

**OFFICIAL  
DOCUMENTS**

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**CREDIT NUMBER 5428-LK**

**Financing Agreement**

**(Strategic Cities Development Project)**

**between**

**THE DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated** *September 12*, 2014

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**FINANCING AGREEMENT**

AGREEMENT dated September 12, 2014, entered into between THE 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 ninety-five million Special Drawing Rights (SDR 95,000,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%).
- 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 The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to one and a quarter percent (1.25%) per annum.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 January 15 and July 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 Defence and Urban Development 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 and Planning.
- 5.02. The Recipient's Address is:

Ministry of Finance and Planning  
Department of External Resources  
The Secretariat  
Colombo 1, Sri Lanka

**Telephone:**

94 11 2484693

**Facsimile:**

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:**

**INDEVAS  
Washington, D.C.**

**Telex:**

**248423 (MCI)**

**Facsimile:**

**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



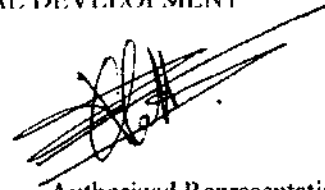
Authorized Representative

Name: P. B. Jayasundera

Title: Secretary, Ministry of  
Finance and Planning

INTERNATIONAL DEVELOPMENT  
ASSOCIATION

By



Authorized Representative

Name: Françoise Clottes

Title: Country Director for  
Sri Lanka and Maldives

## SCHEDULE 1

### Project Description

The objective of the Project is to improve selected urban services and public urban spaces in the Participating City Regions of the Recipient.

The Project consists of the following parts:

#### **Part 1: Kandy City Region Urban Interventions**

This Part of the Project aims to support priority infrastructure investments in Kandy City, to improve connectivity, achieve significant urban transformation to support economic growth in Kandy City Region, and improve the overall livability and investment attractiveness of Kandy City Region, through the following activities:

(a) Urban services improvements and public urban spaces enhancements.

Provision of support for urban services improvements and public urban spaces enhancements, including:

- (i) traffic improvements, including rehabilitation of selected by-pass roads, and establishment and improvement of selected transport facilities and traffic management measures;
- (ii) augmentation and rehabilitation of Kandy City Region's municipal water supply system;
- (iii) rehabilitation of major drains;
- (iv) urban upgrading, including the enhancement of selected streetscapes and public spaces, restoration and adaptive reuse of historic and landmark buildings; and
- (v) development of an integrated master plan.

(b) Institutional strengthening and capacity building. Provision of capacity building support for Project Partner Agencies for the planning, design, and maintenance of urban infrastructure, and the provision of municipal services.

#### **Part 2: Galle City Region Urban Interventions**

This Part of the Project aims to improve livability by protecting and developing the urban environment of Galle City Region; support priority investments in infrastructure and services, organize city functions to increase investment attractiveness, enhance public

urban spaces, and achieve significant urban transformation to support economic growth in the Galle City Region, through the following activities:

(a) Urban services improvements and public urban spaces enhancement.

Provision of support for urban services improvements and public urban spaces enhancements, including:

- (i) flood reduction measures, including the rehabilitation of selected canals and surface drainage infrastructure;
- (ii) coastal erosion reduction measures for selected areas;
- (iii) urban upgrading, including the enhancement of selected streetscapes and public spaces, restoration and adaptive reuse of historic and landmark buildings; and
- (iv) development of an integrated master plan.

(b) Institutional Strengthening and Capacity Building.

Provision of capacity building support for Project Partner Agencies for the planning, design, and maintenance of urban infrastructure, and the provision of municipal services.

**Part 3: Implementation Support**

Strengthening the capacity of the Recipient to carry out Project activities, including: (a) provision of implementation support in the areas of Project management, monitoring and evaluation, procurement, financial management, and environmental and social safeguards; (b) facilitation of public awareness and communications; (c) provision of support with respect to construction, supervision, and compliance with environmental and social safeguards; (d) provision of technical advisory services, operational support, acquisition of vehicles and equipment and financing of operating costs; and (e) support for the National Strategic Cities Program, including for preparatory studies and planning for other strategic cities, and other implementation and management tools.

