

**OFFICIAL
DOCUMENTS**

CREDIT NUMBER 5685-LK

Financing Agreement

(Water Supply and Sanitation Improvement Project)

between

DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated NOVEMBER 06 , 2015

CREDIT NUMBER 5685-LK

FINANCING AGREEMENT

AGREEMENT dated November 06, 2015, entered into between Democratic Socialist Republic of Sri Lanka ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to one hundred seventeen million four hundred thousand Special Drawing Rights (SDR 117,400,000) (variously, "Credit" and "Financing"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to one and a quarter percent (1.25%) per annum.
- 2.06. The Payment Dates are June 15 and December 15 in each year.

2.07. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

2.08. The Payment Currency is Dollar.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through its Ministry of City Planning and Water Supply in accordance with the provisions of Article IV of the General Conditions.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV – TERMINATION

4.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

4.02. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Recipient's Representative is its Secretary, Ministry of Finance.

5.02. The Recipient's Address is:

Ministry of Finance
The Secretariat
Colombo 1, Sri Lanka

Telephone:	Facsimile:
94 11 2484693	94 11 2447633
	94 11 2449823

5.03. The Association's Address is:

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

Cable:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI)	1-202-477-6391

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

DEMOCRATIC SOCIALIST REPUBLIC
OF SRI LANKA

By



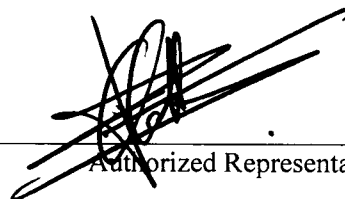
Authorized Representative

Name: Dr. R.H.S. Samararatunga

Title: Secretary, Ministry of Finance

INTERNATIONAL DEVELOPMENT
ASSOCIATION

By



Authorized Representative

Name: FRANCOISE CLOTES

Title: COUNTRY DIRECTOR FOR SRILANKA &
THE MALDIVES

SCHEDULE 1

Project Description

The objectives of the Project are to increase access to piped water services and improved sanitation in Selected Districts; and to strengthen the capacity of associated institutions.

The Project consists of the following parts:

Part 1: Water Supply and Sanitation Infrastructure

- (a) Carrying out of water supply and sanitation infrastructure investments in urban, rural and estate areas, including: (i) rehabilitation or expansion of piped water services; (ii) construction of septage and/or waste water treatment plants; and (iii) provision of Grants for the construction of latrines.
- (b) Carrying out of hygiene education and awareness building programs to enhance community support for construction of water supply and sanitation infrastructure to complement the benefits of infrastructure services.

Part 2: Institutional Capacity Strengthening

- (a) Carrying out of capacity building activities, including strengthening the capacity of DNCWS to formulate an institutional framework and operational strategy to improve the performance of community based organizations (CBOs).
- (b) Provision of support for the strengthening of capacity of other institutions required for increasing access to piped water services and improved sanitation in the Selected Districts.

Part 3: Sectoral Technical Assistance

Provision of technical assistance and support to improve capacity of the water supply and sanitation sector, including:

- (a) Provision of support for the preparation of a water supply and sanitation sector program.
- (b) Provision of support for the development of a national strategy to mitigate the aggravating effects of drinking water quality on Chronic Kidney Disease of Unknown Etiology (CKDu) through, inter alia: (i) carrying out a water quality mapping exercise; and (ii) preparation of national strategy to enable a comprehensive response to the CKDu threat.

Part 4: Project Management Support

Provision of implementation support in the areas of Project management, including: (a) monitoring and evaluation, procurement, financial management, and environmental and social safeguards; (b) facilitation of public awareness and communications; and (c) provision of technical advisory services and operational support.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall maintain, throughout the implementation of the Project, a Project Steering Committee, with composition and terms of reference satisfactory to the Association. The Steering Committee shall be responsible for providing guidance and overall Project oversight and supervision.
2. The Recipient shall maintain throughout the implementation of the Project, a Project Management Unit under the direction of qualified management provided with sufficient resources, and staffed with competent personnel in adequate numbers including, among others, a Project director, an environmental specialist, a social specialist, and financial management, procurement, engineering, and administrative staff, in each case with qualifications, experience and under terms of reference acceptable to the Association.
3. The PMU shall be responsible for overall planning, management, implementation and coordination of the Project.

