

**MILLENNIUM CHALLENGE COMPACT**  
**BETWEEN**  
**THE UNITED STATES OF AMERICA**  
**ACTING THROUGH**  
**THE MILLENNIUM CHALLENGE CORPORATION**  
**AND**  
**THE DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA**  
**ACTING THROUGH**  
**THE MINISTRY OF FINANCE**

MILLENNIUM CHALLENGE COMPACT  
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## MILLENNIUM CHALLENGE COMPACT

This MILLENNIUM CHALLENGE COMPACT (this “*Compact*”) is between the United States of America, acting through the Millennium Challenge Corporation, a United States government corporation (“*MCC*”), and the Democratic Socialist Republic of Sri Lanka (“*Sri Lanka*”), acting through its Ministry of Finance (the “*Government*”) (individually, a “*Party*” and collectively, the “*Parties*”). Capitalized terms used in this Compact shall have the meanings provided in Annex V.

### RECITALS

Recognizing that the Parties are committed to the shared goals of promoting economic growth and the elimination of extreme poverty in Sri Lanka and that MCC assistance under this Compact supports Sri Lanka’s demonstrated commitment to strengthening good governance, economic freedom, and investments in people;

Recalling that the Government consulted with the private sector and civil society of Sri Lanka to determine the priorities for the use of MCC assistance, and developed and submitted to MCC a proposal for such assistance to achieve lasting economic growth and poverty reduction; and

Recognizing that MCC wishes to help Sri Lanka implement the program described herein to achieve the goal and objectives described herein (as such program description and objectives may be amended from time to time in accordance with the terms hereof, the “*Program*”);

The Parties hereby agree as follows:

### ARTICLE 1.

#### GOAL AND OBJECTIVES

Section 1.1 Compact Goal. The goal of this Compact is to reduce poverty through economic growth in Sri Lanka (the “*Compact Goal*”). MCC shall provide assistance in a manner that strengthens good governance, economic freedom, and investments in the people of Sri Lanka.

Section 1.2 Project Objectives. The Program consists of the projects described in Annex I (each a “*Project*” and collectively, the “*Projects*”). The Program consists of two Projects, a Transport Project and Land Project. The respective objective of the Projects (each a “*Project Objective*”) are:

(a) to increase the relative efficiency and capacity of the road network and bus system in the Colombo Metropolitan Region (“*CMR*”) and to reduce the cost of transport in order to facilitate the flow of passengers and goods between the central region of the country and ports and markets; and

(b) to increase the availability of information on private land and under-utilized State Lands in order to increase land market activity.

ARTICLE 2.

FUNDING AND RESOURCES

Section 2.1 Program Funding. Upon entry into force of this Compact in accordance with Section 7.3, MCC shall grant to the Government, under the terms of this Compact, an amount not to exceed Four Hundred Forty-Seven Million Five Hundred Thousand United States Dollars (US\$447,500,000) (“*Program Funding*”) for use by the Government to implement the Program. The multi-year allocation of Program Funding is generally described in Annex II.

Section 2.2 Compact CDF.

(a) Upon the signing of this Compact, MCC shall grant to the Government, under the terms of this Compact and in addition to the Program Funding described in Section 2.1, an amount not to exceed Thirty-Two Million Five Hundred Thousand United States Dollars (US\$32,500,000) (“*Compact CDF*”) under Section 609(g) of the Millennium Challenge Act of 2003, as amended (the “*MCA Act*”), for use by the Government to facilitate implementation of this Compact, including for the following purposes:

- (i) financial management and procurement activities;
- (ii) administrative activities (including start-up costs such as staff salaries) and administrative support expenses such as rent, computers, and other information technology or capital equipment;
- (iii) monitoring and evaluation activities;
- (iv) feasibility, design, and other project preparatory studies; and
- (v) other activities to facilitate Compact implementation as requested by the Government and approved by MCC.

The allocation of Compact CDF is generally described in Annex II.

(b) In accordance with Section 7.5, this Section 2.2 and other provisions of this Compact applicable to Compact CDF shall be effective, for purposes of Compact CDF only, as of the date this Compact is signed by MCC and the Government.

(c) Each Disbursement of Compact CDF is subject to satisfaction of the conditions precedent to such disbursement as set forth in Annex IV.

(d) If MCC determines that the full amount of Compact CDF available under Section 2.2(a) exceeds the amount that reasonably can be utilized for the purposes set forth in Section 2.2(a), MCC, by written notice to the Government, may withdraw the excess amount, thereby reducing the amount of the Compact CDF available under Section 2.2(a) (such excess, the “*Excess Compact CDF Amount*”). In such event, the amount of Compact CDF granted to the Government under Section 2.2(a) shall be reduced by the Excess Compact CDF Amount, and MCC shall have no further obligations with respect to such Excess Compact CDF Amount.

(e) MCC, at its option by written notice to the Government, may elect to grant to the Government an amount equal to all or a portion of such Excess Compact CDF Amount as an increase in the Program Funding, and such additional Program Funding shall be subject to the terms and conditions of this Compact applicable to Program Funding.

(f) Without limiting the generality of Section 2.2(a), the Government agrees that MCC shall directly administer and manage a portion of the Compact CDF for the purpose of undertaking one or more feasibility studies for the Transport Project, as may be agreed in writing by the Parties (the "*MCC Contracted Compact CDF Activities*"). Notwithstanding anything to the contrary in this Compact or the Program Implementation Agreement, MCC shall utilize applicable United States Government procurement rules and regulations in any procurements it administers and manages in connection with MCC Contracted Compact CDF Activities and shall disburse Compact CDF from time to time for the MCC Contracted Compact CDF Activities directly to the relevant providers upon receipt of valid invoices approved by MCC.

Section 2.3 MCC Funding. Program Funding and Compact CDF are collectively referred to in this Compact as "*MCC Funding*," and includes any refunds or reimbursements of Program Funding or Compact CDF paid by the Government in accordance with this Compact.

Section 2.4 Disbursement. In accordance with this Compact and the Program Implementation Agreement, MCC shall disburse MCC Funding for expenditures incurred in furtherance of the Program (each instance, a "*Disbursement*"). Subject to the satisfaction of all applicable conditions precedent, the proceeds of Disbursements shall be made available to the Government, at MCC's sole election, by (a) deposit to one or more bank accounts established by the Government and acceptable to MCC (each, a "*Permitted Account*") or (b) direct payment to the relevant provider of goods, works or services for the implementation of the Program. MCC Funding may be expended only for Program expenditures.

Section 2.5 Interest. The Government shall pay or transfer to MCC, in accordance with the Program Implementation Agreement, any interest or other earnings that accrue on MCC Funding prior to such funding being used for a Program purpose.

Section 2.6 Government Resources; Budget.

(a) The Government shall provide all funds and other resources, and shall take all other actions that are necessary to carry out the Government's responsibilities under this Compact.

(b) The Government shall use its best efforts to ensure that all MCC Funding it receives or is projected to receive in each of its fiscal years is fully accounted for in its annual budgets for the duration of the Program.

(c) The Government shall not reduce the normal and expected resources that it would otherwise receive or budget from sources other than MCC for the activities contemplated under this Compact and the Program.

(d) Unless the Government discloses otherwise to MCC in writing, MCC Funding shall be in addition to the resources that the Government would otherwise receive or budget for the activities contemplated under this Compact and the Program.

Section 2.7 Limitations on the Use of MCC Funding. The Government shall ensure that MCC Funding is not used for any purpose that would violate United States law or policy, as specified in this Compact or as further notified to the Government in writing, including but not limited to the following purposes:

(a) for assistance to, or training of, the military, police, militia, national guard, or other quasi-military organization or unit;

(b) for any activity that is likely to cause a substantial loss of United States jobs or a substantial displacement of United States production;

(c) to undertake, fund, or otherwise support any activity that is likely to cause a significant environmental, health, or safety hazard, as further described in MCC's *Environmental Guidelines* and any guidance documents issued in connection with such guidelines (collectively, the "*MCC Environmental Guidelines*"); or

(d) to pay for the performance of abortions as a method of family planning, to motivate or coerce any person to practice abortions, to pay for the performance of involuntary sterilizations as a method of family planning, to coerce or provide any financial incentive to any person to undergo sterilizations, to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning.

Section 2.8 Taxes.

(a) Unless the Parties specifically agree otherwise in writing, the Government shall ensure that all MCC Funding is free from the payment or imposition of any existing or future taxes, duties, levies, contributions, or other similar charges (but not fees or charges for services that are generally applicable in Sri Lanka, reasonable in amount and imposed on a non-discriminatory basis) ("*Taxes*") of or in Sri Lanka (including any such Taxes imposed by a national, regional, local, or other governmental or taxing authority of or in Sri Lanka). Specifically, and without limiting the generality of the foregoing, MCC Funding shall be free from the payment of: (i) any tariffs, customs duties, import taxes, export taxes, and other similar charges on any goods, works, or services introduced into Sri Lanka in connection with the Program; (ii) sales tax, value added tax, excise tax, property transfer tax, and other similar charges on any transactions involving goods, works, or services in connection with the Program; (iii) taxes and other similar charges on ownership, possession, or use of any property in connection with the Program; and (iv) taxes and other similar charges on income, profits, or gross receipts attributable to work performed in connection with the Program, and related social security taxes and other similar charges on all natural or legal persons performing work in connection with the Program, except in the case of this clause (iv): (1) natural persons who are citizens or permanent residents of Sri Lanka and (2) legal persons formed under the laws of Sri

Lanka (but excluding MCA-Sri Lanka and any other entity formed for the purpose of implementing the Government's obligations hereunder).

(b) The mechanisms that the Government shall use to implement the tax exemption required by Section 2.8(a) for certain principal taxes are set forth in the Program Implementation Agreement. Such mechanisms may include exemptions from the payment of Taxes that have been granted in accordance with applicable law, refund, or reimbursement of Taxes by the Government to MCC, MCA-Sri Lanka, or to the taxpayer, or payment by the Government to MCA-Sri Lanka or MCC, for the benefit of the Program, of an agreed amount representing any collectible Taxes on the items described in Section 2.8(a).

(c) If a Tax has been paid contrary to the requirements of Section 2.8(a) or Annex V, the Government shall refund promptly to MCC (or to another party as designated by MCC) the amount of such Tax in United States Dollars or the currency of Sri Lanka within sixty (60) days (or such other period as may be agreed in writing by the Parties) after the Government is notified in writing (whether by MCC or MCA-Sri Lanka) that such Tax has been paid. Failure to refund such amount within the specified time shall result in interest accruing on the unpaid amount in accordance with Section 5.4.

(d) No MCC Funding, proceeds thereof, or Program Assets may be applied by the Government in satisfaction of its obligations under Section 2.8(c).

### ARTICLE 3.

#### IMPLEMENTATION

Section 3.1 Program Implementation Agreement. The Parties shall enter into an agreement providing further detail on the implementation arrangements, fiscal accountability and disbursement, and use of MCC Funding, among other matters (the "*Program Implementation Agreement*" or "*PIA*"); and the Government shall implement the Program in accordance with this Compact, the PIA, any other Supplemental Agreement, and any Implementation Letter.

Section 3.2 Government Responsibilities.

(a) The Government has principal responsibility for overseeing and managing the implementation of the Program. The designation of MCA-Sri Lanka to act on behalf of the Government contemplated by Section 3.2(b) below does not relieve the Government of any obligations or responsibilities hereunder or under any related agreement, for which the Government remains fully responsible.

(b) With the prior consent of MCC, the Government shall designate an entity, to be established as a company limited by guarantee under Sri Lanka's Companies Act No. 7 of 2007, as the accountable entity to implement the Program and to exercise and perform the Government's right and obligation to oversee, manage, and implement the Program, including without limitation, managing the implementation of the Projects and their Activities, allocating resources, and managing procurements. Such entity shall be referred to herein as "*MCA-Sri Lanka*" and shall have the authority to act on behalf of the Government with regard to all Program activities. Any provision of this Compact obligating MCA-Sri Lanka to take any action



or refrain from taking any action, as the case may be, means that the Government shall cause MCA-Sri Lanka to take such action or refrain from taking such action, as the case may be. The Government hereby also designates MCA-Sri Lanka to exercise and perform the Government's right and obligation to oversee, manage, and implement the activities described in the Amended and Restated Grant and Implementation Agreement, dated June 18, 2018, as amended, between the Government and MCC (the "*CDF Agreement*"). MCC hereby acknowledges and consents to the designation in this Section 3.2(b).

(c) The Government shall ensure that any Program Assets or services funded in whole or in part (directly or indirectly) by MCC Funding are used solely in furtherance of this Compact and the Program, unless MCC agrees otherwise in writing.

(d) The Government shall take all necessary or appropriate steps to achieve the Project Objectives during the Compact Term (including, without limiting Section 2.6(a), funding all costs that exceed MCC Funding and are required to carry out the terms hereof and achieve such objectives, unless MCC agrees otherwise in writing).

(e) The Government shall ensure that the Program is implemented with, and that the Government carries out its obligations hereunder with, due care, efficiency, and diligence in conformity with sound technical, financial, and management practices, and in conformity with this Compact, the Program Implementation Agreement, any other Supplemental Agreement, any Implementation Letter, and the Program Guidelines.

Section 3.3 Policy Performance. In addition to undertaking the specific policy, legal, and regulatory reform commitments identified in Annex I, the Government shall seek to maintain and to improve its level of performance under the policy criteria identified in Section 607 of the MCA Act, and the selection criteria and methodology used by MCC.

Section 3.4 Accuracy of Information. The Government assures MCC that, as of the date this Compact is signed by the Government, the information provided to MCC by or on behalf of the Government in the course of reaching agreement with MCC on this Compact is true, correct, and complete in all material respects.

Section 3.5 Implementation Letters. From time to time, MCC may provide guidance to the Government in writing on any matters relating to this Compact, MCC Funding, or implementation of the Program. The Government shall use such guidance in implementing the Program. The Parties may also issue jointly agreed-upon writings to confirm and record their mutual understanding on aspects related to the implementation of this Compact, the PIA, or other related agreements. Both types of writings are referred to herein as "*Implementation Letters*."

Section 3.6 Procurement and Grants.

(a) The Government shall ensure that the procurement of all goods, works, and services by the Government or any Provider to implement the Program shall be in accordance with MCC's *Program Procurement Guidelines* (the "*MCC Program Procurement Guidelines*"). Accordingly, neither the Government Procurement Guidelines (2006), nor any other laws or regulations of Sri Lanka regarding procurements shall apply to procurements to

implement the Program. The MCC Program Procurement Guidelines include the following requirements, among others:

- (i) open, fair, and competitive procedures must be used in a transparent manner to solicit, award, and administer contracts and to procure goods, works, and services;
- (ii) solicitations for goods, works, and services must be based upon a clear and accurate description of the goods, works, and services to be acquired;
- (iii) contracts must be awarded only to qualified contractors that have the capability and willingness to perform the contracts in accordance with their terms on a cost effective and timely basis; and
- (iv) no more than a commercially reasonable price, as determined, for example, by a comparison of price quotations and market prices, shall be paid to procure goods, works, and services.

(b) Unless MCC otherwise consents in writing, the Government shall ensure that any grant issued in furtherance of the Program (each, a “*Grant*”) is awarded, implemented, and managed pursuant to open, fair, and competitive procedures administered in a transparent manner acceptable to MCC. In furtherance of this requirement, and prior to the issuance of any Grant, the Government and MCC shall agree upon written procedures to govern the identification of potential Grant recipients, including, without limitation, appropriate eligibility and selection criteria and award procedures. Such agreed procedures shall be posted on the MCA-Sri Lanka website.

Section 3.7 Records; Accounting; Covered Providers; Access.

(a) Government Books and Records. The Government shall maintain, and shall use its best efforts to ensure that all Covered Providers maintain, accounting books, records, documents, and other evidence relating to the Program adequate to show, to MCC’s satisfaction, the use of all MCC Funding and the implementation and results of the Program (“*Compact Records*”). In addition, the Government shall furnish or cause to be furnished to MCC, upon its request, originals or copies of such Compact Records.

(b) Accounting. The Government shall maintain, and shall use its best efforts to ensure that all Covered Providers maintain, Compact Records in accordance with generally accepted accounting principles prevailing in the United States, or at the Government’s option and with MCC’s prior written approval, other accounting principles, such as those (i) prescribed by the International Accounting Standards Board, or (ii) then prevailing in Sri Lanka. Compact Records must be maintained for at least five years after the end of the Compact Term or for such longer period, if any, required to resolve any litigation, claims, or audit findings or any applicable legal requirements.

(c) Access. Upon MCC’s request, the Government, at all reasonable times, shall permit, or cause to be permitted, authorized representatives of MCC, the Inspector General of MCC (“*Inspector General*”), the United States Government Accountability Office, any auditor responsible for an audit contemplated herein or otherwise conducted in furtherance of this

Compact, and any agents or representatives engaged by MCC or the Government to conduct any assessment, review, or evaluation of the Program, the opportunity to audit, review, evaluate, or inspect facilities, assets, and activities funded in whole or in part by MCC Funding.

Section 3.8 Audits; Reviews.

(a) Government Audits. Except as the Parties may agree otherwise in writing, the Government shall, on at least a semi-annual basis, conduct, or cause to be conducted, financial audits of all disbursements of MCC Funding covering the period from signing of this Compact until the earlier of the following March 31 or September 30 and covering each six-month period thereafter ending March 31 or September 30, through the end of the Compact Term, as well as the one hundred twenty (120) day period following the expiration of the Compact Term. In addition, the Government shall ensure that such audits are conducted by an independent auditor approved by MCC and selected in accordance with MCC's *Guidelines for Financial Audits Contracted by the Millennium Challenge Corporation's Accountable Entities* (the "**Audit Guidelines**"). Audits shall be performed in accordance with such Audit Guidelines, and/or other processes and procedures directed from time to time by MCC. Each audit must be completed and the audit report delivered to MCC no later than ninety (90) days after the applicable audit period, or such other period as the Parties may otherwise agree in writing. Any changes to the period to be audited shall be included in an audit plan developed and implemented by MCA-Sri Lanka in accordance with Audit Guidelines and Program Implementation Agreement and as approved by MCC (the "**Audit Plan**").

