40% of participants (2017 baseline: not applicable)</p> <p>1d. By 2026: at least 30% of local maintenance workers hired are women (2017 baseline: not applicable)</p>	1a–d. RDA project performance monitoring system	Implementation is delayed by extreme weather conditions.
2. Capacity of road agencies enhanced	<p>By 2024:</p> <p>2a. Knowledge and skills of at least 100 road agency staff regarding safeguards, road safety awareness, PBM contract management, and rural road</p>	2a. Training program reports	

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
	<p>design and construction increased (2017 baseline: not applicable)</p> <p>2b. Full set of research equipment commissioned and action plan for research capacity enhancement implemented (2017 baseline: not commissioned and implemented)</p> <p>2c. Mechanistic-empirical pavement design, road asset management system, information management system, and rural road safety guidelines developed (2017 baseline: not applicable)</p> <p>2d. Policy measures on financial sustainability endorsed by MOHEH and RDA (2017 baseline: not endorsed)</p>	2b–d. Capacity-building program reports	
<b>Key Activities with Milestones</b>			
<ol style="list-style-type: none"> <li>1. Road conditions between the selected rural communities and socioeconomic centers improved               <ol style="list-style-type: none"> <li>1.1 Mobilize project implementation consultants by 2018</li> <li>1.2 Complete engineering design and bidding documents by 2017</li> <li>1.3 Award all contracts for civil works by 2019</li> <li>1.4 Complete civil works by 2021</li> <li>1.5 Implement performance monitoring survey of the investment program from 2017 to 2027</li> </ol> </li> <li>2. Capacity of road agencies enhanced               <ol style="list-style-type: none"> <li>2.1 Mobilize project implementation consultants by 2018 and other capacity development consultants by 2019</li> <li>2.2 Develop capacity development training programs for road agencies by 2019</li> <li>2.3 Procure equipment by 2020 and implement action plan for research capacity enhancement by 2024</li> <li>2.4 Develop mechanistic-empirical pavement design, road asset management system, information management system, and rural road safety guidelines by 2021</li> <li>2.5 Develop policy alternatives to improve financial sustainability by 2019, have MOHEH and RDA endorse the most suitable policy arrangements by 2020, and implement the identified policy by 2022</li> <li>2.6 Conduct the training programs by 2024</li> </ol> </li> </ol>			
<b>Inputs</b> ADB: \$900 million (loan) Government: \$184.6 million			
<b>Assumptions for Partner Financing</b> Not Applicable			

ADB = Asian Development Bank, km = kilometer, MOHEH = Ministry of Higher Education and Highways, PBM = performance-based maintenance, RDA = Road Development Authority.

<sup>a</sup> Government of Sri Lanka, Department of National Planning, Ministry of National Policies and Economic Affairs. 2017. *Public Investment Programme, 2017–2020*. Sri Lanka.

Source: Asian Development Bank.

## SCHEDULE 3

### IMPLEMENTATION FRAMEWORK

#### A. Project Implementation Arrangements

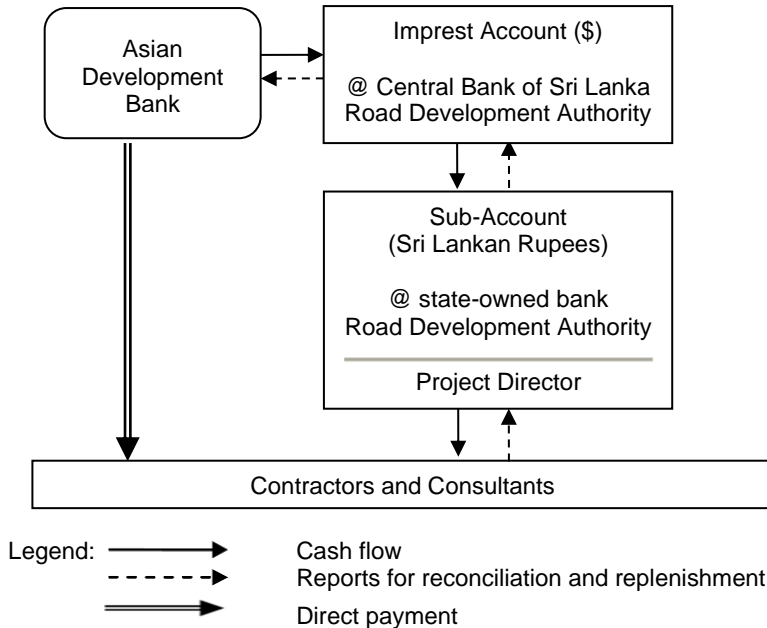
1. The projects under the Second Integrated Road Investment Program will follow the following implementation arrangements.