B. Project Operational Manual

1. The Recipient shall: (a) carry out the Project in accordance with the Project Operational Manual; and (b) not amend, revise or waive, nor allow to be amended, revised or waived, the provisions of the Project Operational Manual or any part thereof without the prior written agreement of the Association.
2. In the event of any inconsistency between the Project Operational Manual and this Agreement, the provisions of this Agreement shall prevail.

C. Grants

1. The Recipient shall make Grants available to Water User Associations (WUA) in accordance with procedures acceptable to the Association and outlined in the Project Operational Manual for the purpose of carrying out activities under Part 1(a)(iii) of the Project.
2. The Recipient shall make each Grant pursuant to a Grant Agreement with the respective WUA, on terms and conditions satisfactory to the Association, and shall obtain rights adequate to protect its interests and those of the Association, including:

- (a) WUA's obligation, to enter into a Sub-Grant Agreement with such Beneficiary in form and substance satisfactory to the Association, and as set forth in the Project Operational Manual, for the purposes of providing Sub-Grants for constructing latrines under Part 1(a)(iii) of the Project;
 - (b) WUA's obligation to ensure that activities financed by a Sub-Grant are carried out in accordance with the applicable provisions of the Project Operational Manual, the Procurement Guidelines, the Consultant Guidelines, the Safeguard Instruments and the Anti-Corruption Guidelines;
 - (c) WUA's obligation to prepare and furnish to the Association and the Recipient all such information as the Association or the Recipient shall reasonably request in relation to the Grant or Sub-Grants;
 - (d) the Association's and the Recipient's right to require audits of the WUA's records and accounts;
 - (e) the Association's and the Recipient's right to inspect the activities financed by the Grant or Sub-Grant; and
 - (f) the Recipient's right to suspend, terminate, accelerate or seek refund of the Grant.
3. The Recipient shall ensure that each WUA which has entered into a Grant Agreement with the Recipient shall make one or more Sub-Grants to one or more Beneficiaries in accordance with the Project Operational Manual and on terms and conditions satisfactory to the Association, including:
- (a) the Beneficiary's obligation to carry out the activities financed by the Sub-Grant in accordance with the applicable provisions of the Project Operational Manual, the Procurement Guidelines, the Consultant Guidelines, the Safeguard Instruments and the Anti-Corruption Guidelines;
 - (b) the Beneficiary's obligation to furnish to the Association, Recipient and WUA all such information as the Association, Recipient or WUA shall reasonably request in relation to the Sub-Grant;
 - (c) the Association's, Recipient's and WUA's right to require audits of the Beneficiary's records and accounts;
 - (d) the Association's, Recipient's and WUA's right to inspect the activities financed by the Sub-Grant; and

(e) the WUA's right to suspend, terminate, accelerate or seek refund of the Sub-Grant.

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

D. Annual Work Plans and Budget

1. The Recipient shall, throughout Project implementation, furnish to the Association for approval as soon as available, but in any case not later than September 1, 2015 of each year, an annual work plan and budget for the Project for each subsequent fiscal year, of such scope and detail as the Association shall have reasonably requested, except for the annual work plan and budget for the first fiscal year which shall be furnished prior to the commencement of any activities under the Project.
2. The Recipient shall, no later than two (2) months after furnishing each annual work plan and budget referred to in the preceding paragraph to the Association, finalize and adopt, and thereafter ensure that the Project is carried out in accordance with, such plan and budget as agreed in writing with the Association.