(b) Audits of Other Entities. The Government shall ensure that MCC financed agreements between the Government or any Provider, on the one hand, and (i) a United States nonprofit organization, on the other hand, state that the United States nonprofit organization is subject to the applicable audit requirements contained in the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, issued by the United States Office of Management and Budget; (ii) a United States for-profit Covered Provider, on the other hand, state that the United States for-profit organization is subject to audit by the applicable United States Government agency, unless the Government and MCC agree otherwise in writing; and (iii) a non-US Covered Provider (whether a for-profit or nonprofit organization), on the other hand, state that the non-US Covered Provider is subject to audit in accordance with the Audit Guidelines.

(c) Corrective Actions. The Government shall use its best efforts to ensure that each Covered Provider (i) takes, where necessary, appropriate, and timely, corrective actions in response to audits, (ii) considers whether the results of the Covered Provider's audit necessitates adjustment of the Government's records, and (iii) permits independent auditors to have access to its records and financial statements as necessary.

(d) Audit by MCC. MCC shall have the right to arrange for audits of the Government's use of MCC Funding.

(e) Cost of Audits, Reviews, or Evaluations. MCC Funding may be used to fund the costs of any audits, reviews, or evaluations required under this Compact.

(iv) a use of MCC Funding or continued implementation of this Compact or the Program violates applicable law or United States Government policy, whether now or hereafter in effect;

(v) the Government or any other person or entity receiving MCC Funding or using Program Assets is engaged in activities that are contrary to the national security interests of the United States;

(vi) an act has been committed or an omission or an event has occurred that would render Sri Lanka ineligible to receive United States economic assistance under Part I of the Foreign Assistance Act of 1961, as amended (22 U.S.C. 2151 *et seq.*), by reason of the application of any provision of such act or any other provision of law;

(vii) the Government has engaged in a pattern of actions inconsistent with the criteria used to determine the eligibility of Sri Lanka for assistance under the MCA Act; and

(viii) the Government or a person or entity receiving MCC Funding or using Program Assets is found to have been convicted of a narcotics offense or to have been engaged in drug trafficking.

Section 5.2 Consequences of Termination, Suspension, or Expiration.

(a) Upon the suspension or termination, in whole or in part, of this Compact or any MCC Funding, or upon the expiration of this Compact, the provisions of the Program Implementation Agreement shall govern the post-suspension, post-termination, or post-expiration treatment of MCC Funding, any related Disbursements, and Program Assets. Any portion of this Compact, MCC Funding, the Program Implementation Agreement, or any other Supplemental Agreement that is not suspended or terminated shall remain in full force and effect.

(b) MCC may reinstate any suspended or terminated MCC Funding under this Compact if MCC determines that the Government or other relevant person or entity has committed to correct each condition for which MCC Funding was suspended or terminated.

Section 5.3 Refunds; Violation.

(a) If any MCC Funding, any interest or earnings thereon, or any Program Asset is used for any purpose in violation of the terms of this Compact, then MCC may require the Government to repay to MCC in United States Dollars the value of the misused MCC Funding, interest, earnings, or asset, plus interest thereon in accordance with Section 5.4 within thirty (30) days after the Government's receipt of MCC's request for repayment. The Government shall not use MCC Funding, proceeds thereof, or Program Assets to make such payment.

(b) Notwithstanding any other provision in this Compact or any other agreement to the contrary, MCC's right under Section 5.3(a) to obtain a refund shall continue during the Compact Term and for a period of: (i) five (5) years thereafter; or (ii) one (1) year after MCC receives actual knowledge of such violation, whichever is later.

Section 5.4 Late Payment Interest. If the Government fails to pay any amount under this Compact or the Program Implementation Agreement when due (including amounts under Section 2.8(c) and 5.3(a)), the Government shall pay interest on such past due amount. Interest shall accrue on such amount at a rate equal to the then current U.S. Treasury Current Value of Funds Rate, calculated on a daily basis and a 360-day year from the due date of such payment until such amount is paid in full. Any such payment shall first be credited against interest due, and once the interest due amount is extinguished, then payments shall be credited against outstanding principal.

Section 5.5 Survival. The Government's responsibilities under this Section and Sections 2.7 (Limitations on the Use of MCC Funding), Section 2.8 (Taxes), Section 3.7 (Records; Accounting; Covered Providers; Access), Section 3.8 (Audits; Reviews), Section 3.9 (Intellectual Property), Section 5.2 (Consequences of Termination, Suspension or Expiration), Section 5.3 (Refunds; Violation), Section 5.4 (Late Payment Interest), and Section 6.4 (Governing Law) shall survive the expiration, suspension, or termination of this Compact, *provided that* the terms of Section 2.8 shall survive for only one hundred twenty (120) days following this Compact's expiration.

## ARTICLE 6.

### COMPACT ANNEXES; AMENDMENTS; GOVERNING LAW

Section 6.1 Annexes. Each annex to this Compact constitutes an integral part hereof, and references to "*Annex*" mean an annex to this Compact unless otherwise expressly stated.

Section 6.2 Amendments and Modifications.

(a) The Parties may amend this Compact only by a written agreement. Such agreement shall specify how it enters into force.

(b) Notwithstanding subsection (a), the Parties agree that the Government and MCC may by written agreement, which shall enter into force upon signature, modify any Annex in order to, in particular, but without limitation (i) suspend, terminate, or modify any Project or Activity; (ii) change the allocations of funds as set forth in Annex II; (iii) modify the implementation framework described in Annex ANNEX I; (iv) add, change, or delete any indicator, baseline, target, or other information set forth in Annex II in accordance with the MCC M&E Policy; or (v) add, modify, or delete any condition precedent described in Annex IV; *provided that*, in each case, any such modification (A) is consistent in all material respects with the Project Objectives, (B) does not cause the amount of Program Funding to exceed the aggregate amount specified in Section 2.1 (as may be modified by operation of Section 2.2(e)), (C) does not cause the amount of Compact CDF to exceed the aggregate amount specified in Section 2.2(a), (D) does not reduce the Government's responsibilities or contribution of resources required under Section 2.6(a), and (E) does not extend the Compact Term.

Section 6.3 Inconsistencies. In the event of any conflict or inconsistency between:

(a) any Annex and any of Articles 1 through 8, such Articles 1 through 8, as applicable, shall prevail; or

(b) this Compact and any other agreement between the Parties regarding the Program, this Compact shall prevail.

Section 6.4 Governing Law. This Compact is an international agreement and as such shall be governed by international law.

Section 6.5 Additional Instruments. Any reference to activities, obligations, or rights undertaken or existing under or in furtherance of this Compact, or similar language shall include activities, obligations, and rights undertaken by, or existing under or in furtherance of any agreement, document, or instrument related to this Compact and the Program.

Section 6.6 References to MCC Website. Unless expressly provided otherwise, any reference in this Compact, the PIA, or any other agreement entered into in connection with this Compact, to a document or information available on, or notified by posting on the MCC Website shall be deemed a reference to such document or information as updated or substituted on the MCC Website from time to time.

Section 6.7 References to Laws, Regulations, Policies and Guidelines; References to Compact Expiration and Termination.

(a) Unless expressly provided otherwise, each reference in this Compact, the PIA, or any other agreement entered into in connection with this Compact to a law, regulation, policy, guideline, or similar document shall be construed as a reference to such law, regulation, policy, guideline, or similar document as it may, from time to time, be amended, revised, replaced, or extended, and shall include any law, regulation, policy, guideline, or similar document issued under or otherwise applicable or related to such law, regulation, policy, guideline or similar document.

(b) Each reference in this Compact, the PIA, or any other agreement entered into in connection with this Compact, to the Compact's "expiration" refers to the date on which the Compact Term ends if the Compact is not terminated earlier, which in accordance with Section 7.4 is five (5) years after its entry into force. Each reference in any of the aforementioned documents to the Compact's "termination" refers to this Compact ceasing to be in force prior to its expiration in accordance with Section 5.1.

Section 6.8 MCC Status. MCC is a United States government corporation acting on behalf of the United States Government in the implementation of this Compact. MCC and the United States Government assume no liability for any claims or loss arising out of activities or omissions under this Compact. The Government waives any and all claims against MCC or the United States Government or any current or former officer or employee of MCC or the United States Government for all loss, damage, injury, or death arising out of activities or omissions under this Compact, and agrees that it shall not bring any claim or legal proceeding of any kind against any of the above entities or persons for any such loss, damage, injury, or death. The Government agrees that MCC and the United States Government or any current or former officer or employee of MCC or the United States Government shall be immune from the jurisdiction of all courts and tribunals of Sri Lanka for any claim or loss arising out of activities or omissions under this Compact.

## ARTICLE 7.

## ENTRY INTO FORCE

Section 7.1 Domestic Procedures. The Government shall proceed in a timely manner to complete all of its domestic requirements for this Compact and PIA to enter into force. The Parties understand that, consistent with Sri Lankan law, prior to the Government sending the letter described in Section 7.3, this Compact is to be submitted to and enacted by the Parliament of Sri Lanka.

Section 7.2 Conditions Precedent to Entry into Force. Each of the following conditions must be fulfilled, in each case to the satisfaction of MCC, before this Compact enters into force:

- (a) the Program Implementation Agreement must have been signed by the Parties thereto;
- (b) The Government must have delivered to MCC:
  - (i) a letter signed and dated by the Principal Representative of the Government, or such other duly authorized representative of the Government acceptable to MCC, confirming that the Government has completed its domestic requirements necessary for this Compact to enter into force and that the other conditions precedent to entry into force in this Section 7.2 have been met;
  - (ii) a signed legal opinion from the Attorney General of Sri Lanka (or such other legal representative of the Government acceptable to MCC), in form and substance satisfactory to MCC;
  - (iii) complete, certified copies of all decrees, legislation, regulations, or other governmental documents relating to the Government's domestic requirements necessary for this Compact and the PIA to enter into force, which MCC may post on its website or otherwise make publicly available; and
- (c) MCC shall not have determined, at the time of this Compact's entry into force, that the Government has engaged in a pattern of actions inconsistent with the eligibility criteria for MCC Funding.

Section 7.3 Date of Entry into Force. This Compact shall enter into force on the date of the letter from MCC to the Government in an exchange of letters confirming that MCC and the Government have completed their respective domestic requirements for entry into force of this Compact and that the conditions precedent to entry into force in Section 7.2 have been met to MCC's satisfaction.

Section 7.4 Compact Term. This Compact shall remain in force for five (5) years after its entry into force, unless terminated earlier under Section 5.1 (the "*Compact Term*").

Section 7.5 Provisional Application. Upon signature of this Compact, and until this Compact has entered into force in accordance with Section 7.3, the Parties shall provisionally apply the

terms of this Compact; *provided that*, no MCC Funding, other than Compact CDF, shall be made available or disbursed before this Compact enters into force.

**ARTICLE 8.**

**ADDITIONAL GOVERNMENT COVENANTS**

Section 8.1 Permitted Account. The Government shall ensure that MCA-Sri Lanka shall maintain the Permitted Account in a private commercial bank.

Section 8.2 Foreign Exchange Accounts. The Government shall ensure that MCA-Sri Lanka, any foreign personnel (individual consultants or personnel of firms), and any foreign company providing goods, works, or services under the Compact have the legal right to maintain a foreign currency bank account.

Section 8.3 Employment Requirements. The Government shall arrange for any foreign personnel (individual consultants or personnel of firms) providing goods, works, or services under the Compact to be provided promptly with any necessary entry or work visas.

**SIGNATURE PAGE FOLLOWS ON THE NEXT PAGE**



**Execution Version**

**IN WITNESS WHEREOF**, each Party, through its duly authorized representative, has signed this Compact.

Done at [        ], this [    ] day of May 2019, in the English language.

FOR THE UNITED STATES OF  
AMERICA, acting through THE  
MILLENNIUM CHALLENGE  
CORPORATION

FOR THE DEMOCRATIC SOCIALIST  
REPUBLIC OF SRI LANKA, acting through  
THE MINISTRY OF FINANCE

---

Name: Cynthia Huger  
Title: Vice President, Department of  
Administration & Finance

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Name: Mangala Pinsiri Samaraweera  
Title: Minister of Finance

**SIGNATURE PAGE TO MILLENNIUM CHALLENGE COMPACT  
BETWEEN THE UNITED STATES OF AMERICA  
ACTING THROUGH THE MILLENNIUM CHALLENGE CORPORATION  
AND THE DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA  
ACTING THROUGH THE MINISTRY OF FINANCE**

## ANNEX I PROGRAM DESCRIPTION

This Annex I describes the Program to be funded with MCC Funding in Sri Lanka during the Compact Term.

### A. PROGRAM OVERVIEW

#### 1. Background and Consultative Process.

##### (a) Background.

In December 2015, MCC's Board of Directors selected Sri Lanka to develop a threshold program. During development of the threshold program, the Government and MCC conducted a constraints analysis in collaboration with the Center for International Development at Harvard University that was completed in November 2016. The high cost of transport and access to land were identified as binding constraints to economic growth.

In December 2016, MCC's Board of Directors selected Sri Lanka to develop a compact given its performance on MCC's policy indicators. Following its selection, the Government recruited the compact development team, which is housed in the Prime Minister's Office of Policy Development. In November 2017, the Government submitted project proposals that focused on addressing Sri Lanka's binding constraints.

In a country with a total population of 21 million people with approximately two million person trips a day in the CMR alone, traffic congestion in the CMR has increased travel time and reduced travel speeds, resulting in high costs to the local economy. In addition, poor inter-regional transport infrastructure and services make economic expansion in other regions of the country more difficult, particularly in economically lagging and post conflict areas. The compact interventions could contribute to a reduction in the time required to bring goods to market and employees to work.

Lack of access to State Lands and private lands for investment purposes is a significant deterrent to both foreign and domestic investment, affecting the growth of manufacturing, agriculture, construction, residential and commercial development, and tourism, among other sectors. The proposed interventions could form lasting improvements to the country's land governance framework and promote land transactions that could stimulate investment in land and increase its use as an economic asset. Creating a dynamic market for land is also a priority in the Government's eight-year national development plan, *Vision 2025: A Country Enriched*.

##### (b) Consultative Process.

Throughout the compact development process, the Government engaged in an inclusive and strategic consultative process to inform the Program's focus and design. The Government consulted a wide range of public officials, the private sector, civil society, and development partners. Separate meetings were held with various Government ministries and agencies, the Ceylon Chamber of Commerce, and the American Chamber of Commerce in Sri Lanka.

The Government also utilized several formal and informal mechanisms to solicit direct input from relevant stakeholders to inform project selection and design. These mechanisms included stakeholder workshops, outreach sessions targeted to specific interest groups such as private sector entities, and formal presentations to minister and secretary-level Government representatives. More specifically, in 2017, the Government organized a series of workshops with different Government ministries and agencies working on transport and land, representatives of the chambers of commerce, various think tanks, and civil society to discuss the root causes of the binding constraints. While finalizing the Program in May 2018, the Government further engaged in extensive consultations and organized workshops and focus groups with stakeholders in the transport and land sectors.

## 2. Description of Program and Beneficiaries.

### (a) Program Description.

The Program consists of two Projects designed to respond to constraints to economic growth in Sri Lanka – the Transport Project and the Land Project. The Projects are designed to support two sectors that are critical for Sri Lanka to continue to make progress towards greater economic growth and poverty reduction.

### (b) Intended Beneficiaries.

Over a 20 year period, the Program is estimated to benefit approximately 11 million individuals. This beneficiary count includes adjustments to avoid double counting of persons who may benefit from more than one Activity or Project. The Transport Project in particular is estimated to benefit approximately seven million individuals, while the Land Project is estimated to benefit approximately five million individuals.

## B. DESCRIPTION OF PROJECTS

Set forth below is a description of the Project and the specific activities (each, an “*Activity*”) that the Government shall implement, or cause to be implemented, using MCC Funding to advance the Project Objective.

### 1. Transport Project.

#### (a) Summary of Project and Activities.

The Project Objective of the Transport Project is to increase the relative efficiency and capacity of the road network and bus system in the CMR and to reduce the cost of transport in order to facilitate the flow of passengers and goods between the central region of the country and ports and markets. This shall be accomplished by upgrading physical roadway networks, modernizing the traffic system, improving the performance of the public transportation system, introducing an enabling policy and regulatory environment, providing technical assistance to transport agencies and other relevant stakeholders to ensure long-term sustainability of the transport infrastructure, and undertaking initiatives designed to improve the safety and security of passengers using the public transportation system. These investments are expected to result in a safer, more comfortable, and reliable public transportation system for the traveling public, and to reduce the

transport costs required to move people and goods from lagging regions to ports and markets. The Transport Project is further expected to reduce the number of critical bottlenecks in the CMR roadway network and other national roads, facilitate the flow of vehicular traffic through the major urban corridors, ensure passenger and pedestrian safety, reduce traffic congestion in the CMR, and improve connectivity between regions in the central part of the country. The Transport Project is comprised of three Activities: (i) the Advanced Traffic Management System (“*ATMS*”) Activity; (ii) the Bus Transport Service Modernization (“*BTSM*”) Activity; and (iii) the Central Ring Road Network (“*CRRN*”) Activity.

A key aspect of the Transport Project shall include a public outreach, education and communication strategy designed to highlight the expected improvements to Sri Lanka’s transport system and to address the problem of harassment and safety in public transport. These improvements, particularly to the bus sector and traffic management systems, shall require an extensive public outreach campaign in order to spur required behavior change alongside the service improvements. In addition, the communication strategy shall ensure public understanding of the Project Objective, Activities, and benefits, catalyze behavior change, and manage public expectations around the implementation timeline.

(i) ATMS Activity.

The objective of the ATMS Activity is to reduce the cost of transportation on the movement of goods and people in the CMR. The ATMS Activity aims to decrease relative travel time by reducing traffic delays and improving road safety in the most heavily congested arterial corridors. Civil works and technology enhancements along the roadways are expected to optimize the efficiency of the existing road networks along the eight most heavily congested corridors in the CMR. The civil works and the modernization of the traffic system interventions includes improvements to approximately 132 junctions and the creation of approximately an additional 50 pedestrian crossings in the eight corridors within the CMR emanating from the Colombo Central Business District/port area to the Outer Circular Highway. The ATMS consists of a real-time traffic management system and a traffic management center (“*TMC*”). The TMC shall serve as the nerve center overseeing road traffic information, incident management, automated traffic enforcement, and bus prioritization and management. Specifically, MCC Funding shall support:

- civil works involving geometric improvements to traffic junctions and creation of additional pedestrian crossings;
- the installation of a real-time-based traffic management system that includes: (a) state-of-the-art traffic detection, communications, and data-processing and control system technologies; (b) synchronized and demand-responsive traffic signal and advance controller technologies; (c) an incident management system; (d) an automated traffic enforcement system; (e) a transport administrative support system; and (f) a bus priority management system;
- the establishment of a TMC including the control center equipment, communications interface, geographic information system-based automated network map covering the ATMS control area; closed-circuit television (“*CCTV*”) monitors; data acquisition and analysis software computer systems; office furniture; and back-end administrative support systems; and

- technical assistance and training to (a) ensure that the system shall be operated and maintained effectively to deliver optimal performance and (b) develop necessary protocols to enhance incident reporting and safety.