Project Stakeholders	Management Roles and Responsibilities
<b>Executing agency (EA)</b>	<b>Ministry of Higher Education and Highways (MOHEH)</b> <ul style="list-style-type: none"> <li><input type="checkbox"/> overall coordination of project implementation</li> <li><input type="checkbox"/> interagency coordination</li> </ul>
<b>Implementing agency (IA)</b>	<b>Road Development Authority (RDA)</b> <ul style="list-style-type: none"> <li><input type="checkbox"/> day-to-day project and safeguards management</li> <li><input type="checkbox"/> consultant recruitment and procurement of works</li> <li><input type="checkbox"/> withdrawal applications</li> <li><input type="checkbox"/> project progress reports and safeguard monitoring reports</li> <li><input type="checkbox"/> maintaining project accounts and complete loan financial records</li> </ul>
<b>National Steering Committees</b> <b>Chair:</b> Secretary of MOHEH; <b>Members:</b> <ul style="list-style-type: none"> <li>• Chief Secretaries of the provinces under the investment program</li> <li>• Secretary, Finance Commission</li> <li>• Chairman, RDA</li> <li>• Project Director Western Province and Coordination (iRoad 2) – Secretary to the Committee</li> <li>• Project Directors (Northern, Eastern, Uva)</li> <li>• Commissioners of Local Government authorities under the investment program</li> <li>• Heads of provincial road agencies</li> <li>• District Secretaries</li> <li>• External Resources Department, National Planning Department, and Project Monitoring and Management Department, National Budget Department, and Treasury Operations Department</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> oversee and monitor project implementation as well as the adequacy of overall project funding</li> <li><input type="checkbox"/> hold meeting as required but at least quarterly to discuss overall status and project issues, and when and as necessary invite representatives from the Central Environmental Agency, Geological Survey and Mines Bureau, and utilities (electricity, telecommunications, water, and drainage) for coordination purposes</li> </ul>
<b>Provincial Coordination Committees</b> <b>Chair:</b> Chief Secretary of the Province <b>Members:</b> <ul style="list-style-type: none"> <li>• Project Director (Secretary to the Committee)</li> <li>• District Secretaries</li> <li>• Representatives of Provincial Road Agencies</li> <li>• Representatives of Local Authorities</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> coordinate and facilitate project implementation</li> <li><input type="checkbox"/> hold meeting as required but at least quarterly to discuss implementation progress and address project issues, and when and as necessary invite representatives from the relevant offices</li> <li><input type="checkbox"/> a coordination committee will be established in each province under the investment program</li> </ul>

Project Stakeholders	Management Roles and Responsibilities
Asian Development Bank	<input type="checkbox"/> monitor and review overall implementation of the project in consultation with the EAs/IAs including: the project implementation schedule; actions required in terms of poverty reduction, environmental impacts, and resettlement plans (RPs) if applicable; timeliness of budgetary allocations and counterpart funding; project expenditures; progress with procurement and disbursement; statement of expenditure when applicable; compliance with particular loan covenants; and the likelihood of attaining the project’s immediate development objectives.

**B. Fund Flow**

2. The fund flow for projects under the investment program will be as follows:



**C. Accounting, Auditing and Reporting**

3. Sri Lanka, MOHEH and RDA shall ensure that proper accounts and records are maintained and audited in a timely manner to adequately identify the use of loan proceeds in such manner and details as may be specified under each Loan Agreement and Project Agreement(s).

4. Public disclosure of the project financial statements, including the audit report on the project financial statements, will be guided by ADB’s Public Communications Policy (2011). After review, ADB will disclose the project financial statements for the project and the opinion of the auditors on the financial statements within 14 days of the date of ADB’s confirmation of their acceptability by posting them on ADB website. The Audit Management Letter and the entity level Audited Financial Statements will not be disclosed.

**D. Project Performance Monitoring and Evaluation**



5. Within 3 months from the effective date of the framework financing agreement, MOHPS and RDA shall develop a Project Performance Monitoring System (PPMS) for the investment program. The PPMS shall monitor and evaluate the impacts, outcomes, outputs and activities in relation to the targets and milestones set for the investment program and projects under the investment program.