E. Anti-Corruption

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

F. Safeguards

1. The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Safeguards Instruments.
2. Without limitation upon the provisions of the preceding paragraph, whenever an additional or revised Environmental Management Plan or Resettlement Action Plan shall be required for any proposed Project activity in accordance with the provisions of the Environmental Assessment and Management Framework (EAMF) or Social Management Framework (SMF), as the case may be, the Recipient shall, prior to the commencement of such activity, proceed to have such EMP or RAP: (a) prepared in accordance with the provisions of the EAMF or SMF, as applicable; (b) furnished to the Association for review and approval; and (c) thereafter adopted and disclosed as approved by the Association, in a manner acceptable to the Association.

3. Except as the Association shall otherwise agree in writing, the Recipient shall not assign, amend, abrogate, waive, or permit to be assigned, amended, abrogated, or waived, any Safeguards Instrument, or any provision thereof.
4. Without limitation upon its other reporting obligations under Section II.A of this Schedule, the Recipient shall take all measures necessary to regularly collect and compile, and submit to the Association, as part of the Project Reports, information on the status of compliance with the Safeguards Instruments, providing details of:
 - (a) the measures taken in furtherance of the Safeguards Instruments;
 - (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the Safeguards Instruments; and
 - (c) remedial measures taken or required to be taken to address such conditions.
5. In the event of a conflict between the provisions of any of the Safeguards Instruments and those of this Agreement, the provisions of this Agreement shall prevail.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

The Recipient shall monitor and evaluate the progress of the Project and prepare 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 the Project Operational Manual. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than one month after the end of the period covered by such report.

B. Mid-Term Review Report

Without limitation to the provisions of paragraph A above, the Recipient shall cause the Project Management Unit to prepare, under terms of reference satisfactory to the Association, and furnish to the Association no later than June 30, 2017, a consolidated mid-term review report for the Project, summarizing the results of the monitoring and evaluation activities carried out from the inception of the Project, and setting out the measures recommended to ensure the efficient completion of the Project and to further the objectives thereof.

C. 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 prepare and furnish to the Association 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 (1) fiscal year of the Recipient. 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, Works and Non-consulting Services.** All goods, works and non-consulting 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 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 Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods, Works and Non-consulting Services

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan: (a) Limited International Bidding; (b) National Competitive Bidding, subject to the additional provisions set forth in the Attachment to this Schedule; (c) Shopping; (d) Direct Contracting; (e) Force Account; and (f) Community Participation procedures acceptable to the Association.

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 methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants' services for those contracts which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants' Qualifications; (e) Single-source Selection of consulting firms; (f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (g) Single-source procedures for the Selection of Individual Consultants.

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 Credit to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Credit Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, consultants’ services, and Training under Parts 1, 2 and 3 of the Project	103,950,000	100%
(2) Grants under Part 1(a)(iii) of the Project	8,250,000	100% of amounts disbursed
(3) Goods, non-consulting services, consultants’ services, and Incremental Operating Costs under Part 4 of the Project	5,200,000	100%
TOTAL AMOUNT	117,400,000	

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.
2. The Closing Date is December 31, 2020.

ATTACHMENT TO SCHEDULE 2

Requirements under National Competitive Bidding

In order to ensure economy, efficiency, transparency and broad consistency with the provisions of the Procurement Guidelines, goods, works, and non-consultant services procured under the National Competitive Bidding (NCB) method shall be subject to the following requirements:

1. Only the model bidding documents for NCB agreed with the Association shall be used for bidding.
2. Invitations for bids will be advertised in at least one widely circulated national daily newspaper, and bidding documents will be made available at least twenty one (21) days before, and issued up to, the deadline for submission of bids.
3. Qualification criteria will be stated in the bidding documents, and if a registration process is required, a foreign firm declared as the lowest evaluated responsive bidder shall be given a reasonable time for registering, without let or hindrance.
4. Bids will be opened in public in one location, immediately after the deadline for the submission of bids, as stipulated in the bidding document (the bidding document will indicate the date, time and place of bid opening).
5. Except in cases of *force majeure* or exceptional situations beyond the control of the implementing agency, the extension of bid validity will not be allowed.
6. Bids will not be rejected merely on the basis of a comparison with an official estimate.
7. Except with the prior concurrence of the Association, there will be no negotiation of price with bidders, even with the lowest evaluated bidder.
8. A bidder's bid security will apply only to the specific bid, and a contractor's performance security will apply only to the specific contract under which they are furnished.
9. Bids will not be invited on the basis of percentage premium or discount over the estimated cost, unless agreed with the Association.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit Repayable (expressed as a percentage)*
On each June 15 and December 15	
Commencing December 15, 2020 to and including June 15, 2030	1.65%
Commencing December 15, 2030 to and including June 15, 2040	3.35%

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03 (b) of the General Conditions.