The Government agrees to support any on-going expenses required as part of the ATMS Activity that implicate Section 2.7(a) of this Compact.

To facilitate the ATMS Activity, a document describing the characteristics and components of the ATMS or a concept of operations of the ATMS shall be developed in collaboration and consultation with the various ATMS Activity stakeholders to: (a) define the precise roles and responsibilities of the multiple agencies that shall be involved in the operations and maintenance (“*O&M*”) of the ATMS and (b) define the various operational scenarios and response strategies for traffic and transport management. The concept of operations shall be the basis for the system design and integration, O&M plans, institutional arrangements, budgeting, resource allocation and training needs for sustaining the ATMS.

(ii) BTSM Activity.

The objective of the BTSM Activity is to increase use of public transport. This Activity aims to make a significant improvement to the speed and quality of the public bus system and to slow down and reverse the trend of declining use of public transport and increasing use of private motor transport. The BTSM Activity shall be closely integrated with the ATMS Activity to help reduce traffic congestion and increased journey times for all road users in the CMR.

The BTSM Activity shall focus primarily on institutional and regulatory reforms and reinforce these reforms with supporting technology and infrastructure improvements. Specifically, the BTSM Activity shall provide support to the Government for the development of a five-year bus sector reform plan (“*Bus Sector Reform Plan*”) that integrates existing bus modernization plans, which shall be approved by the Government. Technical assistance under the BTSM Activity shall provide support to the Government to carry out certain components of the Bus Sector Reform Plan and implement all necessary institutional, legal, regulatory and structural reforms in the bus sector. Proposed policy and structural changes include the: (a) transition from the current farebox compensation model to a performance-based system with payments based on kilometers traveled and schedule adherence; (b) use of smart card technology to track and monitor revenue and service; and (c) establishment of an oversight mechanism to effectively monitor, regulate, plan, and execute essential activities within the bus sector. MCC Funding shall support:

- technical assistance and capacity building to: (i) assist bus sector agencies and relevant stakeholders; and (ii) develop a long-term funding mechanism to finance future Government needs as shall be outlined in the Bus Sector Reform Plan;
- investments in technology identified in the Bus Sector Reform Plan, such as global positioning systems (“*GPS*”), CCTV, monitoring equipment, a bus control center, and communications systems to support tracking and essential data gathering; and
- technical assistance to develop a code of conduct for public safety for use in the public bus system as well as training for the Sri Lanka Transport Board (“*SLTB*”) and private sector bus crews on the safety of women and other vulnerable groups and the prevention of harassment.

MCC Funding may be used to support a grant facility (“*BTSM Grant Facility*”) that would focus on identifying opportunities for investments in upgrades to bus fleets and improvements to bus terminals, bus stops and shelters, bus parking maintenance depots, bus priority lanes and bus priority signals (in areas that overlap with the ATMS Activity interventions). Criteria for selecting projects under the BTSM Grant Facility shall be developed in a grants manual. Support for the BTSM Grant Facility shall be dependent on the Government achieving certain milestones in terms of policy and regulatory reforms and operational targets as agreed under the Bus Sector Reform Plan.

Public outreach and communications shall serve as a critical aspect of this Activity and include media-based information and education and communication campaigns. Appropriate funding shall be allocated to support this public outreach and communications efforts that shall include initiatives to encourage behavior change by bus users.

(iii) CRRN Activity. (Central Ring Road Network)

The objective of the CRRN Activity is to reduce the transport cost of people and goods by improving five sections along the road network connecting Central, Sabaragamuwa, Uva, and the Eastern Provinces to the Western Province. The following sections of the CRRN, totaling approximately 131 km, would be improved using MCC Funding:

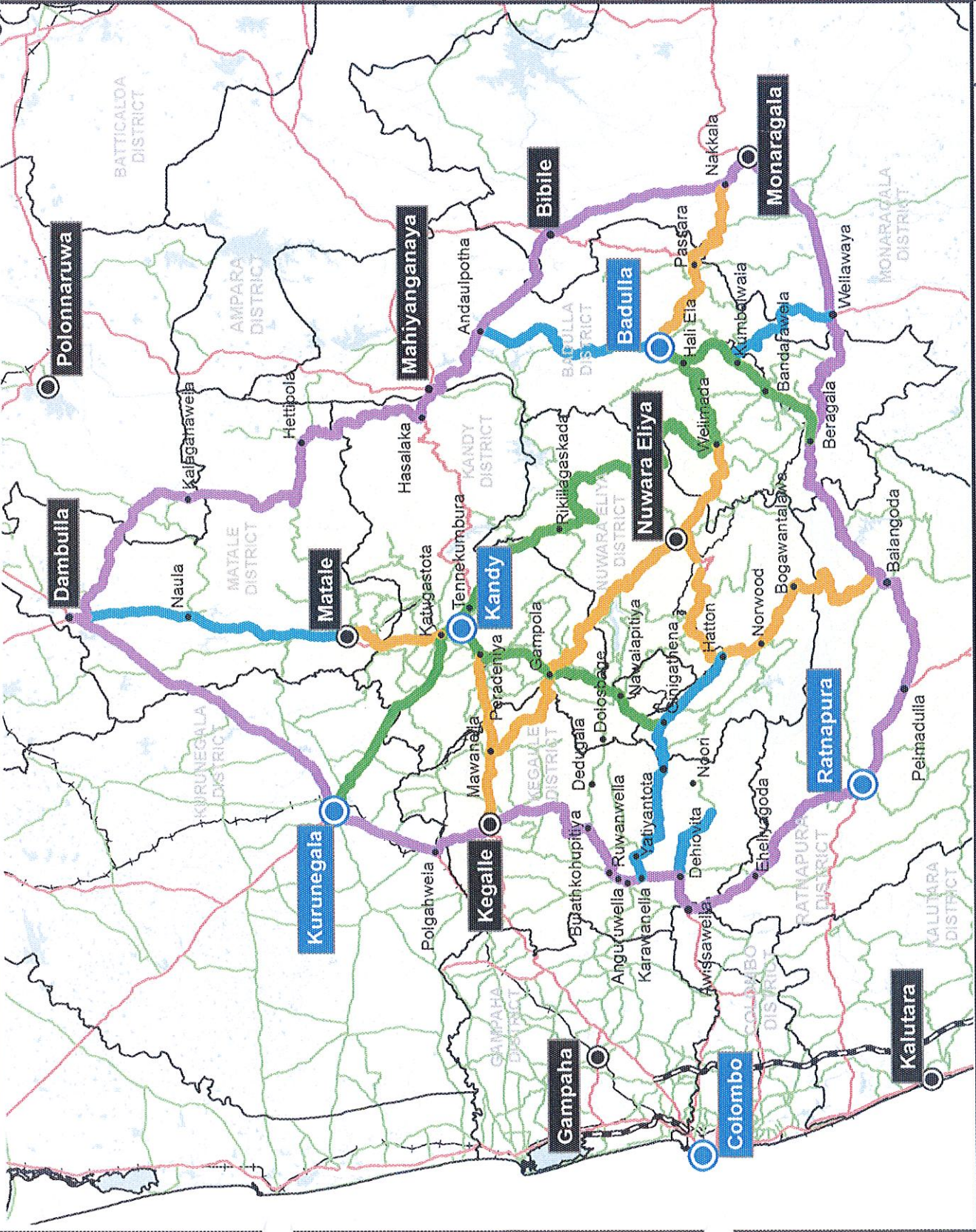
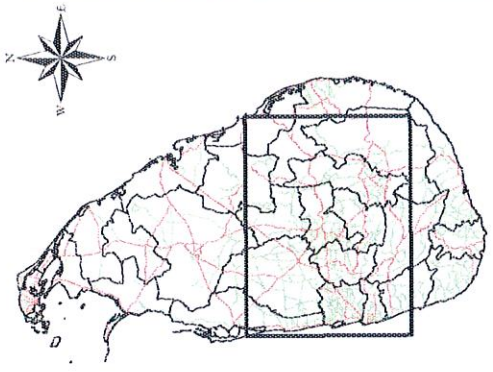
Section	Length
Section 1: Awissawella - Ratnapura	40 km
Section 2: Beragala - Wellawaya	31 km
Section 3: Dambulla - Naula	20 km
Section 4: Dambulla - Provincial Boundary (Central Province and North Central Province)	18 km
Section 5: Ratnapura - Pelmadulla	22 km

In the course of improving these sections of the CRRN, MCC Funding shall support:

- upgrading targeted road sections to bring the road to the national road Class A standard and enhance the capacity and safety of the roadway;
- rehabilitating the pavement structure and surface layers of these roads, to extend their service life;
- technical assistance to provide training in the application of advanced pavement technologies and construction methods, data collection, modeling and calibration of the Highway Development Management (“*HDM-4*”) software tool that shall be used to develop a prioritized road maintenance plan and calculate economic rates of return as well as the application of asset management systems; and
- technical assistance to support the development of a multi-year road maintenance plan and a sustainable financing plan for the Road Maintenance Trust Fund (“*RMTF*”) to ensure the continued maintenance of these and other Class A and Class B roads.

(b) Environmental and Social Performance.

An environmental and social scoping report and resettlement policy framework for the Transport



Provincial Centers  
 District Centers  
 Main Towns

**Ring Road Network**  
 Central Ring Road  
 Connecting First Order Cities  
 Connecting Second Order Cities  
 Connecting Third Order Cities

**National Road Network**  
 Expressways  
 A Class Roads  
 B Class Roads  
 Railways  
 Water Bodies  
 Forest Cover

0 10 20 40 km

PROJECT FORMULATION, MONITORING & GIS SECTION,  
 PLANNING DIVISION: ROAD DEVELOPMENT AUTHORITY,  
 "MAGA NEGUMA MAHA MEDURA",  
 PELAWATTE,  
 BATTARAMULLA. Issued Date : 04.01.2018

# Central Ring Road Network





Project have been completed. On the basis of these studies, the Transport Project has been screened as “Category B” in accordance with the MCC Environmental Guidelines because potential environmental and social impacts are generally site-specific, few if any are irreversible, and mitigation measures are generally well understood.

Environmental and social impact assessments, environmental and social management plans, and resettlement action plans for each Activity shall be developed by MCA-Sri Lanka during the design phase. During this phase, MCA-Sri Lanka shall seek to avoid and, where unavoidable, minimize adverse environmental and social impacts. One area of concern involves potential land acquisition and resettlement impacts for the ATMS and CRRN Activities. Specifically, given the dense urban landscape in Colombo, where the ATMS Activity shall be implemented, significant land acquisition and resettlement impacts are anticipated. To address these issues, MCA-Sri Lanka shall seek to optimize the ATMS Activity’s junction improvements, in order to avoid and minimize such impacts.

(c) Gender and Social Inclusion.

The Transport Project conforms to the MCC Gender Policy, Gender Integration Guidelines, and the Counter-Trafficking in Person Policy. Recent studies revealed that harassment of female commuters is an issue and the Transport Project includes several interventions aimed at improving female safety, and increasing access and ridership to public transport for people with disabilities and other vulnerable groups. To address female safety issues, the Transport Project includes interventions targeted to address gender and social issues such as establishment of an accountability system for female safety with the Government, support to the Ministry of Women and Child Affairs (“*MOWCA*”) and the Ministry of Transport to develop a guideline to reduce harassment on public transport, develop a hotline at the TMC to receive complaints, and development and implementation of a national campaign on female safety throughout the Government transport system.

In support of these interventions, MCA-Sri Lanka shall: (i) conduct relevant gender and social assessments and specific transport-related social and gender analyses; (ii) develop a social and gender integration plan (the “*Social and Gender Integration Plan*”), which, at a minimum, shall identify approaches for regular, meaningful and inclusive consultations with women, the poor and other vulnerable groups; and (iii) ensure, through monitoring and coordination during implementation, that the consultancy and construction tender documents and implementation plans are consistent with and incorporate the findings of the social and gender analyses and the Social and Gender Integration Plan.

A trafficking in persons risk assessment shall be performed; if risks are identified, risk management plans shall be developed and incorporated within the Transport Project. Furthermore, gender responsive resettlement action plans shall be developed to address the specific needs of Project-affected persons.

(d) Donor Coordination.

In developing the Transport Project, the Government and MCC have coordinated closely with development partners including the World Bank (“*WB*”), Asian Development Bank, Japan

International Cooperation Agency, and the Korean International Cooperation Agency, which are engaged in the urban transport sector over the long term.

The Transport Project focuses on leveraging and creating synergies with other development partners. The WB is planning an urban transport program incorporating a bus modernization component that shall likely extend beyond the term of the Compact. The Government shall coordinate closely with the WB to integrate the Transport Project interventions with the WB's investments in this sector. The Japan International Cooperation Agency is slated to begin construction of the country's first light rail transit line, connecting central Colombo with one of its suburbs to which many Government ministries and departments have relocated. The BTSM Activity is expected to include feeder service to and from these stations as part of its route rationalization efforts. The Asian Development Bank is launching a program to improve rural roads (Class C, D, and E) throughout the country, some of which connect with the Class A and B roads improved under the CRRN Activity.

(e) USAID.

During the compact development process, significant efforts were made to ensure that the MCC-funded activities and those of the USAID mission and other U.S. Government actors in Sri Lanka were closely coordinated. Ongoing review and coordination, as appropriate, shall be integrated into implementation plans as they are finalized.

(f) Sustainability.

The ATMS Activity includes technical assistance to develop an O&M strategy and determine the most advantageous role for private sector partnerships in this process. Anticipated O&M costs shall be factored into the design of the ATMS Activity prior to entry into force of the Compact with particular attention given to total lifetime costs. Public-private partnerships and payment of O&M costs through an agreed up financing mechanism in consultation with stakeholders could provide a sustainable framework for operating and maintaining the interventions supported by the ATMS Activity.

As part of the BTSM Activity, a Bus Sector Reform Plan shall be developed that shall provide a roadmap, clarify roles and responsibilities, prioritize activities, define budget needs and identify sources of long-term funding to help finance infrastructure maintenance and new buses as prioritized in the Bus Sector Reform Plan.

Apart from the efforts to improve institutional arrangements and enhance bus operators' incentives, the BTSM Activity's success depends on behavioral changes: existing riders must continue to use public transport instead of migrating to private modes of transport, and users of private modes must be encouraged to consider public transport. The public outreach campaign is intended to be a catalyst for behavior change alongside service improvements. In addition, existing or if needed, newly established passenger advocacy groups shall collaborate with SLTB and the association of private bus operators to encourage increased ridership. The engagement of such groups also has the potential to reduce harassment on city buses and increase accessibility for the elderly, people with disabilities and other vulnerable groups.

As noted above, as part of the CRRN Activity, a sustainable financing plan shall be developed for the RMTF. Providing reliable funding to the RMTF and clearing the severe backlog in highway maintenance would reduce the need for extensive, expensive highway rehabilitation, thereby lowering maintenance costs over the life cycle of the roads. The Program may include technical assistance for the Government to develop an overall public finance strategy for the O&M of the transport sector.

(g) Policy, Legal and Regulatory Reforms.

Policy, legal, regulatory, and institutional reforms undergirds the Transport Project. The success of the ATMS Activity, for instance, requires the accomplishment of several key policy milestones, including identifying an O&M strategy to maintain the Transport Project investments; collection and management of data collection and management related to behavior change and the Transport Project's impacts on that behavior; integrating bus modernization principles and pedestrian safety; and adoption of an operational framework to enable the TMC to function.

For the BTSM Activity, the most critical reform is to institutionalize private bus operators' revenue incentives away from competitive single-bus profit maximization to performance-based revenue sharing. During the transition to performance-based revenue sharing, there is a risk that the anticipated increases in bus ridership and revenue and reductions in bus operating costs may not occur. In addition, institutional reform is required to address the incentives facing bus transport regulators, which may entail restructuring these regulating organizations.

For the CRRN Activity, adequate maintenance of the CRRN is critical to sustaining the CRRN Activity investments.

In view of the above, implementation of the following reforms, in form and substance satisfactory to MCC, are necessary to ensure that the Transport Project meets its Project Objective.

- The Government shall include a distinct budget category in the national budget for the ATMS Activity and allocate sufficient funds to cover the cost of staffing and O&M requirements at each stage of the ATMS implementation.
- To facilitate the development and implementation of the ATMS, including the TMC functions, the Government shall establish a steering committee composed of relevant stakeholders to develop, manage, maintain, and update the concept of operations for the traffic management system, as well as to facilitate maintenance and protection of traffic during construction.
- The Government shall ensure and facilitate all necessary coordination with all stakeholders and inter-governmental ministries and agencies to allow the ATMS to function effectively.
- The Government shall provide MCA-Sri Lanka with access to data that is relevant to monitor Project progress and evaluate the outcomes of the Transport Project.
- During the implementation of the BTSM Activity, the Government shall establish a revenue support fund to cover any possible revenue losses for bus operators during the transitional period.

- As part of the BTSM Activity, the Government shall work with provincial authorities to enforce performance standards and optimize bus route networks and schedules according to passenger demand forecasts.
- As part of the BTSM Activity, the Government shall facilitate the deployment and adoption of an automated farecard system and performance-based bus operations.
- For the CRRN Activity, the Government shall adopt a multi-year maintenance plan for Class A and B roads developed through the project technical assistance, and commit to regular updates of the plan through a data-driven process.
- The Government shall fund any interventions that require direct support to the Sri Lanka police during the implementation of the Transport Project.