6. RDA shall provide ADB:

- (a) within 45 days from the close of each quarter, with quarterly progress reports on the respective components of the project and the Investment Program. Such reports shall include information on progress made during the period of review pursuant to the preceding paragraph of this Schedule, a summary financial account for the project, changes, if any in the implementation schedule, problems or difficulties encountered and remedial actions taken, anticipated problems and the proposed remedial measures, and work to be undertaken in the following period; and
- (b) a Project completion report within 3 months of completion of the project within 3 months of the completion of the Investment Program. These reports shall cover a detailed evaluation of the projects and the Investment Program respectively covering the design, costs, contractors and consultants' performance, social and economic impact, economic rate of return, and other details as may be requested by ADB.

#### **E. Project Review**

7. ADB, the Borrower, MOHEH and RDA shall meet regularly as required, to discuss the progress of the Project and any changes to implementation arrangements or remedial measures required to be undertaken towards achieving the objectives of projects and of the Investment Program. ADB, the Borrower, MOHEH and RDA will undertake an inception mission soon after the legal agreements for any tranches are declared effective; thereafter, regular reviews will follow at least annually. As necessary, special loan administration missions will be fielded, under which any changes in scope or implementation arrangement may be required to ensure achievement of project and investment program objectives.

## SCHEDULE 4

### SELECTION CRITERIA AND APPROVAL PROCESS FOR PROJECTS

1. The investment program will finance projects identified in accordance with the following selection criteria and approval process.

#### A. Selection Criteria

2. The projects will meet the following selection criteria.

- (i) The project will have substantial impact on improved transport connectivity between rural communities and socioeconomic centers;
- (ii) The project road may include rural, provincial, and national roads. The rural and provincial roads should be selected on access routes between the rural hubs and the trunk road network. The national roads should connect the selected rural access routes and adjacent socioeconomic centers;<sup>14</sup>
- (iii) The project will also support the capacity development of RDA, provincial road agencies, and relevant offices in local authorities, on road asset management project management, and/or contract administration;
- (iv) The project will be technically feasible, least-cost and supported by a detailed report for such feasibility;
- (v) The project will be economically feasible and financially sustainable, and its estimated economic internal rate of return equal to or higher than 9% for provincial and rural roads, and national roads, based on the economic analysis to be conducted in accordance with ADB's *Guidelines for the Economic Analysis of Project*;
- (vi) Design of project road will be finalized based on input from community consultation conducted in accordance with the RF and input from road safety audits;
- (vii) The project roads will be selected following the detailed criteria in the safeguard frameworks.<sup>15</sup> A project road will not be selected if (i) it is falling in part or whole inside or within the buffer zone of a SNR, NP or NR; and (ii) land acquisition;
- (viii) The project will be environmentally sound and socially sound, and include measures to mitigate any possible environment and social impacts in accordance with the safeguard frameworks prepared (footnote 15 and Schedule 5) and Safeguard Policy Statement (SPS) 2009. For each project, a poverty and social analysis will be conducted in accordance with ADB's guidelines on poverty and social assessment;

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<sup>14</sup> Selection criteria are (i) the number of households (50 or more); (ii) availability of electricity and water; (iii) health/medical facilities; (iv) educational facilities; and (v) commercial market facilities. Backwardness, regional balancing, development potential, social justice to vulnerable/ disadvantage/ ethnic groups, value addition by product development are also considered.

<sup>15</sup> Environment Assessment and Review Framework (EARF), Resettlement Framework (RF) and IPPF (Indigenous Peoples Planning Framework (IPPF))

- (ix) Sufficient counterpart funding has been allocated to implement the project timely and efficiently in accordance with the overall implementation schedule; and
- (x) For each project, all necessary Government approvals and agreements between government agencies, will be obtained, including MOHEH, RDA, relevant provincial government and local authorities, and other relevant agencies, as applicable.