APPENDIX

Section I. Definitions

1. “Affected Persons” means persons who, on account of implementation of the Project, have experienced or would experience direct economic and social impacts caused by: (a) the involuntary taking of land resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; or (iii) loss of income sources or means of livelihood, whether or not such persons must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person.
2. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011.
3. “Beneficiary” means a household that satisfies the requirements set out in the Project Operational Manual to receive a Sub-Grant for constructing latrines for the purposes of carrying out Part 1(a)(iii) of the Project.
4. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
5. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (revised July 2014).
6. “Chronic Kidney Disease of Unknown Etiology” or “CKDu” means unexplained epidemic of chronic kidney disease of unknown origin.
7. “DNCWS” means the Department of National Community Water Supply within the MCPWS, or any successor thereto.
8. “Environmental Assessment and Management Framework” or “EAMF” means the Recipient’s framework, dated April 20, 2015, and acceptable to the Association, for undertaking environmental and social analysis and developing mitigation measures for all Project activities, as said framework may be revised from time to time with the prior written agreement of the Association, and such term includes any annexes or schedules to such framework.
9. “Environmental Management Plan” or “EMP” means, each plan to be prepared by the Recipient in accordance with the EAMF, and pursuant to Section I.F.2 of Schedule 2 to this Agreement, each such plan in form and substance satisfactory to the Association, and setting forth the measures for mitigating the environmental risks and impacts associated with the implementation of Project activities, as well

as the administrative and monitoring arrangements for ensuring the implementation of said plans, as said plans may be revised from time to time with the prior written agreement of the Association, and such term includes any annexes or schedules to such plans.

10. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010, with the modifications set forth in Section II of this Appendix.
11. “Grant” means a grant made, or proposed to be made, by the Recipient, out of the proceeds of the Financing, to a WUA to provide Sub-Grants to Beneficiaries for the purposes of carrying out Part 1(a)(iii) of the Project, in accordance with the relevant provisions of this Agreement and the Project Operational Manual.
12. “Grant Agreement” means an agreement entered into, or to be entered into, between the Recipient and a WUA, and referred to in Section I.C.2 of Schedule 2 to this Agreement.
13. “Incremental Operating Costs” means the reasonable costs incurred by the Recipient for purposes of the management and supervision of the Project including costs of office utilities and supplies, communication, printing services, bank charges, advertising expenses, vehicle rental, operation and maintenance of vehicles, office equipment and facilities, travel, lodging and per diem expenses, salaries of contractual staff, but excluding salaries and allowances of the Recipient’s civil servants or other regular government staff.
14. “Ministry of City Planning and Water Supply” and the acronym “MCPWS” mean the Recipient’s ministry responsible for urban development and water supply, or any successor thereto.
15. “Procurement Guidelines” means the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (revised July 2014).
16. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated May 21, 2015 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
17. “Project Management Unit” or “PMU” means the unit to be maintained by the Recipient in MCPWS in accordance with the provisions of Section I.A.2 of Schedule 2 to this Agreement, for the purposes of overall planning, management, implementation and coordination of the Project.