## 2. Land Project.

### (a) Summary of Project and Activities.

The Project Objective of the Land Project is to increase the availability of information on private land and under-utilized State Lands in order to increase land market activity. The Land Project would increase tenure security and tradability of land for smallholders, women, and firms through policy and legal reforms. The land activities build on existing government initiatives such as the Electronic State Land Information Management System (“*eSlims*”), the eLand registry system (“*eLand Registry*”), and the *Bim Saviya* program<sup>1</sup> which have not been able to realize their potential because they have been under-resourced. The Land Project shall also support a recent effort by the valuation department and the Information and Communications Technology Agency (“*ICTA*”) to improve the land valuation system. The Land Project is comprised of five activities: (i) the Parcel Fabric Map and State Land Inventory Activity; (ii) the Deeds Registry Improvement Activity; (iii) the Land Valuation System Improvement Activity; (iv) the Land Grants Registration and Deed Conversion Activity; and (v) the Land Policy and Legal Governance Improvement Activity.

The Land Project shall include a public outreach and communication campaign that focuses on informing citizens and businesses of their land rights and encouraging participation in activities that shall assist citizens and businesses secure their rights in land and improve their access to land. There shall be a special focus on ensuring that men and women participate and benefit equally in these activities. Changes in land policy and law shall be communicated to the population, promoting land market activity, new investment in land, and productive use of land.

#### (i) Parcel Fabric Map and State Land Inventory Activity.

The aim of the Parcel Fabric Map and State Land Inventory Activity is the creation of a parcel fabric map that covers up to 28 percent of the land area of Sri Lanka, focused on seven districts<sup>2</sup> (the “*Targeted Districts*”). The parcel fabric map is intended to become the base map for completion of an inventory of State Lands in the same districts, which is intended to help the

<sup>1</sup> The *Bim Saviya* program seeks to convert real property under deeds to the title registration system, which carries a state guarantee for registered owners of property.

<sup>2</sup> Anuradhapura, Kandy, Kegalle, Kurunegala, Matale, Polonnaruwa, and Trincomalee.

Government determine which State Lands are underutilized and available for investment and which lands are in active use. Building on the eSlims, this inventory also establishes a basis for the state to determine the rights of citizens who are occupying State Lands and gather available documentation for citizens' claims to the land for future adjudication.

MCC Funding shall support:

- the preparation of the parcel fabric map in the Targeted Districts; and
- an inventory and mapping of State Land parcels that are vested in state institutions in those districts.

In addition, MCC Funding may support the preparation of the parcel fabric map in geographic areas outside of the Targeted Districts. In deciding specific geographic areas outside the Targeted Districts, MCC shall consider the speed of parcel fabric map preparation, the ease of completing this work in a cost-effective manner, and the level of support from the Government entities involved in this Activity. With the addition of these geographic areas, the parcel fabric map may cover up to 67 percent of the land surface area of Sri Lanka.

All data gathered as part of this Activity shall be provided to the Commissioner General of Land, as the custodian of State Lands in Sri Lanka, for entry into eSlims.

(ii) Deeds Registry Improvement Activity.

Many of the property records in the deeds system are still in paper form and poorly maintained, making the records vulnerable to theft, fire, alteration, and fraud in real property transactions. To address these issues, MCC Funding shall support efforts to scan and digitize these paper records, capturing key legal rights and land parcel identification data for inclusion in the eLand Registry that includes a sex-disaggregated database. Once the deeds records are digitized, they would be linked to the digital parcel fabric map to provide the spatial context for all private land parcels and make information needed to complete real property transactions more readily available.

This Activity builds on the Government's eLand Registry which has recently been made available for public use through a subscription-based service. Populating this database in the Targeted Districts with deeds records would expand the geographic coverage area for the digitized system and encourage greater use of the system by commercial banks, valuers, lawyers, and private parties. MCC Funding shall support:

- the creation of a digital folio for each land parcel that includes the legal records on land transactions and a linkage to spatial data that identifies the location of each land parcel where possible,
- capacity building and training activities at the land registry offices, and
- the upgrading of 10 deeds registry offices in the Targeted Districts.

Initially MCC Funding shall support the digitization of land rights information at up to 10<sup>3</sup> of the

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<sup>3</sup> Anuradhapura, Gampola, Kandy, Kegalle, Kuliyaipitiya, Kurunegala, Matale, Nikaweratiya, Polonnaruwa, and Trincomalee.

25 deeds registry offices whose records have yet to be scanned and digitized. MCC Funding may support digitization efforts at up to 15 additional deed registry offices. In deciding whether to support digitization efforts at additional deed registry offices, MCC shall consider the speed of digitization and improvement of the initial 10 deeds registry offices and the increased use of the eLand Registry by stakeholders. MCC Funding shall support the completion of prefeasibility studies, which should identify the viability and conditions required for a public-private partnership (“PPP”) in the sector.

(iii) Land Valuation System Improvement Activity.

Land valuation is performed by the Department of Valuation of the Ministry of Finance for the needs of the Government in collecting property tax, determining lease rates for state land, and payment of compensation for land acquired by the state. The Provincial Revenue Department sets the value of land for collection of stamp duty. All land valuation documentation is prepared and maintained in paper form in offices across the country. In support of Government efforts to move information to the digital valuation platform, which is now being developed by the Valuation Department and ICTA, MCC Funding shall support the scanning and digitization of key information from valuation files for properties in the Targeted Districts. This includes the scanning of paper files and the extraction and entry into the computerized valuation system of key property information and characteristics of up to 100,000 parcels. The valuation information would be linked to the property registration system and the digital parcel fabric map using a unique parcel identification number. MCC Funding shall also support capacity building for land valuation officers and the upgrading of valuation offices to allow the full use of the digital platform by property valuers and the provision of technical assistance in the design of the procedures, the development of policies, and the training of staff for property valuation.

MCC Funding shall support the completion of prefeasibility studies, which should identify the viability and conditions required for a PPP in the sector.

(iv) Land Grants Registration and Deed Conversion Activity.

The Land Grants Registration and Deed Conversion Activity supports two interventions that relate to the title registration system in the Targeted Districts.

(a) *Registration of Absolute Land Grants Sub-Activity.*

MCC Funding shall support Government efforts to convert permits and grants in State Land to “absolute land grants” that are expected to be registered as freehold rights in land. The sub-activity would support the conversion of State Lands to the private domain, creating a marketable and bankable title to this land in the name of the land holder. The Government shall register the absolute land grants in the title registration system, allowing the use of land as collateral for loans and the free transfer of this land without excessive government restrictions. The Land Special Provisions Act (“LSPA”) is expected to define the process the Government shall use for this conversion of land rights. The availability of MCC Funding for this Activity is dependent on the enactment of the LSPA that states that registration of absolute land grants is completed in the title registration system and creates a presumption of registration of rights to

*Due to Provincial Councils being dissolved and the possibility that this bill may need PC consent, GOSL has withdrawn this bill. Therefore, this paragraph 2 (a) (iv) (a) has to be removed.*

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absolute land grants jointly in the name of husband and wife with a timebound opt-out process that is free, fair, and without coercion.

(b) *Conversion of Deeds Sub-Activity.*

The Government has been converting private properties from the deeds system to the title registration system under the *Bim Saviya* program since 2006. Real property in the title registration system carries a state guarantee of ownership of land to the registered holder, which improves tenure security over the land, compared to the deeds registry, and greatly simplifies the completion of subsequent private land transactions. Accelerating the movement of properties to the title system would improve tenure security of land holders by resolving defects in titles and stimulate greater land market activity leading to investment and economic growth.

MCC Funding shall support the capacity building, expansion, and improvement of the *Bim Saviya* program. In the past, due to lack of resources to move a critical mass of properties into the title system, efforts under the *Bim Saviya* program have moved very slowly with the Government successfully registering only some 600,000 properties out of potentially eight million private properties. Moreover, problems with the legal framework and process for registration of title to land under the Registration of Title Act of 1998 (“*RTA*”) have created difficulties in moving real properties from the deed system to the title system. With many properties in the deeds system experiencing defects in title, which create problems in completing transactions, movement of properties to the title system would help to resolve defects in titles and stimulate greater land market activity leading to investment and economic growth. MCC Funding for this sub-activity is contingent upon the enactment of amendments to the RTA that address the difficulties in moving deeded properties into the title system.

(v) Land Policy and Legal Governance Improvement Activity.

The establishment of a land policy research group (the “*LPRG*”) at a high level of government is intended to assist the Government to conduct the research and policy studies required to provide objective information for consideration when the Government makes land policy decisions. The LPRG also provides an opportunity for coordination of land activities among several institutions that might not be under one state body and organizing activities to ensure smooth implementation and a mechanism to resolve issues that may cause bottlenecks.

MCC Funding shall support hiring staff and equipping an office for the LPRG for the duration of the Land Project. The LPRG is intended to direct policy studies and support the Government’s efforts to adopt new land policy and enact supporting legislation, complete research and policy studies, provide technical assistance consultants, organize study tours for government decision makers and line staff that inform decision making efforts around adoption of new policy, and organize and mobilize public outreach campaigns and events in support of new policy and legislation informing the public of policy and legal amendments in the land sector. The LPRG would gather and analyze data on a range of issues, including land tenure regimes, protected areas management, at-risk lands activity adaptation, land use, land administration and land market development, inclusive access to land market, and international best practices as the LPRG prepares white papers proposing policy and legal changes.

MCC and the Government shall agree on the most appropriate location in government for the LPRG. MCC Funding shall be made available for this Activity once the Government and MCC agree on the location for the LPRG and the body is established by a formal Government decision.

(b) Environmental and Social Performance.

The Land Project is categorized as a “Category C” project in accordance with the MCC Environmental Guidelines because it is unlikely to have adverse environmental and social impacts. Preliminary environmental and climate screening has been completed by MCC staff in the form of stakeholder consultation and a desk study. As the Land Project is currently structured, foreseeable environmental risks are readily manageable with the application of the proposed mitigation measures. Several studies are budgeted and planned to inform the LPRG, and one mandatory study shall look into the scale and management of encroachment in nationally-protected areas. Additionally, the Land Project shall not register any grants in the title system for lands parcels under areas protected or restricted under Sri Lankan law<sup>4</sup>, or in areas demonstrated to be at-risk of environmental disasters such as flood zones or areas at risk for landslides.

(c) Gender and Social Inclusion.

To maximize the positive social impacts of the Land Project, the activities shall address cross-cutting gender and social inclusion issues such as women’s equal access to and control over land rights. To ensure compliance with the MCC Gender Policy and Gender Integration Guidelines, the Government shall conduct relevant social and gender assessments, and shall: (i) develop a comprehensive Social and Gender Integration Plan, which, at a minimum, identifies approaches for regular, meaningful and inclusive consultations with women, the poor and other vulnerable groups, and sets forth strategies for incorporating findings of the consultations and social and gender analyses into final Project design; and (ii) ensure, through monitoring and coordination during implementation, that final Activity designs, consultancy and construction tender documents, and implementation plans are consistent with and incorporate the findings of the social and gender analyses and the Social and Gender Integration Plan. The Social and Gender Integration Plan shall include a Land Project-specific Social and Gender Integration Plan that includes a work plan for ensuring equal land tenure security for women and men.

The Land Project shall include targeted interventions to support the Government to promote land tenure security of women and men by: (i) strengthening the gender focal point system of the MOWCA and Ministry of Land to promote women’s land tenure security and joint ownership, (ii) building the capacity of divisional secretariat level staff at MOWCA and the Ministry of

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<sup>4</sup> The applicable laws covering protected areas include the National Environment Act, No. 47 of 1980; the Forest Ordinance (Chapter 696); the National Heritage Wilderness Area Act, No. 3 of 1988; the Fauna and Flora Protection Act (Chapter 496); the Coast Conservation Ordinance, No. 57 of 1981; and the Antiquities Ordinance (Chapter 188). The applicable laws with respect to restricted areas include the State Land (Recovery of Possession) Act, No. 7 of 1979; the Irrigation Ordinance (Chapter 453); the Antiquities Ordinance (Chapter 188); the Mahaweli Authority of Sri Lanka Act, No. 23 of 1979; the Urban Development Authority Act, No. 41 of 1978; the Agrarian Development Act, No. 46 of 2000; the Thoroughfare Ordinance (Chapter 193); and the Sri Lanka Reclamation and Development Corporation Act, No. 15 of 1968.



Land to promote women's land tenure security at the community level, and (iii) training on legal literacy and awareness of land rights for the communities in the seven districts where the Land Project shall be implemented.

(d) Donor Coordination.

The WB prepared studies on the land sector in Sri Lanka that were used to inform the Land Project design. The Government shall ensure coordination with other donors active in this sector during the implementation of the Project. MCC Funding may be used to develop a roadmap for work in the land sector.

(e) USAID.

During the compact development process, efforts were made to keep the US Embassy in Sri Lanka, USAID mission, and other US Government actors updated on the land interventions under consideration. Ongoing review and coordination shall be integrated into implementation plans as they are finalized. MCC shall also seek to leverage, as appropriate, the capacity for PPPs that the Government has developed through previous USAID Public Financial Management programs.

(f) Sustainability.

Many of the activities in the Land Project do not need to be sustained over a long term period, as they collect and bring the initial land information into a digital system. After migration of initial data into the system, the Government would need to maintain and update this information periodically, as land transactions or other changes to land parcels occur, to provide land administration services and promote investment in land. MCC Funding shall support the development of these maintenance and service delivery procedures. The deed and title registries currently earn fees for processing land transactions, providing a source of revenue that could sustain the maintenance of information and the provision of services.

(g) Policy, Legal and Regulatory Reforms.

The Government shall address legislative gaps centering on decentralizing authority for the approval of absolute land grants, simplifying procedures, and ensuring gender equality in the issuance of absolute land grants, among other issues.

Gender issues – Permits and grants to State Lands are usually given to men as head of the household, and the eldest son inherits in accordance with the land law. As a result, women face barriers to have control over the State Lands for productive purposes, thus reducing their economic potential, which does not comply with MCC Gender Policy. This also places women and their children at risk when there is divorce, abandonment, death, or discord within the family. To remedy this situation, the Government shall enact the LSPA that includes a presumption that registration of rights to absolute land grants shall be made jointly in the name of husband and wife with a timebound opt-out process that is free, fair, and without coercion.

RTA revisions – Some features of the RTA have encumbered past efforts to convert deeds to the title system and to extend within the population the tenure security that registration under that administrative regime provides. Moreover, the lack of progress in expanding title registration

frustrates the emergence of a streamlined system for the completion of land transactions. As remedies to this situation, the Government shall implement amendments to the RTA that are necessary to allow for (i) joint ownership of land when a property owner conveys the rights to another party via grant, sale, or other transfer; (ii) titling of land using a general boundary survey that can later be upgraded to a cadastral survey; (iii) streamlining and decentralization of the approval for issuance of title certificate and registration of rights; and (iv) alternative dispute resolution mechanisms to resolve disputes and other problems that may prevent the titling and registration of rights in land.

In view of the above, implementation of the following reforms, in form and substance satisfactory to MCC, are necessary to ensure that the Land Project meets its Project Objective.

- The Government shall maintain the land information technology (“*IT*”) systems and to provide budget funding for the maintenance and updating of software and hardware in each year during the Compact Term;
- The Government shall maintain in place all legislation required to implement the Land Project in a timely and efficient manner;
- The Government shall make sufficient resources available to ensure that registration of land parcels occurs in a timely manner; and
- The Government shall provide data necessary to MCC for monitoring and evaluation of the outcomes of the Land Project.

## C. IMPLEMENTATION FRAMEWORK

### 1. MCA-Sri Lanka.

#### (a) Independence and Autonomy.

The Government shall establish an accountable entity, MCA-Sri Lanka, as a company limited by guarantee that shall be created under the Companies Act No. 7 of 2007. MCA-Sri Lanka shall be the Government’s primary agent responsible for exercising the Government’s right and obligations to oversee, manage, and implement the Program and Projects.

MCA-Sri Lanka shall have operational and legal independence and full decision-making autonomy, including, *inter alia*, the ability, without consultation with, or the consent or approval of, any other party, to: (i) enter into contracts in its own name; (ii) sue and be sued; (iii) establish an account with a financial institution in its own name and hold MCC Funding in that account; (iv) expend MCC Funding; (v) engage contractors, consultants and/or grantees, including, without limitation, procurement and fiscal agents; and (vi) competitively engage one or more auditors to conduct audits of its accounts. The governance of MCA-Sri Lanka shall be set forth in more detail in the Program Implementation Agreement and the constitutive documents and internal regulations of MCA-Sri Lanka (or as otherwise agreed in writing by the Parties).

MCA-Sri Lanka shall be administered, managed and supported by a board of directors (the “*Board of Directors*”) and a management unit (the “*Management Unit*”).

#### (b) Board of Directors.

The Board of Directors shall have ultimate responsibility for the oversight, direction, and decisions of MCA-Sri Lanka, as well as the overall implementation of the Program. The Board of Directors shall be comprised of eleven voting members and two non-voting observers. As of the date hereof, the voting members of the Board of Directors shall include representatives from the following:

- Representative from the President's Office;
- Representative from the Prime Minister's Office;
- Secretary to the Ministry of Finance;
- Secretary to the Ministry of Transport and Civil Aviation;
- Secretary to the Ministry of Lands and Parliamentary Reforms;
- Secretary to the Ministry of Megapolis and Western Development;
- Secretary to the Ministry of Highways and Road Development and Petroleum Resources Development;
- Secretary to the Ministry of Women and Children Affairs and Development of Dry Zone;
- One private sector representative; and
- Two civil society representatives.

The Board of Directors shall also include three non-Government members representing the private sector, civil society, and non-governmental organizations. The number of voting members and their identity may be changed through amendments to MCA-Sri Lanka's constitutive documents and internal regulations, with MCC's approval. The process of selecting the members of the Board of Directors shall be further stipulated in such internal regulations. Each member of the Board may be represented by an alternate ("*Alternate*"). Each Government Alternate shall hold the position of Additional Secretary or equivalent within their respective ministry. Each non-Government Alternate shall hold a position as agreed between the Government and MCC. The chief executive officer of MCA-Sri Lanka and MCC's resident country director shall be non-voting observers of the Board of Directors.

The process of selecting the Board members shall be agreed in writing by the Parties and shall be consistent with the Governance Guidelines. The non-governmental representatives of the Board of Directors shall be selected according to terms and conditions identified in the MCA-Sri Lanka's constitutive documents and internal regulations. The Government acknowledges and agrees that both: (i) continuity of Board membership; and (ii) authority of Board members to represent their respective ministry or organization, are each critical to fulfilling their duties and implementing the Program.

(c) Management Unit.