## SCHEDULE 2

### Project Execution

#### Section I. Implementation Arrangements

##### A. Institutional Arrangements

1. The Recipient shall establish by no later than two (2) months after the Effective Date and maintain, throughout the implementation of the Project, a Steering Committee, with composition and terms of reference satisfactory to the Association. The Steering Committee shall be responsible for overall Project oversight and supervision.
2. The Recipient shall cause each of Kandy City and Galle City to establish by no later than two (2) months after the Effective Date and maintain throughout the implementation of the Project, a Coordination and Consultative Committee with composition and terms of reference satisfactory to the Association. The Coordination and Consultative Committees shall be responsible for coordination between the Project Management Unit, Project Partner Agencies and other key stakeholders at the local level.
3. The Recipient shall establish by no later than two (2) months after the Effective Date and maintain within MoDUD, throughout the implementation of the Project, a PMU under the direction of qualified management provided with sufficient resources, and staffed with competent personnel in adequate numbers, with qualifications, experience and under terms of reference acceptable to the Association.
4. The PMU shall be responsible for implementation and coordination of the Project, including: (a) procurement, disbursement and fiduciary arrangements; (b) preparation and implementation of all the Safeguards Instruments; (c) public awareness and communications; (d) overall quality assurance; (e) monitoring and evaluation; and (f) consolidated Project reporting requirements, in collaboration with PPAs.
5. The Recipient shall cause the PMU to establish by no later than two (2) months after the Effective Date and maintain throughout the implementation of the Project, branch offices of the PMU in Galle City and Kandy City, in each case under the direction of qualified management provided with sufficient resources, and staffed with competent personnel in adequate numbers, with qualifications, experience and under terms of reference acceptable to the Association. Each of the branch offices shall be responsible for implementation and coordination of the Project in its respective city region.



**B. Implementation Arrangements**

1. The Recipient shall, and shall cause the PMU and PPAs to: (a) carry out the Project in accordance with the Project Implementation Plan, and in a manner satisfactory to the Association; and (b) not amend, revise or waive, nor allow to be amended, revised or waived, the provisions of said plan or any part thereof without the prior written agreement of the Association. In the event of any inconsistency between the Project Implementation Plan and this Agreement, the provisions of this Agreement shall prevail.
2. Unless the Association shall otherwise agree in writing, the Recipient shall ensure that no activities related to, or relying on, the rehabilitation, improvement or retrofitting of existing dams or construction of new dams shall be undertaken under or otherwise be eligible for financing under the Project.

**C. Anti-Corruption**

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

**D. Safeguards**

1. The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Safeguards Instruments.
2. Without limitation upon the provisions of the preceding paragraph, whenever an additional or revised Environmental Assessment, Environmental Management Plan, or Resettlement Action Plan shall be required for any proposed Project activity in accordance with the provisions of the Environmental Assessment and Management Framework or Social Management Framework, as the case may be, the Recipient shall, prior to the commencement of such activity, proceed to have such EA, 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 Agreement, 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:

- (i) the measures taken in furtherance of the Safeguards Instruments;
  - (ii) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the Safeguards Instruments; and
  - (iii) remedial measures taken or required to be taken to address such conditions.
5. In the event of a conflict between the provisions of any of the Safeguards Instruments and those of this Agreement, the provisions of this Agreement shall prevail.

**Section II. Project Monitoring, Reporting and Evaluation**

**A. Project Reports**

1. The Recipient shall cause the PMU to 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 Implementation Plan. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.

**B. Financial Management, Financial Reports and Audits**

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Recipient shall 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 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) National Competitive Bidding, subject to the additional procedures set forth in Attachment 1 to this Schedule; (b) Shopping; and (c) Direct Contracting.

#### **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**

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 100% (exclusive of Taxes) of Eligible Expenditures, consisting of goods, works, non-consulting services, consultants' services, Training and Incremental Operating Costs.

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed nine million fifty thousand Special Drawing Rights (SDR 9,050,000) may be made for payments made prior to this date but on or after July 1, 2013, for Eligible Expenditures.
2. The Closing Date is December 31, 2019.