18. "Project Operational Manual" means the Recipient's manual, dated May 18, 2015 and acceptable to the Association, setting forth implementation, organizational, administrative, monitoring and evaluation, financial management, disbursement, and procurement arrangements for purposes of implementation of the Project, and procedures for the identification and selection of Grant and Sub-Grant recipients in the Selected Districts, and terms and conditions for approval and award of Grants and Sub-Grants, as said manual may be revised from time to time with the prior written agreement of the Association, and such term includes any annexes or schedules to such manual.
19. "Project Steering Committee" means the committee to be maintained by the Recipient in accordance with the provisions of Section I.A.1 of Schedule 2 to this Agreement, for the purposes of overseeing Project preparation and implementation, and facilitating inter-agency collaboration.
20. "Resettlement Action Plan(s)" and "RAP(s)" mean, collectively, the plan(s) to be prepared by the Recipient in accordance with the SMF, and pursuant to Section I.F.2 of Schedule 2 to this Agreement, each such plan in form and substance satisfactory to the Association, and setting forth the principles and procedures governing the acquisition of land and related assets, and the compensation, resettlement, and rehabilitation of Affected Persons, as said plans may be revised from time to time with the prior written agreement of the Association, and such term includes any annexes or schedules to such plans.
21. "Safeguards Instruments" means, collectively, the EAMF, SMF, EMP(s) and RAP(s).
22. "Selected Districts" means the seven selected districts spread across four of the nine provinces in the Recipient's territory - Mullaitivu and Kilinochchi Districts in Northern Province; Nuwara Eliya District in Central Province; Badulla and Monoregala Districts in Uva Province; and Kegalle and Ratnapura Districts in Sabaragamuwa Province.
23. "Social Management Framework" or "SMF" means the Recipient's framework, dated April 20, 2015 and acceptable to the Association, for undertaking social analysis and developing mitigation measures for all Project activities, as said Framework may be revised from time to time with the prior written agreement of the Association, and such term includes any annexes or schedules to such framework.
24. "Sub-Grant" means a grant made, or proposed to be made, by a WUA, out of the proceeds of a Grant, to a Beneficiary for the purposes of constructing latrines under Part 1(a)(iii) of the Project, in accordance with the relevant provisions of this Agreement and the Project Operational Manual.

25. "Sub-Grant Agreement" means an agreement entered into, or to be entered into, between a WUA and a Beneficiary for the purpose of extending a Sub-Grant, as detailed in the Project Operational Manual, and meeting the requirements of paragraph 3 of Section I.C of Schedule 1 to this Agreement.
26. "Training" means the reasonable costs of training, seminars, workshops, conferences and study tours, conducted in the territory of the Recipient and/or overseas, including: (a) the fees of training institutions and courses; (b) domestic and international travel costs, lodging costs, and subsistence/per diem allowances for both trainers and trainees; (c) the rental of training facilities; and (d) preparation, purchase or reproduction of training materials.
27. "Water User Association" or "WUA" means a community based organization or an association formed in rural or estate areas covered by the Project to represent groups of Beneficiaries and which meets the eligibility requirements set out in the Project Operational Manual to participate in the Project and receive a Grant.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. Section 3.02 is modified to read as follows:

"Section 3.02. *Service Charge and Interest Charge*

 - (a) *Service Charge.* The Recipient shall pay the Association a service charge on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. The Service Charge shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Service Charges shall be computed on the basis of a 360-day year of twelve 30-day months.
 - (b) *Interest Charge.* The Recipient shall pay the Association interest on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. Interest shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Interest shall be computed on the basis of a 360-day year of twelve 30-day months."
2. Paragraph 28 of the Appendix ("Financing Payment") is modified by inserting the words "the Interest Charge" between the words "the Service Charge" and "the Commitment Charge".
3. The Appendix is modified by inserting a new paragraph 32 with the following definition of "Interest Charge", and renumbering the subsequent paragraphs

accordingly:

“32. “Interest Charge” means the interest charge specified in the Financing Agreement for the purpose of Section 3.02(b).”

4. Renumbered paragraph 37 (originally paragraph 36) of the Appendix (“Payment Date”) is modified by inserting the words “Interest Charges” between the words “Service Charges” and “Commitment Charges”.
5. Renumbered paragraph 50 (originally paragraph 49) of the Appendix (“Service Charge”) is modified by replacing the reference to Section 3.02 with Section 3.02 (a).