The Management Unit shall report to the Board of Directors and have principal responsibility for the day-to-day operations and management of MCA-Sri Lanka and implementation of the Program. The Management Unit shall be led by a chief executive officer and shall be composed of the directors and officers as agreed between the Parties and selected after an open, competitive, and non-discriminatory recruitment and selection process (or its equivalent). The officers shall be supported by appropriate additional staff to enable the Management Unit to execute its roles and responsibilities. Upon written notice by MCC to MCA-Sri Lanka, the

selection of candidates for additional positions within MCA-Sri Lanka shall be subject to MCC approval.

MCA-Sri Lanka shall develop and adopt a stakeholder engagement plan for sustaining public consultation and engagement with the private sector and civil society organizations and allowing them opportunities to provide advice and input. The stakeholder engagement plan must be consistent with the requirements of the International Finance Corporation *Performance Standard 1 for the Assessment and Management of Environmental and Social Risks and Impacts* and must include feedback and communication features that satisfy the stakeholder committee structures required by MCC's *Guidelines for Accountable Entities and Implementation Structures*.

**2. Implementing Entities.**

Subject to the terms and conditions of this Compact, the Program Implementation Agreement, and any other related agreement entered into in connection with this Compact, the Government may engage one or more entities of the Government to assist with implementing any Project or Activity (or a component thereof) (each, an "*Implementing Entity*"). The appointment of any Implementing Entity shall be subject to review and approval by MCC. The Government shall ensure that the roles and responsibilities of each Implementing Entity and other appropriate terms are set forth in an agreement, in form and substance satisfactory to MCC (each an "*Implementing Entity Agreement*").

**3. Fiscal Agent.**

Unless MCC agrees otherwise in writing, the Government shall engage an individual or firm with expertise in fiscal management to serve as fiscal agent (the "*Fiscal Agent*"), which shall be responsible for assisting the Government with its fiscal management and assuring appropriate fiscal accountability of MCC Funding. The duties of the Fiscal Agent shall include those set forth in the Program Implementation Agreement and an agreement, in form and substance satisfactory to MCC, between the Government and the Fiscal Agent.

**4. Procurement Agent.**

Unless MCC agrees otherwise in writing, the Government shall engage one or more procurement agents (the "*Procurement Agent*") to carry out and certify specified procurement activities in furtherance of this Compact. The roles and responsibilities of the Procurement Agent shall be set forth in the Program Implementation Agreement or such agreement as the Government enters into with the Procurement Agent, which agreement shall be in form and substance satisfactory to MCC. The Procurement Agent shall adhere to the procurement standards set forth in the MCC Program Procurement Guidelines and ensure procurements are consistent with the Procurement Plan by the Government pursuant to the Program Implementation Agreement, unless MCC agrees otherwise in writing.

**5. Use of Customs Agents.**

MCA-Sri Lanka shall institute procedures to facilitate and assist any person or entity that imports a good in furtherance of an agreement under the Compact (each an "*Importer*"). MCA-Sri Lanka shall coordinate with the Government and custom agents or related agents in Sri Lanka to ensure

that contractors and consultants under the Compact may secure the importation of goods, quickly and for a fair, transparent and competitive fee. In furtherance of such, the Government agrees to the following: (i) MCA-Sri Lanka shall, either through an expression of interest or comparable competitive and transparent method, secure sample rates and fees from custom agents for a range of import services that shall arise under the Compact, which rates and fees shall be made available to Importers and shall be updated on an annual basis; (ii) MCA-Sri Lanka shall coordinate with the Government through its Ministry of Finance to communicate with Sri Lanka Customs and the custom agents to ensure that the importation of goods under the Compact occurs in an efficient, fair, competitive and transparent manner; and (iii) MCA-Sri Lanka shall institute a review process under which Importers and custom agents may raise or address in a timely manner any concerns or disputes related to the importation of goods under the Compact.

**ANNEX II  
MULTI-YEAR FINANCIAL PLAN SUMMARY**

This Annex II sets forth a multi-year financial plan summary (“*Multi-Year Financial Plan Summary*”) for the Program as Exhibit A hereto. By such time as specified in the Program Implementation Agreement, the Government shall adopt, subject to MCC approval, a multi-year financial plan that includes, in addition to the multi-year summary of estimated MCC Funding and any Government contribution of funds and resources, the annual and quarterly funding requirements for the Program (including administrative costs), which for each Project, shall be projected both on a commitment and cash requirement basis.

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**EXHIBIT A TO ANNEX II**  
**MULTI-YEAR FINANCIAL PLAN SUMMARY**

(in US\$)							
Component	Compact CDF	Year 1	Year 2	Year 3	Year 4	Year 5	Total
<b>1. Transport Project</b>							
1.1 ATMS Activity	13,000,000	22,000,000	36,700,000	36,700,000	36,800,000	14,700,000	159,900,000
1.2 BTSM Activity	2,000,000	9,000,000	12,000,000	11,000,000	10,000,000	6,000,000	50,000,000
1.3 CRRN Activity	5,000,000	27,000,000	47,300,000	27,000,000	20,300,000	13,500,000	140,100,000
<b>Subtotal</b>	<b>20,000,000</b>	<b>58,000,000</b>	<b>96,000,000</b>	<b>74,700,000</b>	<b>67,100,000</b>	<b>34,200,000</b>	<b>350,000,000</b>
<b>2. Land Project</b>							
2.1 Parcel Fabric Map and State Land Inventory Activity	-	6,600,000	4,800,000	4,400,000	3,800,000	3,800,000	23,400,000
2.2 Deeds Registry Improvement Activity	-	2,600,000	2,700,000	2,100,000	2,100,000	1,900,000	11,400,000
2.3 Land Valuation System Improvement Activity	-	2,000,000	2,300,000	1,200,000	1,000,000	-	6,500,000
2.4 Land Grants Registration and Deed Conversion Activity		2,900,000	4,300,000	4,200,000	4,100,000	3,800,000	19,300,000
2.5 Land Policy and Legal Governance Improvement Activity	500,000	1,300,000	1,300,000	1,400,000	1,400,000	800,000	6,700,000
<b>Subtotal</b>	<b>500,000</b>	<b>15,400,000</b>	<b>15,400,000</b>	<b>13,300,000</b>	<b>12,400,000</b>	<b>10,300,000</b>	<b>67,300,000</b>
<b>3. Monitoring and Evaluation</b>							
3.1 Monitoring & evaluation expenses	300,000	2,600,000	2,500,000	2,600,000	2,400,000	2,300,000	12,700,000
<b>Subtotal</b>	<b>300,000</b>	<b>2,600,000</b>	<b>2,500,000</b>	<b>2,600,000</b>	<b>2,400,000</b>	<b>2,300,000</b>	<b>12,700,000</b>
<b>4. Program Administration</b>							
4.1 Accountable Entity expenses	9,600,000	4,700,000	4,800,000	4,900,000	5,000,000	7,400,000	36,400,000
4.2 Agent expenses	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,600,000	12,600,000
4.3 Audit expenses	100,000	100,000	200,000	200,000	200,000	200,000	1,000,000
<b>Subtotal</b>	<b>11,700,000</b>	<b>6,800,000</b>	<b>7,000,000</b>	<b>7,100,000</b>	<b>7,200,000</b>	<b>10,200,000</b>	<b>50,000,000</b>
<b>TOTAL</b>	<b>32,500,000</b>	<b>82,800,000</b>	<b>120,900,000</b>	<b>97,700,000</b>	<b>89,100,000</b>	<b>57,000,000</b>	<b>480,000,000</b>

### ANNEX III COMPACT MONITORING & EVALUATION SUMMARY

This Annex III summarizes components of the monitoring and evaluation plan for this Compact (“*M&E Plan*”). The actual structure and content of the M&E Plan, which may differ from those specified in this Annex III, shall be agreed to by MCC and the Government in accordance with MCC’s *Policy for Monitoring and Evaluation of Compacts and Threshold Programs* (the “*MCC M&E Policy*”). In addition, the M&E Plan may be modified from time to time as described in the MCC M&E Policy without requiring an amendment to this Annex III. The M&E Plan shall be posted publicly on the MCC Website and updated as necessary.

#### 1. Objective

MCC and the Government agree to formulate an M&E Plan that the Government agrees to implement or cause to be implemented that explains in detail how and what MCC and MCA-Sri Lanka shall (i) monitor to determine whether the Project is on track to achieve its intended results (“*Monitoring Component*”) and (ii) evaluate to assess implementation strategies, provide lessons learned, compare costs to benefits, and estimate the impact of Compact interventions (“*Evaluation Component*”). The M&E Plan shall summarize all indicators that must be reported to MCC on a regular basis, as well as a description of any complementary data to be collected for evaluation of the Program. The M&E Plan also shall include any monitoring and evaluation (“*M&E*”) requirements that MCA-Sri Lanka must meet in order to receive Disbursements, and shall serve as a communication tool so that MCA-Sri Lanka staff and other stakeholders clearly understand the objectives and targets that MCA-Sri Lanka is responsible for achieving. The results of M&E activities, measured by monitoring data and evaluations, shall be made publicly available on the website of MCA-Sri Lanka and on the MCC Website.

#### 2. Program Logic

The program logic is an explanatory model that demonstrates how specific interventions lead to the expected outcomes, objectives, and goal of a Compact program. This model reflects the design and implementation plans of a program, noting planned activities and outputs and the sequencing of results. It also reflects the economic logic, which forms the basis of the cost-benefit analysis that produces the economic rate of return (“*ERR*”). Further, the program logic notes critical risks and assumptions related to achieving results and forms the basis of the M&E Plan.

##### 2.1 Logic Model

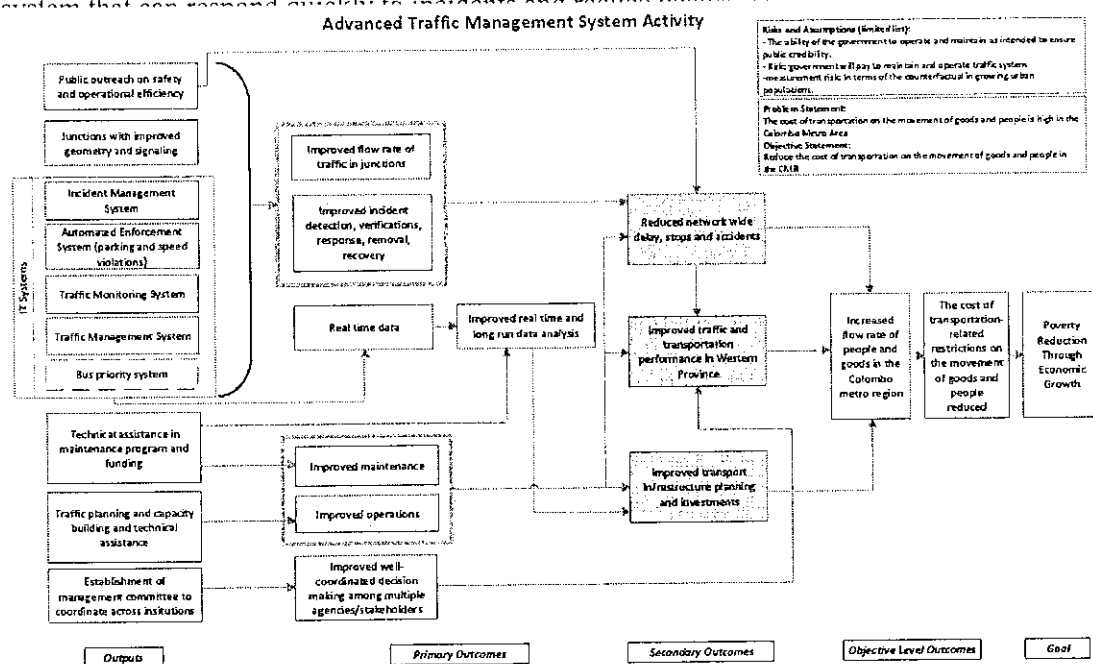
###### Transport Project

The logic of the three transportation activities is based on the constraint posed by the high cost of moving people and goods in the densely populated CMR and between provinces. The objectives of the Transport Project are to increase the relative efficiency and capacity of the road network and bus system in the CMR and to reduce the cost of transport in order to facilitate the flow of passengers and goods between the central region of the country and ports and markets.



The ATMS Activity aims to improve critical road junctions on key corridors in the CMR, including updating the geometry of those junctions and adding smart traffic signals. The Activity’s outputs includes the construction of IT systems and infrastructure to monitor and manage traffic and traffic incidents, create a bus priority system, and support the automated enforcement of speed and parking violations. Technical assistance, capacity building, and the establishment of an inter-agency steering committee to coordinate policies and activities across multiple institutions are also important components. Finally, the Activity intends to conduct public outreach campaigns on operational efficiency and safety.

These outputs aim to achieve several outcomes. Combined, the outreach campaigns, junction improvements, and IT systems aim to achieve the outcome of reduced network-wide delays and accidents. If the IT system functions as planned, it would produce real-time data on the network system that can respond quickly to incidents and reduce delays. This data, if analyzed, could also



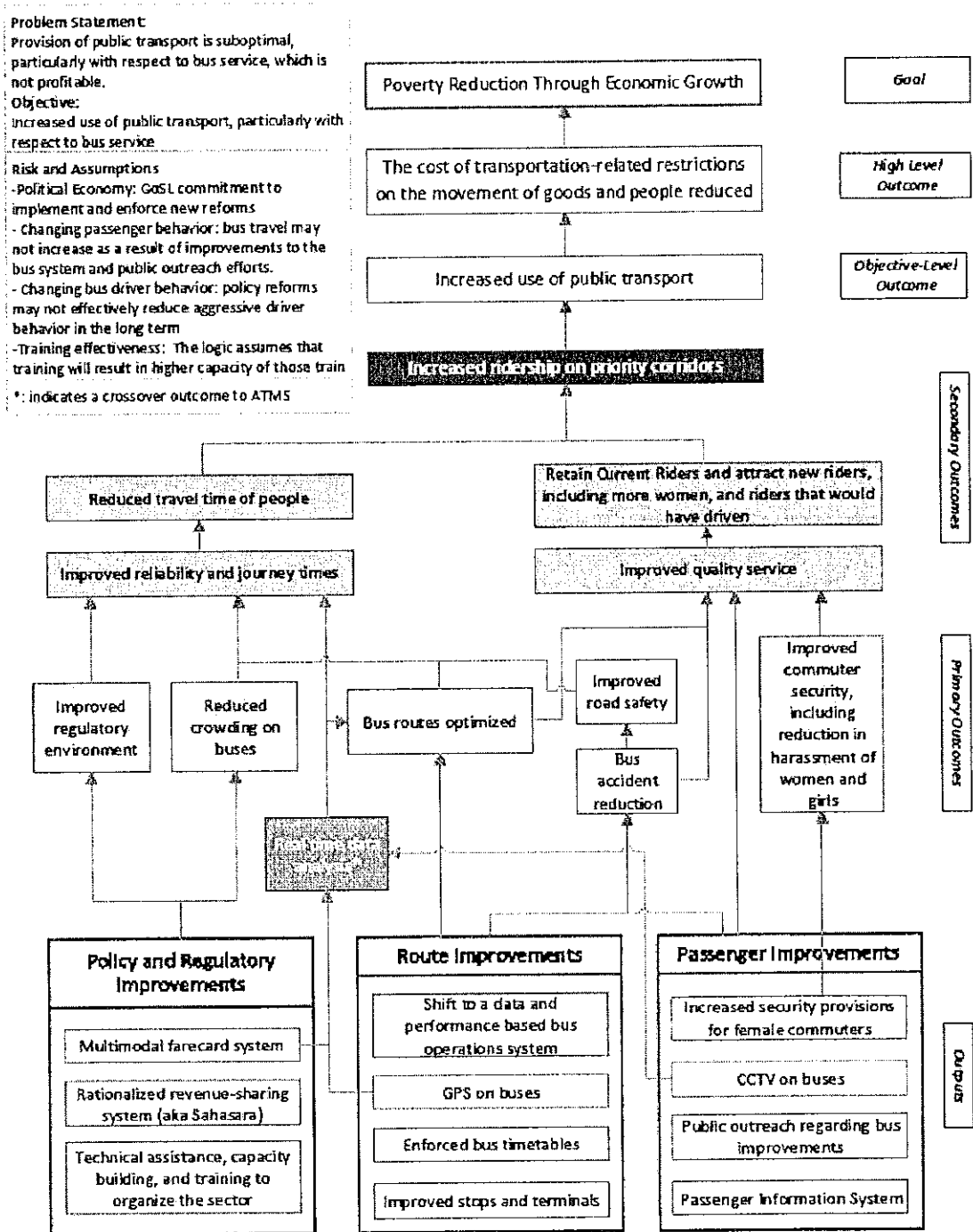
The BTSM Activity aims to improve bus service on target corridors in the CMR, which are plagued by oversupply of buses and unsafe driving practices. There are approximately 20,000 privately owned buses in Sri Lanka (7,500 in the Western Province) and 16,000 owners, which contributes to intense competition and thin margins for operators. The SLTB is the largest single operator of buses in Sri Lanka with a fleet of more than 6,000 buses (2,000 in the Western Province). It is essential for both the private operators and SLTB to participate in the BTSM Activity.

The Activity’s outputs include a revenue sharing structure among bus drivers so their incentives are better aligned with safe driving practices and following routes and schedules; route rationalization to ensure that the supply of buses on each route is matched with demand; enforced timetables to make the system more reliable; and safety improvements to make bus transport more secure for female commuters. Travel time savings and congestion relief shall also be improved by implementing the BTSM and ATMS Activities in tandem. The GPS on buses,

when linked to ATMS' bus priority systems, would give buses right of way through busy intersections.

The logic posits that these outputs would lead to less crowding on the buses, improved reliability and journey times, and improved quality and safety, which in turn aims to arrest the steady decline of bus ridership. The modal share of public transport versus private vehicles must stabilize and increase in order for travel time to decrease over the long run as compared to the counterfactual or no-build scenario. The BTSM Activity would be closely aligned with the ATMS Activity, particularly around data components, namely the bus priority system, CCTV, and GPS on buses. The ATMS would process and analyze this data to make the system more efficient.