## ATTACHMENT 1 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-consulting services procured under 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**

<b>Date Payment Due</b>	<b>Principal Amount of the Credit Repayable (expressed as a percentage)*</b>
On each January 15 and July 15:	
Commencing July 15, 2019 to and including January 15, 2029	1.65%
commencing July 15, 2029 to and including January 15, 2039	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. "CCD" means the Recipient's Coastal Conservation Department or any successor thereto.
4. "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.
5. "Coordination and Consultation Committee" means the committee established by each of Kandy City and Galle City for purposes of coordination between the PMU, PPAs, and other key stakeholders at the local level, and to be maintained as provided for in Section I.A.2 of Schedule 2 to this Agreement.
6. "Environmental Assessment" and "EA" mean each environmental assessment to be prepared by the Recipient in accordance with the EAMF, and pursuant to Section I.D.2 of Schedule 2 to this Agreement, each such assessment in form and substance satisfactory to the Association, and defining details of potential environmental risks and adverse impacts associated with the implementation of Project activities, as said assessment 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 assessment; and "Environmental Assessments" and "EAs" refer to two or more of such assessments.
7. "Environmental Assessment and Management Framework" and "EAMF" mean the Recipient's framework, dated January 2014, and acceptable to the Association, for undertaking environmental 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.

8. "Environmental Management Plans" and "EMPs" mean, collectively: (a) the environmental management plans incorporated in the Environmental Screening Reports dated January 2014; and (b) each plan to be prepared by the Recipient in accordance with the EAMF, and pursuant to Section 1.D.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.
9. "Galle City" means the city of Galle within the Recipient's Southern Province, or any successor thereto.
10. "Galle City Region" means the geographical area encompassing Galle City and the surrounding cities and towns.
11. "Galle Municipal Council" means the municipal council of Galle City, or any successor thereto.
12. "General Conditions" means the "International Development Association General Conditions for Credits and Grants", dated July 31, 2010.
13. "ID" means the Recipient's Irrigation Department, or any successor thereto.
14. "Incremental Operating Costs" means the reasonable costs incurred by the PMU and PPAs 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, but excluding salaries and allowances of the Recipient's civil servants or other regular government staff.
15. "Kandy City" means the city of Kandy within the Recipient's Central Province or any successor thereto.
16. "Kandy City Region" means the geographical area encompassing Kandy City and the surrounding cities and towns.
17. "Kandy Municipal Council" means the municipal council of Kandy City, or any successor thereto.



18. "Ministry of Defence and Urban Development" and "MoDUD" mean the Recipient's Ministry of Defence and Urban Development, or any successor thereto.
19. "National Strategic Cities Program" means the Recipient's national-level program for managing the development of strategic cities and ensuring a consistent and coherent approach to developing key cities.
20. "PID" means the Recipient's Provincial Irrigation Department, or any successor thereto.
21. "Participating City Regions" means, collectively, Galle City Region and Kandy City Region.
22. "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.
23. "Procurement Plan" means the Recipient's procurement plan for the Project, dated March 3, 2014 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.
24. "Project Implementation Plan" means the Recipient's plan, dated March 5, 2014 and acceptable to the Association, setting forth the implementation plan and the performance indicators of the Project, as said plan 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 plan.
25. "Project Management Unit" and "PMU" mean the unit established by the Recipient within MoDUD for purposes of Project implementation and coordination, and to be maintained as provided for in Section I.A.3 of Schedule 2 to this Agreement.
26. "Project Partner Agencies" and "PPAs" mean, collectively, Kandy Municipal Council, Galle Municipal Council, UDA, ID, RDA, PID, and CCD, and such other agencies of the Recipient as may be required to assist the PMU with Project implementation from time to time.
27. "RDA" means the Road Development Authority, the statutory body within the Recipient's Ministry of Highways, responsible for planning and managing the development and maintenance of national highways, operating and established by the Road Development Authority Act, No. 73 of 1981, or any successor thereto.
28. "Resettlement Action Plans" and "RAPs" mean, collectively: (a) the plans dated January 2014; and (b) each plan to be prepared by the Recipient in accordance

with the SMF, and pursuant to Section I.D.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.

29. "Safeguards Instruments" means, collectively, the EAMF, the SMF, the EAs, the EMPs, and the RAPs.
30. "Social Management Framework" and "SMF" mean the Recipient's framework, dated March 2014 and acceptable to the Association, for undertaking social analysis and developing mitigating 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.
31. "Steering Committee" means the committee established by the Recipient to oversee and supervise the Project, and to be maintained as provided for in Section I.A.1 of Schedule 2 to this Agreement.
32. "Training" means the reasonable costs of trainings, 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; but excluding salaries and allowances of the Recipient's civil servants or other regular government staff.
33. "UDA" mean the Urban Development Authority, the Recipient's central planning agency for urban physical planning, regulation and development, and producing structural plans, or any successor thereto.

## **Section II. Modifications to the General Conditions**

The modifications to the General Conditions are 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 remaining 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).