## **B. Approval Procedures**

3. All projects will be processed in accordance with the procedure set out below.
  - (i) RDA will prepare a long list of GN Divisions in accordance with the requirements of national planning department, MOFP on rural hubs.
  - (ii) Relevant provincial governments, relevant local authority, and RDA will jointly select a short list of GN Divisions from the long list.
  - (iii) RDA, with the assistance from provincial governments and local authorities, will undertake survey and consultation to identify the access routes between each GN Divisions and adjacent socioeconomic center. The access routes may include local authority roads, provincial roads, and/or national roads.
  - (iv) After verification from the ground, RDA will check compliance with the selection criteria, and for those found compliant with the selection criteria, RDA will recommend approval to the National Steering Committee for approval.
  - (v) After approval of short list, RDA will instruct PIU to prepare project proposal which includes cost estimate, preliminary design, safeguards and economic analysis. For safeguards, the PIU will prepare (a) an initial poverty and social assessment (IPSA) and fill out a checklist for every project road for (b) involuntary resettlement; (c) indigenous people; (d) environmental checklist; and (e) rapid environmental assessment for one province based on the all road specific Environmental checklists.
  - (vi) After completion of (a), (b), (c) and (d) described in (v), PIU will submit the checklists to ESDD for review and approval.
  - (vii) PIU will (a) prepare all required safeguard planning documents (IEE including EMP, RP and IPP, if required) in accordance with EARF, RF and IPPF for each project road proposed to be financed under Investment Program,<sup>16</sup> and (b) safeguard due diligence reports for roads approved on each tranche. PIU will submit safeguard planning documents and safeguard due diligence reports on each tranche proposed to be financed under the Investment Program to ADB and ESDD for review and clearance.
  - (viii) PIU will submit project proposal to be financed under Investment Program to MOHEH/RDA for clearance. MOHEH/RDA will scrutinize the project proposals,

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<sup>16</sup> Preparation of these documents should be done in parallel and concurrently with the preparation of road designs.

recommend modifications as needed, and, subject to addressing modification, will give final approval for the project proposal and submit to ADB for considerations.

- (ix) After reviewing the project proposal and relevant safeguard documents, if ADB finds that the project proposal does satisfy the eligibility criteria and procedures, ADB will approve the project. If ADB finds that the proposed project proposal does not satisfy the eligibility criteria and procedures, or does not comply with ADB's safeguard policies, ADB may (a) advise MOHPS on remedial actions to be taken for the proposed project in order for it to comply or (b) reject the project.
- (x) For provincial and rural roads on the access routes, RDA and the relevant provincial governments and the relevant local authority will enter into an agreement to request RDA to carry out necessary civil works on the selected roads.
- (xi) Upon clearance of the safeguard planning documents by ADB, RDA will proceed with tendering as guided by ADB Procurement Guideline.
- (xii) If any time during the implementation, the design of a project road is modified to affect social or environmental impact, all related safeguard planning documents for such road will be modified accordingly and undergo clearance by ADB.

## SCHEDULE 5

### POVERTY AND SOCIAL DIMENSIONS AND SAFEGUARD REQUIREMENTS

1. Sri Lanka will ensure that all the requirements prescribed in this Schedule, and the following social and safeguard frameworks and plans that have been prepared with respect to the Facility and the first tranche and of which ADB has been provided full copies, and which are deemed incorporated herein by reference, are complied with during the processing and implementation of the projects under the Facility.

- (i) environmental assessment and review framework, dated May 2017,
- (ii) resettlement framework dated May 2017,
- (iii) indigenous peoples planning framework dated May 2017,
- (iv) social safeguards due diligence reports dated May 2017,
- (v) initial environmental examination reports, dated May 2017, and
- (vi) gender action plan dated May 2017.

2. The frameworks cover the Facility-specific information and requirements in accordance with ADB's safeguard policies: (i) the general anticipated impacts of the components or projects likely to be financed under the MFF on the environment, involuntary resettlement, and indigenous peoples; (ii) the safeguard criteria that are to be used in selecting components, projects; (iii) the requirements and procedure that will be followed for screening and categorization, impact assessments, development of management plans, public consultation and information disclosure (including the 120-day disclosure rule, if required), and monitoring and reporting; and (iv) the institutional arrangements (including budget and capacity requirements) and the client's and ADB's responsibilities and authorities for the preparation, review and clearance of safeguard documents.

3. Prior to the preparation of each PFR, the applicability and relevance of each safeguard framework for environmental assessment, involuntary resettlement, and indigenous people will be reviewed by Sri Lanka, MOHEH and RDA and updated to ensure relevance and consistency with applicable country legal frameworks and ADB's safeguard policies, as amended from time to time.

4. In all cases, for each new PFR preparation, the client will review ongoing projects to check on the status of compliance with the social and safeguard plans and frameworks, and submit the review reports to ADB, together with other required safeguard documents relevant to the projects included in the tranche being processes. In any case, if major noncompliance is discovered in the course of the review of ongoing projects, a corrective action plan will be prepared and submitted to ADB.

## SCHEDULE 6

Sri Lanka has given the following undertakings.