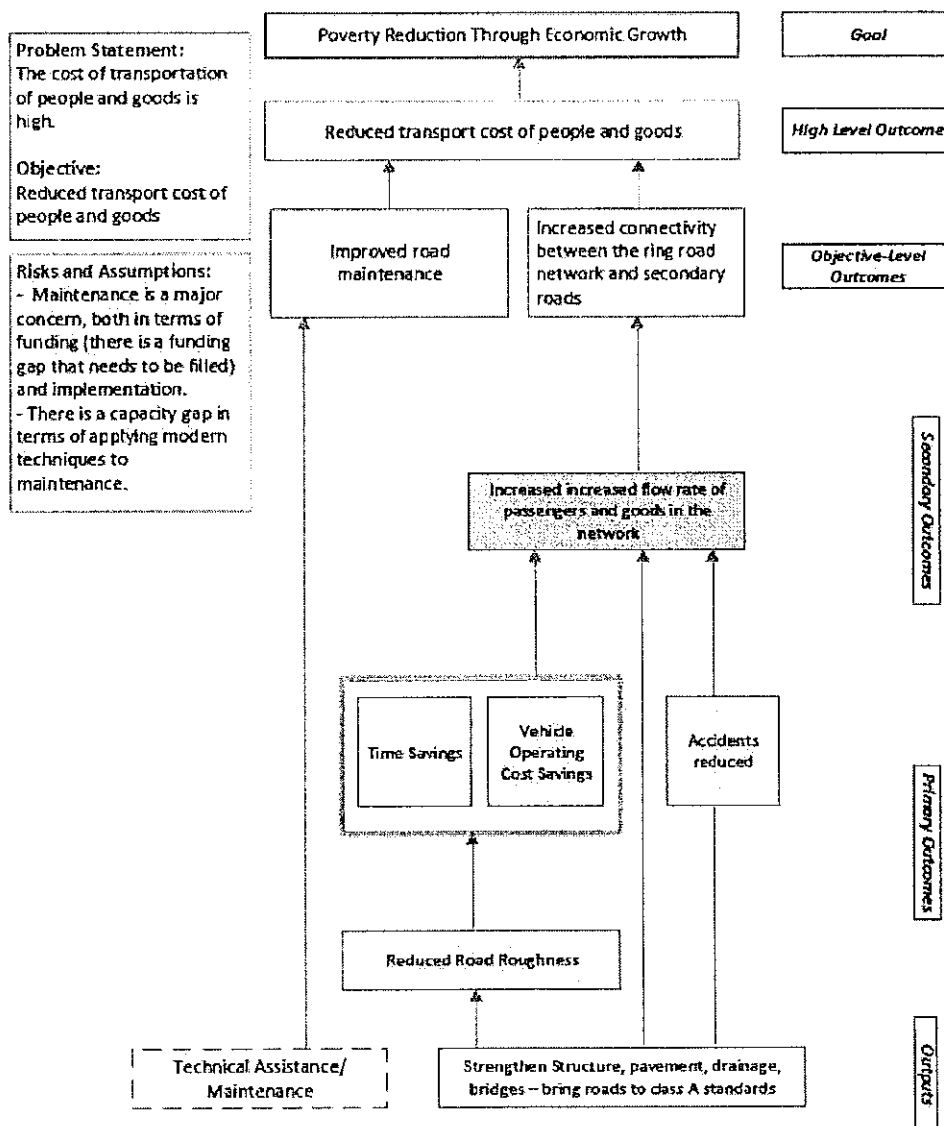
**Bus Transport Service Modernization Activity Logic**



The CRRN Activity aims to increase interregional connectivity between the central region and the Western Province. The main outputs are the rehabilitation of 131 km of roads and capacity-building for road maintenance. Through technical assistance and training, the Activity seeks to

introduce new maintenance methods and technologies as well as data-driven programming of works that aims to improve the allocation of limited government resources available for maintenance. Implementation of the Activity shall be coordinated with the Asian Development Bank and WB, which have already provided the Road Development Authority with technical assistance and financing for road maintenance. These outputs aim to increase the flow rate of vehicles, reduce vehicle operating costs, save travel time, and reduce accidents.

**Central Ring Road Network Activity Logic**



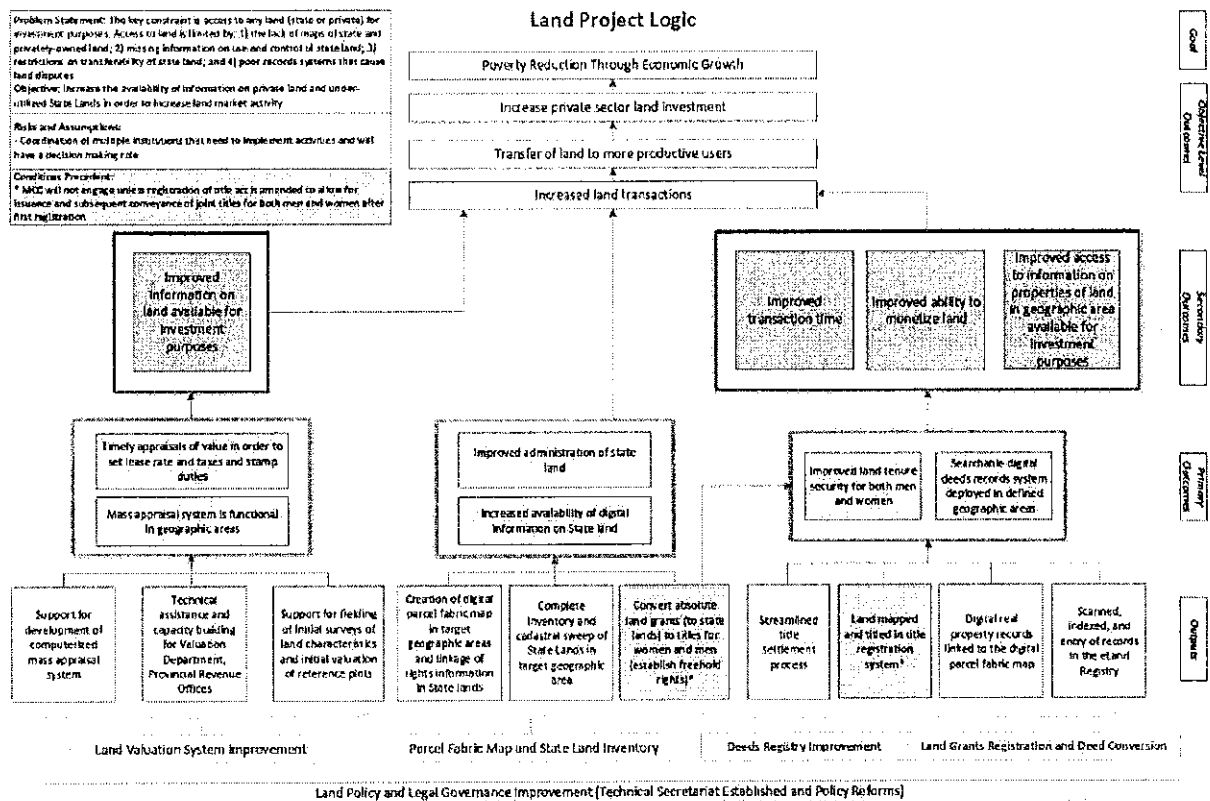
The Land Project logic is based on the constraints analysis finding that it is difficult for the private sector to access land for investment purposes. The objective of the Land Project is to increase the availability of information on private land and under-utilized State Lands in order to increase land market activity. The outputs of the five land activities all aim to address the defined problem and reach this higher-level objective.

The outputs for the Parcel Fabric Map and State Land Inventory Activity include creating the digital parcel fabric map that links land rights information to maps of state and private lands and completing an inventory and mapping of State Lands to identify land available for investment. These outputs contribute to the Government's base map for all land in the country that shall be used to link rights to parcels, clarify the current uses of State Lands, and identify under-utilized parcels available for investment.

The outputs of the Deed Registry Improvement and Land Grants Registration and Deed Conversion Activities are to digitize and link property records to a digital parcel map, support a streamlined title settlement process with mapped and titled lands entered into the title registration system, and support the expansion of land rights data entered into the land information system. The movement of property records from paper form into a searchable digital platform aims to increase access to information on land, reduce transaction times, improve land tenure security of women and men, stimulate investment, and allow land to be used for more productive purposes.

The Land Valuation System Improvement Activity shall collect and digitize data for developing a computerized mass appraisal system, provide technical assistance and build capacity for the Valuation Department's Provincial Revenue Offices, and gather information through field surveys of land characteristics and initial valuation data for up to 100,000 reference plots. The Activity seeks to create a standard system by which the Government can assess property value for property taxes, stamp taxes, and long-term leases of State Lands. This aims to support the outcome of increased information on land to support more land transactions.

The Land Policy and Legal Governance Improvement Activity intends to set up the LPRG to coordinate across the various land ministries and conduct research and policy studies with the intent of producing policy papers that address the options for new land policy based on international best practices leading to land reforms. The LPRG would support implementation of new policy at the line ministry level through training, public outreach, and coordination.



## 2.2 Risks and Assumptions

The M&E Plan shall outline key assumptions and risks that underlie the accomplishment of the theory of change summarized in the program logic. However, such assumptions and risks do not excuse any Party’s performance unless otherwise expressly agreed to in writing by the other Party. The known assumptions and risks include:

ATMS Activity:

- (a) The Government shall provide funds for operations and maintenance of the ATMS.
- (b) Results may be difficult to measure in the context of urban population growth.

BTSM Activity:

- (a) Political Economy: The Government shall commit to implement and enforce new reforms.
- (b) Changing passenger behavior: Bus travel may not increase as a result of improvements to the bus system and public outreach efforts. Behavior change is key.

(c) Changing bus driver behavior: Policy reforms may not effectively reduce aggressive driver behavior in the long term.

(d) Training effectiveness: The logic assumes that training results in higher capacity of those trained.

CRRN Activity:

(a) Maintenance is a major concern, both in terms of funding (there is a funding gap that needs to be filled) and implementation.

(b) There is a capacity gap in terms of applying modern techniques to maintenance.

Land Project:

(a) Ensuring coordination of multiple decision making institutions that need to implement the activities.

### 2.3 Projected Economic Benefits and Beneficiaries

The Government and MCC have conducted an economic analysis of each Project to determine the cost effectiveness of the planned investments. The economic analysis of the Program consists of a cost-benefit analysis (“*CBA*”), which is summarized by an estimated ERR, and a beneficiary analysis. The economic analysis of the Program is summarized below.<sup>5</sup>

#### 2.3.1 Projected Economic Benefits

The CBA model assumes the total estimated costs of each Project and its associated Activities, whether those costs are ultimately supported by the Compact or another source of funding, and the total estimated economic benefits they are expected to generate over a period of 20 years. When making investment decisions, MCC sets a threshold of 10 percent on the estimated ERRs for each Project. The underlying economic logic of the CBA model follows the project logic described in Section 2.1 of this [Annex III](#), and variables in the economic model are also used as indicators for monitoring the performance of the Project during the implementation of the Compact, evaluating the achievement of expected outcomes, and measuring cost effectiveness.

Transport Project

*The theory of change for the ATMS and BTSM Activities* posits that, relative to conditions that would prevail otherwise, these activities shall reduce travel time (alternatively, increase travel speeds) in Colombo by slowing the growth of congestion through improved traffic management and effect a shift towards use of modernized bus transportation versus private vehicles. Reducing congestion lowers transaction costs to move people and goods, both in terms of time and expense and impacts upon productivity. Reducing these transaction costs should lead to higher levels of economic growth in the region than would have been realized otherwise. The activities support

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<sup>5</sup> Full ERR datasets and additional disaggregated ERR information are available on the MCC Website.

both physical and institutional policy reform investments that together would target: (i) improved traffic flow through traffic-signal coordination, rationalized road geometry, and system management by the ATMS; and (ii) increased ridership on buses by improving bus operations and service quality and undertaking specific behavior change interventions.

As increased economic activity in Colombo shall continue to increase traffic, improving traffic management and road geometry shall be key to handling traffic and optimizing the use of current road assets. Rationalizing intersection geometry is expected to increase vehicular speeds and flow rate by improving driver sightlines; establishing dedicated turning lanes; and reducing vehicle-vehicle/vehicle-pedestrian conflicts. The ATMS shall coordinate and adjust traffic-signal timings throughout Colombo to optimize the flow of traffic in a variety of 11 road-demand conditions. In the long run, a well-functioning ATMS shall augment complementary strategies to improve the efficiency and attractiveness of public transport so that reductions in congestion achieved over time are sustained.

The proposed physical and institutional policy reform investments in the bus sector and proposed behavior change interventions and addressing the problem of harassment of female commuters are expected to improve the quality, safety and comfort of using buses and shall encourage higher ridership. They are expected to yield disproportionate benefits to lower-income commuters, who are more likely to rely on public transportation to get to work. Harassment of women and girls is a well-documented problem on mass transit that depresses the number of female riders. Installing CCTV on buses and training crews to ensure the safety of women and girls is expected to aid in increasing female ridership and facilitating their access to economic and educational opportunities. Although the benefits of possibly increasing the participation of women in the work force are not assessed in the current analysis, the interactions of women with public transport and the consequences of changes in women's mobility shall be a focus of the design of the impact evaluation of the Project.

The overall ERR for the Transport Project is currently estimated as approximately 19 percent. A combined ERR for the ATMS and BTSM activities was estimated as well as a separate ERR for the CRRN Activity.

The cost effectiveness of ATMS and BTSM Activities are highly dependent on the joint success of the two interventions. Sustainability of the potential utility of the ATMS requires a successful effort to stabilize utilization of public transport (buses). Similarly, the benefits of bus modernization can be expected to be proportionate to the returns to the ATMS Activity, but are not likely to be sustained in the absence of the ATMS. More work needs to be done establish confidence in the underlying traffic forecasting model and to implement features of bus modernization that depend upon that model. This work shall be pursued in the period leading up to entry into force of the Compact.

The economic assessment of the CRRN Activity relies on estimates of changes in road user costs (including vehicle operating costs and value of time). These estimates are supplied by the use of industry software that simulates the impacts of traffic on road surface conditions. Utilizing this approach, the preliminary economic analysis of the CRRN Activity appears to yield a satisfactory result. There are reasons, however, for treating this assessment with caution. The road use model may not have been properly calibrated to conditions in Sri Lanka and could be



producing spurious results. At present, not all of the road segments presently meet MCC’s economic criterion. In the time leading up to entry into force additional efforts shall be undertaken to ensure full calibration of the simulation modeling and to validate preliminary findings for each of the segments. If on further review the cost-effectiveness of individual investments is not satisfactorily established, MCC shall recommend re-allocating the resources that would have been spent to other activities where returns on investment are expected to be high.

Land Project

The method to be used in assessing the costs and benefits of the Land Project follow the guidelines laid out in MCC’s in-progress sector cost-benefit analysis design principles document for land investments. The benefits included in the model are: (i) increases in the value of land due to potential transfers of land to more productive uses; and (ii) decreases in land administration costs. Costs are anticipated to include both project costs and project-associated costs to the Government (for example, O&M costs for any systems or data put in place). Benefit streams were assessed for the majority of the proposed activities using original survey data, allowing for the estimation of these streams. This data was collected from April-June 2018 and cover a nationally representative sample of over 2,400 households in the country. Given these data and the assumptions of the model, the aggregate project-level ERR is calculated to be 26 percent.

The immediate beneficiaries for the Land Project are likely to include residents of the provinces that the land investment is focused on. The beneficiaries shall include firms and households that own or rent land.

**2.3.2 Projected Program Beneficiaries**

The M&E Plan shall also define the persons or entities expected to benefit from the Program. Beneficiary analysis is an extension of the CBA and seeks to disaggregate the total increase in income to determine specifically which segments of society are expected to benefit from the Project. MCC considers beneficiaries of projects and activities to be those people who experience better standards of living as a result of the project or activity (as the case may be) through higher real incomes.<sup>6</sup> For definitional purposes, it is important to note that not all project participants are necessarily project beneficiaries. The expected beneficiaries of this Compact over 20 years (unless otherwise noted) are shown in the following table. The text below the table provides a description of the beneficiaries.

Project	Estimated Beneficiaries
Land Project	5,000,000
Transportation Project	7,000,000

The ATMS, BTSM, and CRRN Activities are each expected to decrease the cost of transporting goods and people. Beneficiaries for the former two activities are defined to include anyone who

<sup>6</sup> As used in this Compact, the term “beneficiary” has the meaning described in MCC’s *Guidelines for Economic and Beneficiary Analysis*.

lives in a household where at least one member works, whereas CRRN Activity beneficiaries are defined to include any individual living within 15 km of any of the road segments that MCC intends to invest in.

For the ATMS and BTSM Activities, benefit distribution is based on the extent of labor supplied and consumption. Given (imperfect) measures of these, we estimate that beneficiaries who live on less than US\$2/day shall receive 4.3 percent of their annual income in the form of benefits over 20 years. Roughly two percent of total Activity benefits are therefore estimated to accrue to this group of individuals.<sup>7</sup>

### 3. Monitoring Component

As defined in the MCC M&E Policy, monitoring is the continuous, systematic collection of data on specified indicators to provide indications of progress toward objectives and the achievement of intermediate results along the way. To monitor progress toward the achievement of results of this Compact, the Monitoring Component of the M&E Plan shall identify: (i) the Indicators (as defined below); (ii) the definitions of the Indicators; (iii) the sources and methods for data collection; (iv) the frequency for data collection; (v) the party or parties responsible for collecting and analyzing relevant data; and (vi) the timeline for reporting on each Indicator to MCC. It should be noted that some Indicators shall continue to be tracked after the Compact Term, as necessary.

#### 3.1 Goal, Outcome, Output, and Process Indicators

The M&E Plan shall measure the results of the Program using quantitative, objective, and reliable data (“*Indicators*”).

(a) The M&E Plan shall establish baselines for every Indicator (each, a “*Baseline*”). An Indicator’s Baseline should be established prior to the start of the corresponding Project, Activity and/or sub-activity. Baselines demonstrate that the problem can be specified in measurable terms and are thus a pre-requisite for adequate intervention design. The Government shall collect Baselines on the selected Indicators or verify already collected Baselines where applicable.

(b) The M&E Plan shall establish a benchmark for each Indicator that specifies the expected value and the time by which the result is expected to be achieved (“*Target*”).

(c) The M&E Plan shall indicate which Indicators shall be disaggregated by gender, income level, and age, and beneficiary types to the extent practical and applicable.

(d) A “*Goal Indicator*” measures the economic growth and poverty reduction that occurs during or after implementation of the Program. This is typically a direct measure of local income. Measurement of the Goal Indicator is attempted in all MCC compacts and is therefore not listed in the table below.

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<sup>7</sup> Beneficiary analysis for the CRRN Activity is ongoing.

- (e) Outcome, output, and process Indicators are all defined in the MCC M&E Policy.
- (f) MCC's "*Common Indicators*" (as defined in the MCC M&E Policy) also shall be included as relevant.
- (g) Subject to prior written approval from MCC and in accordance with the MCC M&E Policy, the Government may add Indicators or refine the definitions and Targets of existing Indicators.
- (h) MCA-Sri Lanka must report to MCC on monitoring Indicators in the M&E Plan on a quarterly basis using an "*Indicator Tracking Table*" or "*ITT*" in the form provided by MCC. No changes to Indicators, Baselines, or Targets may be made in the ITT until the changes have been approved in the M&E Plan. Additional guidance on Indicator reporting is contained in the Reporting Guidelines.

The M&E Plan shall contain the monitoring Indicators listed in Table 1 below.

#### 4. Evaluation Component

While good program monitoring is necessary for program management, it is not sufficient for assessing ultimate results. MCC therefore advocates the use of different types of evaluations as complementary tools to better understand the effectiveness of its programs. As defined in the MCC M&E Policy, evaluation is the objective, systematic assessment of a program's design, implementation and results. MCC is committed to making its evaluations as rigorous as warranted in order to understand the causal impacts of its programs on the expected outcomes and to assess cost effectiveness. The Evaluation Component of the M&E Plan may contain three types of evaluation activities as necessary: (i) independent evaluations (impact and/or performance evaluations); (ii) self-evaluation; and (iii) special studies, each of which is further described in the MCC M&E Policy.

##### (a) Independent Evaluations.

Every Project must undergo a comprehensive, independent evaluation (impact and/or performance) in accordance with the MCC M&E Policy. The Evaluation Component of the M&E Plan shall describe the purpose of the evaluation, methodology, timeline, required MCC approvals, and the process for collection and analysis of data for each evaluation. All independent evaluations must be designed and implemented by independent, third-party evaluators. If the Government wishes to engage an evaluator using MCC Funding, the engagement shall be subject to the prior written approval of MCC. Contract terms must be acceptable to MCC and ensure non-biased results and the publication of results.

For each independent evaluation, MCA-Sri Lanka is expected to review and provide feedback to independent evaluators on the evaluation design reports, evaluation materials (including questionnaires), baseline report (if applicable), and any interim and final reports, in order to ensure proposed evaluation activities are feasible and final evaluation products are technically and factually accurate.

Transport Project: The Parties intend to conduct two evaluations for this Project, one for the CRRN Activity and one combining the ATMS and BTSM Activities. The CRRN Activity evaluation is anticipated to be a performance evaluation using HDM-4. If it is possible to rollout the ATMS and BTSM Activities on a corridor by corridor basis and the team can use the real time data generated by the monitoring system and the ATMS, then it could be possible that the ATMS and BTSM Activity evaluation shall be an impact evaluation. If an impact evaluation proves too difficult under the circumstances, the ATMS and BTSM Activities shall use HDM-4 to measure travel time.

Potential evaluation questions include the following. MCC and the Government shall agree on the final evaluation questions based on the final Project design.

- Is the cost of transportation (time savings and volatile organic compound savings) reduced compared to a “no build” scenario? This question links to the following outcome Indicator: [*Time of travel and delays; Vehicle operating cost savings*]
- Has the flow rate of people and goods increased as a result of the Project? This question links to the following outcome Indicator: [*Kilometers of travel per passenger; Hours of travel per passenger; Average speed/travel time within the network; Kilometers of travel per vehicle, disaggregated by type of vehicle*].
- Has bus ridership increased as a result of the Project? This question links to the following outcome Indicator: [*Number of riders; Number of passenger kilometers; Number of boardings*].

Land Project: If it is possible to use machine learning to interpret geospatial data, then the team proposes an impact evaluation for this Project. The study would compare changes in the land that is under the MCC intervention with other similar parcels to determine if there are any investments on the land that can be detected through geospatial imagery. For example, the imagery might show changes in building types, roofs, or crops. The evaluation likely includes household surveys to and qualitative data to determine how and why the investments occurred. Finally, the team proposes a process study to assess the implementation of the Project.

Potential evaluation questions include the following. MCC and the Government shall agree on the final evaluation questions based on the final Project design.

- Have land transactions increased? This question links to the following outcome Indicator: [*Number of transactions*].
- Has access to land for both government and private sector improved? This question links to the following outcome Indicator: [*TBD*].
- Is more investment taking place on land as a result of MCC’s intervention? This question links to the following outcome Indicator: [*Increased investment on land*].

The M&E Plan shall contain the evaluation Indicators listed in Table 1 below.

(b) Self-Evaluation.

Upon completion of the Compact Term, both MCC and MCA-Sri Lanka shall comprehensively assess the following three fundamental questions:

- (i) Did each Project meet the Project Objective?
- (ii) Why did each Project meet or not meet the Project Objective?
- (iii) What lessons can be learned from the implementation experience (both procedural and substantive)?

The MCA-Sri Lanka staff shall draft the Compact Completion Report (“*CCR*”) in the last year of the Compact Term to evaluate these fundamental questions and other aspects of Program performance. Each MCA-Sri Lanka department shall be responsible for drafting its section of the CCR for its own activities, subject to cross-departmental review. After MCA-Sri Lanka staff drafts the CCR, relevant MCC staff shall draft a Compact performance review. Similar to the CCR, each MCC division shall be responsible for drafting its section of the document, subject to cross-department review.

(c) Special Studies.

Plans for conducting special studies shall be determined jointly between MCA-Sri Lanka and MCC before the approval of the M&E Plan. The M&E Plan shall identify and make provision for any special studies, ad hoc evaluations, and research that may be needed as part of the monitoring and evaluating of this Compact. Either MCC or the Government may request special studies or ad hoc evaluations of the Project, Activities, or the Program as a whole, prior to the expiration of the Compact Term.

The results of all evaluations shall be made publicly available in accordance with the MCC M&E Policy.

**5. Data Quality Reviews**

Data Quality Reviews (“*DQRs*”) are a mechanism to review and analyze the utility, objectivity, and integrity of performance information. DQRs are to cover: (a) quality of data, (b) data collection instruments, (c) survey sampling methodology, (d) data collection procedures, (e) data entry, storage and retrieval processes, (f) data manipulation and analyses and (g) data dissemination. MCC requires that an independent entity conduct the DQR, such as a local or international specialized firm or research organization, or an individual consultant, depending on the size of the Program or Project in review. The frequency and timing of DQRs must be set forth in the M&E Plan; however, MCC may request a DQR at any time. DQRs should be timed to occur before or early enough in the Compact Term that meaningful remedial measures (if any) may be taken depending on the results of the review. The methodology for the review should include a mix of document and record reviews, site visits, key informant interviews, and focus groups.

**6. Other Components of the M&E Plan**

In addition to the monitoring and evaluation components, the M&E Plan shall include the following components:

- (a) Data Management System.

The M&E Plan shall describe the information system to be used to collect data, store, process, and deliver information to relevant stakeholders in such a way that the Program information collected and verified pursuant to the M&E Plan is accessible and useful to those who wish to use it.

(b) Budget.

A detailed cost estimate for all components of the M&E Plan.

**7. Responsibility for Developing the M&E Plan**

Primary responsibility for developing the M&E Plan lies with the M&E directorate of MCA-Sri Lanka with support and input from MCC’s M&E and economist staff. The M&E Plan must be developed in conjunction with key stakeholders, including MCA-Sri Lanka leadership and sector leads, the MCC resident country mission, and other MCC staff (such as cross-cutting leads), as well as external stakeholders, as applicable. While the entire M&E Plan must be developed collaboratively, MCC and MCA-Sri Lanka leads for the Project and each Activity are expected to guide the selection of Indicators at the process and output levels that are particularly useful for management and oversight of the Project and Activities.

**8. Approval and Implementation of the M&E Plan**

The approval and implementation of the M&E Plan, as amended from time to time, shall be in accordance with the Program Implementation Agreement, any other relevant Supplemental Agreement, and the MCC M&E Policy. All M&E Plan modifications proposed by MCA-Sri Lanka must be submitted to MCC for prior written approval. The M&E Plan may undergo peer review within MCC before the beginning of the formal approval process.

**9. M&E Post-Compact Term**

As part of the planning process for winding up the Program at the end of the Compact Term, MCC and MCA-Sri Lanka shall develop a post-Compact plan for M&E designed to observe the persistence of benefits created under this Compact. This plan should describe future monitoring and evaluation activities, identify the individuals and organizations that are expected to undertake these activities, and provide a budget framework for future monitoring and evaluation. The post-Compact plan for M&E should build directly off of the M&E Plan.

**Table 1: Indicators**

The table below lists the preliminary set of monitoring and evaluation Indicators linked to each result in the Project Logic. Key Indicators that can be reported on at least an annual basis shall be included in quarterly monitoring indicator reports, while Indicators that require survey data or a longer time period to track shall be included in evaluation reports.

**Table 1: Transport Project Indicators**

Indicator Level	Result	Indicator	Definition	Unit	Baseline
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<sup>8</sup> Transport Project Baselines are set for the year 2025 and correspond to scenario where there is no intervention (the counterfactual).

<sup>9</sup> Transport Project Targets are set for the year 2025.						<b>Compact Target</b>	<b>ITT Indicator (Y/N)</b>
<b>ATMS Activity</b>							
<b>Outcome Indicators</b>							
Outcome	Increased flow rate of people and	Passenger travel	Kilometers of travel per	Kilometers	TRD	TRD	N

Execution Version

Outcome	Reduced network wide delay, stops and accidents	Accidents per kilometer driven	Number of accidents per kilometer driven	Number	TBD	TBD	Y
Outcome	Reduced network wide delay, stops and accidents	Injuries per accident	Number of injuries per accident	Number	TBD	TBD	Y
Outcome	Improved operations	TBD	TBD	TBD	TBD	TBD	N
Outcome	Improved real time and long run data analysis	TBD	TBD	TBD	TBD	TBD	N
Outcome	Improved flow rate of traffic in junctions	Volume to capacity ratio	Volume to capacity ratio: ratio of the number of vehicles on the road to the number of vehicles that road has the capacity to carry at any given moment.	Number	TBD	TBD	TBD
Outcome	Improved flow rate of traffic in junctions	Vehicles per hour	Number of vehicles per hour at junctions, disaggregated by junction	Number	TBD	TBD	TBD
Outcome	Improved flow rate of traffic in junctions	Average speed of vehicles <sup>10</sup>	Average speed of vehicles at CMC/corridor boundary and within CMC	Kilometers /hour	N/A	N/A	TBD

<sup>10</sup> The Baselines and Targets for this set of Indicators are produced from internal MCC economic analysis estimates based on consultant data and information provided by the most recent Transport Master Plan in the Colombo Metropolitan Region. While Baselines and Targets for this set of Indicators correspond to a 19% ERR, both Baselines and Targets would be more accurately represented by a range of values. This stage if the final impact design. The final Indicator and corresponding Targets shall be modified once certain studies have been completed and MCC has better quality data on investments and infrastructure investments.



Execution Version

Average speed of vehicles: Morning peak 6:00-9:00 bus into CMC	Kilometers /hour	2	5	TBD
Average speed of vehicles: Morning peak 6:00-9:00 non-bus into CMC	Kilometers /hour	2	8	TBD
Average speed of vehicles: Evening peak 17:00-20:00 bus from CMC	Kilometers /hour	24	31	TBD
Average speed of vehicles: Evening peak 17:00-20:00 non-bus from CMC	Kilometers /hour	30	37	TBD
Average speed of vehicles: Interpeak 9:00-12:00 bus within CMC	Kilometers /hour	20	26	TBD
Average speed of vehicles: Interpeak 9:00-12:00 non-bus within CMC	Kilometers /hour	25	31	TBD
Average speed of vehicles: School peak 12:00-15:00 bus within CMC	Kilometers /hour	12	15	TBD
Average speed of vehicles: School peak 12:00-15:00 non-bus within CMC	Kilometers /hour	15	18	TBD
Average speed of vehicles: Interpeak 9:00-12:00 bus	Kilometers /hour	21	27	TBD
Average speed of vehicles: Interpeak 9:00-	Kilometers /hour	26	32	TBD

Execution Version

Outcome	Improved flow rate of traffic in junctions	Travel and delays	12:00 non-bus Time of travel and delays	Minutes	TBD	TBD	N
Outcome	Improved incident detection, verifications, response, removal, recovery	Incident management process	Speed of incident management process	Minutes	TBD	TBD	TBD
Outcome	Real time data	System functional	Date system is functional	Date	N/A	Year 4	Y
Outcome	Improved well-coordinated decision making among multiple agencies/stake holders	TBD	TBD	TBD	TBD	TBD	TBD
Outcome	Improved maintenance	TBD	TBD	TBD	TBD	TBD	TBD
<b>Output Indicators</b>							
Output	Automated enforcement system	Citations issued	Number of citations issued, disaggregated by speed and parking	Number	TBD	TBD	Y
Output	Technical assistance in maintenance program and funding	TBD	TBD	TBD	TBD	TBD	TBD
Output	Traffic planning and capacity building and technical assistance	People trained in traffic planning and engineering capacity building	Number of people trained in traffic planning and engineering capacity building	Number	0	TBD	Y
Output	Establishment of management committee to coordinate across	Management committee established	Date in which management committee is established	Date	N/A	Year 1	Y

Execution Version

	institutions						
Output	Public outreach campaigns (on traffic and passengers safety and operational efficiency)	Outreach campaigns conducted	Number of outreach campaigns conducted	Number	0	TBD	Y
Output	Junctions with improved geometry and signaling	Junctions improved	Number of junctions improved	Number	TBD	TBD	Y
Output	IT systems built. Including Incident management system, automated enforcement system traffic monitoring & management system, & bus priority system.	IT system built	Date in which the IT system is built	Date	N/A	Year 4	Y
<b>BTSM Activity</b>							
<b>Outcome Indicators</b>							
Outcome	Increased ridership on priority corridors	Passenger kilometers	Number of passenger kilometers - Disaggregated by corridor	Kilometer	TBD	TBD	TBD
Outcome	Increased ridership on priority corridors	Boardings by corridor	Number of boardings by corridor	Number	TBD	TBD	Y
Outcome	Improved reliability and journey times	Reduced time per kilometer	Time per passenger-kilometer	Minutes/kilometer	TBD	TBD	TBD
Outcome	Improved reliability and journey times	Schedule adherence	Absolute value of difference between real-time arrival time and scheduled arrival time.	Minutes	TBD	TBD	Y
Outcome	Improved reliability and	Headway adherence	The standard deviation of	Minutes (dimension	TBD	TBD	N

Execution Version

	journey times		actual headway divided by the average scheduled headway.	less)			
Outcome	Improved reliability and journey times	Reliability factor	Percent of trips where observed trip time divided by average trip time is between 0.9 and 1.1.	Percentage	TBD	TBD	N
Outcome	Improved quality service	TBD	TBD	TBD	TBD	TBD	TBD
Outcome	Reduced travel time of people	Travel time	Passenger hours of travel on buses in the target corridors	TBD	TBD	TBD	N
Outcome	Retain current riders and attract new riders, including more women, and riders that would have driven	Increased ridership	Number of riders - Disaggregated by sex	TBD	TBD	TBD	Y
Outcome	Improved commuter security including reduction in harassment of women and girls	Harassment incidents reported	Number of harassment incidents reported to the police	Number	TBD	TBD	Y
Outcome	Bus routes optimized	Routes defined along the target corridors	Number of routes defined along the target corridors	Number	TBD	TBD	Y
Outcome	Bus routes optimized	Reduced transfers	Reduced number of transfers	Number	TBD	TBD	N
Outcome	Real time data analysis	System functional	Date system is functional	Date	N/A	Year 4	Y
Outcome	Bus accident reduction	Accidents reduced per kilometer driven	Number of accidents reduced per kilometer driven	Number	TBD	TBD	Y
Outcome	Bus accident	Injuries per	Number of	Number	TBD	TBD	N

Execution Version

	reduction	accident	injuries per accident				
Outcome	Improved road safety	Total accidents on corridor reduced	Number of total accidents on corridor reduced	Number	TBD	TBD	Y
Outcome	Reduced crowding on buses	Load factor	Load factor, disaggregated by corridor and time of day	Number	TBD	TBD	Y
Outcome	Improved regulatory environment	TBD	TBD	TBD	TBD	TBD	TBD
<b>Output Indicators</b>							
Output	Multimodal farecard system	System built	Date on which system is built	Date	N/A	Year 1	Y
Output	Rationalized revenue-sharing system	Policy and/or legislation passed	Date on which policy and/or legislation passed	Date	N/A	Year 1	Y
Output	Technical assistance, capacity building and training to organize the sector	People trained in technical assistance, capacity building to organize the sector	Number of people trained in technical assistance, capacity building to organize the sector	Number	0	TBD	Y
Output	GPS on buses	Buses with GPS	Number with GPS on buses	Number	TBD	TBD	TBD
Output	Shift to a data and performance based bus operations system	TBD	TBD	TBD	TBD	TBD	TBD
Output	Enforced bus timetables (frequent)	Consistency of headway variance	Distance or time between buses	Minutes	TBD	TBD	N
Output	Enforce bus timetables (infrequent)	On time performance	Percent of buses that arrive within set window schedule	Percentage	TBD	TBD	Y
Output	Improved stops and terminals	Stops constructed or improved	Number of stops constructed or improved	Number	0	TBD	Y
Output	Improved	Terminals	Number of	Number	0	TBD	Y

Execution Version

	stops and terminals	constructed or improved	terminals constructed or improved				
Output	Increased safety provisions for female commuters	People trained in women/girls safety issues	Number of people trained in women/girls safety issues	Number	0	TBD	Y
Output	Increased safety provisions for female commuters	Hotline established	Date by which hotline is established	Date	N/A	TBD	Y
Output	CCTV on buses	Buses in the corridor with CCTV	Percent/number of buses in the corridor operating CCTV cameras	Percentage	0	TBD	Y
Output	Public outreach regarding bus improvements	Outreach campaigns conducted	Number of outreach campaigns conducted - Disaggregated by type (safety security, harassment)	Number	0	TBD	Y
Output	Passenger information system	System updated and published	Date by which the system goes online	Date	N/A	Year 3	Y
<b>CRRN Activity</b>							
<b>Outcome Indicators</b>							
Outcome	Increased flow rate of passengers and goods in the network	Hourly traffic to capacity ratio	Total volume of hourly traffic; average number of vehicles on the road per hour	Number	TBD	TBD	N
Outcome	Increased flow rate of passengers and goods in the network	Average annual daily traffic <sup>11</sup>	The average number and type of vehicles per day, averaged over different times (day and	Number	N/A	TBD	N

<sup>11</sup> The Baselines and Targets for this set of Indicators are produced from the HDM-4 modeling estimates. While Baselines and Targets for this set of Indicators correspond to a 19%ERR, both Baselines and Targets would be more accurately represented by a range at this stage in Compact design. The final Indicator and corresponding Targets shall be modified once certain studies have been completed and MCC has better quality data.

night) and over different seasons to arrive at an annualized daily average.				
The average number and type of vehicles per day, averaged over different times (day and night) and over different seasons to arrive at an annualized daily average: Avissawella-Ratnapura	Number	40132	40132	
The average number and type of vehicles per day, averaged over different times (day and night) and over different seasons to arrive at an annualized daily average: Bergal-Wellawaya	Number	1490	1490	
The average number and type of vehicles per day, averaged over different times (day and night) and over different seasons to arrive at an annualized daily average: Dambulla-Naula	Number	13220	13220	

Execution Version

Outcome	Increased maintenance	Kilometers of roads maintained	The average number and type of vehicles per day, averaged over different times (day and night) and over different seasons to arrive at an annualized daily average: Kalagahawela-Dambulla	Number	4133	4133	
			The average number and type of vehicles per day, averaged over different times (day and night) and over different seasons to arrive at an annualized daily average: Ratnapura-Pelmadulla	Number	27950	27950	
			Kilometers of roads maintained	Kilometers	TBD	TBD	N
Outcome	Increased connectivity between the ring road and secondary roads	Speed <sup>12</sup>	Average speed/travel time within the network	Kilometers /hour	N/A	TBD	N
			Average speed/travel time within the network: Avissawella-Ratnapura	Kilometers /hour	10	11	TBD
			Average speed/travel	Kilometers /hour	18	51	TBD

<sup>12</sup> The Baselines and Targets for this set of Indicators are produced from the HDM-4 modeling estimates. While Baselines and Targets for this set of Indicators correspond to a 19% ERR, both Baselines and Targets would be more accurately represented by a range at this stage in Compact design. The final Indicator and corresponding Targets shall be modified once certain studies have been completed and MCC has better quality data.