### Implementation Arrangements

1. Sri Lanka shall, and shall cause MOHEH and RDA to, remain committed to implementation of the Second Integrated Road Investment Program (“Program”) and achieve its outputs and outcome in a timely manner.
2. In the event of any change in the road map, policy framework, investment program, or financing plan for the Program, Sri Lanka shall, and will cause MOHEH and RDA to, assess with ADB the potential impact on the Program and evaluate any change in scope, amendment, or continuation, as appropriate, of the Program.
3. Sri Lanka shall take all actions, including provision of funds (including any residual funds for completion of project contracts), facilities, services and other resources necessary or appropriate to enable MOHEH and RDA to perform their obligations under the legal agreements for each tranche, and for timely completion of the projects under the Facility.
4. Sri Lanka shall, and will cause MOHEH and RDA to, implement the Program and the projects of the Program in accordance with the detailed arrangements set forth in the FAM. Any subsequent change to the FAM shall become effective only after approval of such change by the government, RDA and ADB.
5. Sri Lanka shall cause MOHEH and RDA to employ sufficient staff for the duration of the Program with adequate and relevant expertise in the field of project management, financial management, engineering, procurement, environmental and social safeguards implementation. RDA shall ensure that all staff employed for the Project are equipped with adequate office space, facilities, equipment, support staff and telecommunications and management information systems for the entire duration of the Project.
6. Sri Lanka shall provide updated information, in the PFRs, on the progress of implementation of the Program in accordance with key activities with milestones in the design and monitoring framework as set forth in Schedule 2 to this FFA.

### Safeguards

7. Sri Lanka shall ensure or cause RDA to ensure that the preparation, design, construction, implementation, operation and decommissioning of the projects and all project facilities under the Program comply with (a) all applicable laws and regulations of Sri Lanka including relating to environment, health, and safety; (b) the environmental safeguards as set out in ADB’s Safeguard Policy Statement (“SPS”); (c) the environmental assessment and review framework; and (d) all measures and requirements set forth in the relevant initial environmental examination and environment management plan, and any corrective or preventative actions with respect to environment set forth in a safeguards monitoring report.
8. Sri Lanka shall ensure or cause RDA to ensure that all land and all rights-of-way required for each project and project facilities are made available to the works contractor in accordance with the schedule agreed under the related works contract and all land acquisition and

resettlement activities are implemented in compliance with (i) all applicable laws and regulations of Sri Lanka to land acquisition and involuntary resettlement; (ii) the involuntary resettlement safeguards as set out in the SPS; (c) the resettlement framework; and (d) all measures and requirements set forth in the respective resettlement plan and safeguard planning document, and any corrective or preventive actions with respect to land acquisition and involuntary resettlement set forth in any safeguards monitoring report.

9. Sri Lanka shall ensure or cause RDA to ensure that each project and project facilities under the Program comply with (i) all applicable laws and regulations of Sri Lanka relating to indigenous peoples; (ii) the indigenous peoples safeguards as set out in the SPS; (c) the indigenous peoples planning framework; and (d) all measures and requirements set forth in the respective indigenous peoples plan and any corrective or preventive actions with respect to land acquisition and involuntary resettlement set forth in any safeguards monitoring report.

### Social

10. Sri Lanka shall ensure or cause RDA to ensure that civil works contracts under the projects follow all applicable labor laws of Sri Lanka (including not employing or using children as labor, equal pay for equal work), health, safety, welfare, sanitation, and working conditions.

### Operation & Maintenance

11. Sri Lanka shall ensure that:
- (a) RDA, or relevant road agency, maintains the project roads and that proper technical supervision and adequate routine maintenance funds are provided;
  - (b) the funds required for the maintenance and rehabilitation of the Project roads are allocated annually and released on a timely basis; and
  - (c) effective policy measures to further improve rural road sustainability are examined, adopted and implemented during the Facility execution period.

### Road Safety

12. Sri Lanka shall cause RDA to develop and implement a road safety program with coordinated engineering, enforcement and education components. The road safety program shall also provide for the monitoring and reporting on the traffic volume and accident rate on the road sections rehabilitated under the Program.

### Governance and Anticorruption

13. Sri Lanka shall, and shall cause MOHEH and RDA to, comply with ADB's Anticorruption Policy (1998, as amended to date) and cooperate with any investigation by ADB and extend all necessary assistance, including providing access to all relevant records, for the satisfactory completion of such investigation.

14. Sri Lanka shall ensure or cause MOHEH and RDA to ensure that the anticorruption provisions acceptable to ADB are included in all bidding documents and contracts, including provisions specifying the right of ADB to audit and examine the records and accounts of the executing and implementing agencies and all contractors, suppliers, consultants, and other service providers as they relate to any project under the Program.