Execution Version

Outcome	Time savings	Travel and delays	time within the network: Bergal-Wellawaya				
			Average speed/travel time within the network: Dambulla-Naula	Kilometers /hour	16	26	TBD
			Average speed/travel time within the network: Kalagahawela-Dambulla	Kilometers /hour	22	41	TBD
			Average speed/travel time within the network: Ratnapura-Pelmadulla	Kilometers /hour	14	19	TBD
			Normal travel time of travel plus delays to drive the corridor	Minutes	TBD	TBD	N
Outcome	Road user cost savings	Vehicle operating and travel time cost savings	Cost savings on vehicle usage from HDM-4	US\$	N/A	TBD	N
			Cost savings on vehicle usage from HDM-4: Avisawella-Ratnapura	US\$	TBD	~ US\$9 million	TBD
			Cost savings on vehicle usage from HDM-4: Bergal-Wellawaya	US\$	TBD	<sup>13</sup> ~US\$5 million	TBD
			Cost savings on vehicle usage from HDM-4:	US\$	TBD	~US\$5 million	TBD

<sup>13</sup> To be viable at the estimated cost of investment, road use cost savings need to be in the neighborhood of US\$5 million by 2025 to have returns comparable to other road segments.

Execution Version

			Dambulla-Naula				
			Cost savings on vehicle usage from HDM-4: Kalagahawela-Dambulla	US\$	TBD	~US\$2 million	TBD
			Cost savings on vehicle usage from HDM-4: Ratnapura-Pelmadulla	US\$	TBD	~US\$13 million	TBD
Outcome	Accidents reduced	Accidents	Number of accidents as defined by the International Road Assessment Programme assessment	Number	TBD	TBD	TBD
Outcome	Accidents reduced	Injuries	Number of injuries as defined by the IRAP assessment.	Number	TBD	TBD	N
Outcome	Accidents reduced	Road traffic fatalities	The number of road traffic fatalities per year on roads constructed, rehabilitated or improved with MCC Funding.	Number	TBD	TBD	N
Outcome	Accidents reduced	Property damage of accident incidence	Value of property damage of accident incidence	US\$	TBD	TBD	N
<b>Output Indicators</b>							
Output	Technical assistance/maintenance	Road Maintenance Fund established	Condition precedent for road maintenance fund fulfilled	Date	TBD	TBD	Y
Output	Strengthen structure, pavement,	Kilometers of roads completed	The length of roads in kilometers on	Kilometers	0	131	Y

Execution Version

	drainage, bridges - bring roads to class A standards		which construction of new roads or reconstruction, rehabilitation, resurfacing or upgrading of existing roads is complete (certificates handed over and approved). (MCC Common Indicator R-8)				
Output	Reduced rough roughness	Roughness (International Roughness Index)	The measure of the roughness of the road surface, in meters of height per kilometer of distance traveled (MCC Common Indicator R-9)	Meters per kilometer	TBD	2	N

Table 2: Land Project Indicators

Indicator Level	Result	Indicator	Definition	Unit	Baseline	Compact Target	ITT Indicator (Y/N)
Objective Level Outcome	Increased land transactions	Transactions occurring subsequently	Number of transactions occurring subsequently.	Number	TBD	TBD	Y
Objective Level Outcome	Transfer of land to more productive uses	TBD	TBD	TBD	TBD	TBD	TBD
Objective Level Outcome	Increased land investment	Value of land attached investment	Total difference between market value of developed	US\$	8.6 billion <sup>14</sup>	9 billion <sup>15</sup>	TBD

<sup>14</sup> This figure was calculated using original survey data collected in 2018 by MCC on land values and land-attached investment as well as administrative data on transactions from the Sri Lanka Registrar General's office.

<sup>15</sup> The Target for this land indicator is set for the year 2030.

Execution Version

			property and market value of undeveloped land.				
Parcel Fabric Map and State Land Inventory Activity							
Outcome Indicators							
Outcome	Improved information on land for investment purposes	Parcels designated as underutilized or vacant	Number of parcels designated as underutilized or vacant	Parcels	TBD	TBD	N
Outcome	Increased availability of digital information on State Lands	State land parcels entered in to eState Land Information & Management System ("eSlims")	Number of State Lands parcels entered in to eSlims	Parcels	TBD	1,892 additional State land parcels (not permits and grants) Year 2	Y
Outcome	Improved administration of State Lands	Applications or inquiries for State Lands processed in eSlims	Number of applications or inquiries for State Lands processed in eSlims	Number	TBD	TBD	Y
Output Indicators							
Output	Creation of digital parcel fabric map and Linkage of rights information in State lands	Digital fabric map created	Date by which the parcel fabric map is created, disaggregated by district.	Date	N/A	Year 2 (Target dates to be established for each district)	Y
Output	Creation of digital parcel fabric map and Linkage of rights information in State lands	Parcels of State Lands identified on the parcel fabric map	Number of parcels identified by satellite imagery of State Lands in target geographic areas	Parcels	TBD	TBD	Y
Output	Complete inventory and mapping of State Lands	Delimitation of State Lands	Percentage complete of the delimitation of State Lands, disaggregated by geographic area.	Percentage	TBD	1,892 additional State Lands parcels (not permits)	Y

Execution Version

						and grants) Year 2	
Output	Convert absolute land grants (to State Lands) to titles (establish freehold rights)	Land rights formalized	The number of household, commercial and other legal entities (e.g., non-government organizations, churches, hospitals) receiving formal recognition of ownership and/or use rights through certificates, titles, leases, or other recorded documentation by government institutions or traditional authorities at national or local levels.	Number	TBD	582,517 additional titles Year 2	Y
<b>Deeds Registry Improvement and Land Grants Registration and Deed Conversion Activity</b>							
<b>Outcome Indicators</b>							
Outcome	Improved ability to monetize land	Value of credit using land as collateral	TBD	TBD	TBD	TBD	N
Outcome	Improved transaction time	Percentage change in time for property transactions	The average percentage change in number of days for an individual or company to conduct a first time registration property transaction within the formal system.	Percentage	TBD	TBD	Y
Outcome	Improved access to	TBD	TBD	TBD	TBD	TBD	TBD

Execution Version

	information on properties of land in geographic areas available for investment purposes						
Outcome	Searchable digital deeds records system deployed in defined geographic areas	eLand Registry deployed with database of digitized records	The date by which the eLand Registry is deployed with a database of digitized records within defined geographic areas	Date	N/A	Year 2	Y
Outcome	Improved land tenure security	Parcels incorporated in the land system	The number of parcels with relevant parcel information corrected or newly incorporated into an official land information system (whether a system for the property registry, cadaster or an integrated system).	Parcels	TBD	TBD	Y
<b>Output Indicators</b>							
Output	Digital real property records linked to digital parcel fabric map	Parcels incorporated in the land system	The number of parcels with relevant parcel information corrected or newly incorporated into an official land information system (whether a system for the	Parcels	0	TBD	Y

Execution Version

			property registry, cadaster or an integrated system).				
Output	Scanned, indexed, and entry of records in the eLand Registry	Parcels incorporated in the land system	The number of parcels with relevant parcel information corrected or newly incorporated into an official land information system (whether a system for the property registry, cadaster or an integrated system).	Parcels	0	8.132 Million	Y
Output	Land mapped and titled in the title registration system	Parcels incorporated in the land system	The number of parcels with relevant parcel information corrected or newly incorporated into an official land information system (whether a system for the property registry, cadaster or an integrated system).	Parcels	TBD	TBD	Y
Output	Land mapped and titled in the title registration system	Land rights formalized	The number of household, commercial and other legal entities (e.g., non-government organizations, churches, hospitals)	Number	TBD	TBD	Y

Execution Version

			receiving formal recognition of ownership and/or use rights through certificates, titles, leases, or other recorded documentation by government institutions or traditional authorities at national or local levels.				
Output	Streamlined title settlement process	Steps to complete title settlement	Number of steps to complete title settlement	Number	<sup>16</sup> 25	TBD	Y
<b>Land Valuation System Improvement Activity</b>							
<b>Outcome Indicators</b>							
Outcome	Improved information on land for investment purposes	Parcels designated as underutilized or vacant	Number of parcels designated as underutilized or vacant	Parcels	0	TBD	N
Outcome	Mass appraisal system is functional in geographic areas	Valuation offices using appraisal system	Number of valuation offices using the appraisal system	Number	0	TBD	Y
Outcome	Timely appraisals of value in order to set lease rate tax and stamp duties	Appraisal time	Time it takes to appraise (disaggregated by type of appraisal - taxes, long term lease, stamp duty)	Months	TBD	TBD	Y
<b>Output Indicators</b>							
Output	Support for development of computerized mass appraisal	Data fed in to system - Historical	Number of data points entered in to the system. Historical data	Number	0	TBD	Y

<sup>16</sup> The Department of Land Title Settlement, Ministry of Lands and Parliamentary Reforms.



Execution Version

	system		not present before.				
Output	Technical assistance and capacity building for Valuation Department, Provincial Revenue Offices	People trained in technical assistance and capacity building for Valuation Department, Provincial Revenue Offices	Number of people trained in technical assistance and capacity building for Valuation Department, Provincial Revenue Offices.	Number	0	TBD	Y
Output	Support for fielding of initial surveys of land characteristics and initial valuation of reference plots	Data fed in to system - New	Number of data points entered in to the system. Including information or updates to historical data with new information from the field (added characteristics that is not present in historical info).	Number	0	TBD	Y
<b>Land Policy and Legal Governance Activity</b>							
<b>Outcome Indicators</b>							
Outcome	Policies adopted	Policies adopted	Number of policies adopted	Number	0	TBD	Y
<b>Output Indicators</b>							
Output	LPRG established	LPRG established	Date the LPRG is established	Date	N/A	Year 1	Y
Output	Policy Studies completed	Policy Studies completed	Number of policy studies completed	Number	0	TBD	Y

**ANNEX IV  
CONDITIONS PRECEDENT TO DISBURSEMENT OF COMPACT CDF**

This Annex IV sets forth the conditions precedent applicable to Disbursements of Compact CDF (each a “*Compact CDF Disbursement*”). Upon signature of the Program Implementation Agreement, each Compact CDF Disbursement shall be subject to the terms of the Program Implementation Agreement in addition to the terms set forth in this Annex IV.

**1. Conditions Precedent to Initial Compact CDF Disbursement.**

Each of the following must have occurred or been satisfied prior to the initial Compact CDF Disbursement:

- (a) The Government (or MCA-Sri Lanka) has delivered to MCC:
  - (i) an interim fiscal accountability plan acceptable to MCC; and
  - (ii) a Compact CDF procurement plan acceptable to MCC.

**2. Conditions Precedent to all Compact CDF Disbursements (Including Initial Compact CDF Disbursement).**

Each of the following must have occurred or been satisfied prior to each Compact CDF Disbursement:

- (a) The Government (or MCA-Sri Lanka) has delivered to MCC the following documents, in form and substance satisfactory to MCC:
  - (i) a completed Disbursement Request, together with the applicable Periodic Reports, for the applicable Disbursement Period, all in accordance with the Reporting Guidelines;
  - (ii) a certificate of the Government (or MCA-Sri Lanka), dated as of the date of the Compact CDF Disbursement Request, in such form as provided by MCC;
  - (iii) if a Fiscal Agent has been engaged, a Fiscal Agent Disbursement Certificate; and
  - (iv) if a Procurement Agent has been engaged, a Procurement Agent Disbursement Certificate.
- (b) If any proceeds of the Compact CDF Disbursement are to be deposited in a bank account, MCC has received satisfactory evidence that (i) the Bank Agreement has been executed and (ii) the Permitted Accounts have been established.
- (c) Appointment of an entity or individual to provide fiscal agent services, as approved by MCC, until such time as the Government provides to MCC a true and complete

copy of a Fiscal Agent Agreement, duly executed and in full force and effect, and the Fiscal Agent engaged thereby is mobilized.

(d) Appointment of an entity or individual to provide procurement agent services, as approved by MCC, until such time as the Government provides to MCC a true and complete copy of the Procurement Agent Agreement, duly executed and in full force and effect, and the Procurement Agent engaged thereby is mobilized.

(e) MCC is satisfied, in its sole discretion, that: (i) the activities being funded with such Compact CDF Disbursement are necessary, advisable or otherwise consistent with the goal of facilitating the implementation of this Compact and are not expected to violate any applicable law or regulation; (ii) no material default or breach of any covenant, obligation, or responsibility by the Government, MCA-Sri Lanka, or any Government entity has occurred and is continuing under this Compact or any Supplemental Agreement; (iii) there has been no violation of, and the use of requested funds for the purposes requested are not expected to violate, the limitations on use or treatment of MCC Funding set forth in Section 2.7 of this Compact or in any applicable law or regulation; (iv) any Taxes paid with MCC Funding through the date 90 days prior to the start of the applicable Disbursement Period have been reimbursed by the Government in full in accordance with Section 2.8(c) of this Compact; and (v) the Government has satisfied all of its payment obligations, including any insurance, indemnification, tax payments, or other obligations, and contributed all resources required from it, under this Compact and any Supplemental Agreement.

(f) For any Compact CDF Disbursement occurring after this Compact has entered into force in accordance with Article 7, MCC is satisfied, in its sole discretion, that: (i) MCC has received copies of any reports due from any technical consultants (including environmental auditors engaged by MCA-Sri Lanka) for any Activity since the previous Disbursement Request, and all such reports are in form and substance satisfactory to MCC; (ii) the Implementation Plan Documents and Fiscal Accountability Plan are current and updated and are in form and substance satisfactory to MCC, and there has been progress satisfactory to MCC on the components of the Implementation Plan for any relevant Projects or Activities related to such Compact CDF Disbursement; (iii) there has been progress satisfactory to MCC on the M&E Plan and Social and Gender Integration Plan for any relevant Projects or Activities and substantial compliance with the requirements of the M&E Plan and Social and Gender Integration Plan (including the Targets set forth therein and any applicable reporting requirements set forth therein for the relevant Disbursement Period); (iv) there has been no material negative finding in any financial audit report delivered in accordance with this Compact and the Audit Plan for the prior two quarters (or such other period as the Audit Plan may require); (v) MCC does not have grounds for concluding that any matter certified to it in the related MCA Disbursement Certificate, the Fiscal Agent Disbursement Certificate, or the Procurement Agent Disbursement Certificate is not as certified; and (vi) if any of the officers or key staff of MCA-Sri Lanka have been removed or resigned and the position remains vacant, MCA-Sri Lanka is actively engaged in recruiting a replacement.

(g) MCC has not determined, in its sole discretion, that an act, omission, condition, or event has occurred that would be the basis for MCC to suspend or terminate, in whole or in part, this Compact or MCC Funding in accordance with Section 5.1 of this Compact.

**Execution Version**

**ANNEX V  
DEFINITIONS**

*Activity* has the meaning provided in Part B of Annex I.

*Additional Representative* has the meaning provided in Section 4.2.

*Advanced Traffic Management System Activity or ATMS Activity* has the meaning provided in Part B of Annex I.

*Alternate* has the meaning provided in Part C of Annex I.

*Annex* has the meaning provided in Section 6.1.

*ATMS* has the meaning provided in Part B of Annex I.

*Audit Guidelines* has the meaning provided in Section 3.8(a).

*Audit Plan* has the meaning provided in Section 3.8(a).

*Bank* means the financial institution approved by MCC to hold MCA-Sri Lanka's Permitted Account.

*Bank Agreement* means an agreement, in form and substance satisfactory to MCC, between MCA-Sri Lanka and the Bank that sets forth the signatory authority, access rights, anti-money laundering and anti-terrorist financing provisions, and other terms related to MCA-Sri Lanka's Permitted Account.

*Baseline* has the meaning provided in Annex III.

*Board of Directors* has the meaning provided in Part C of Annex I.

*BTSM* has the meaning provided in Part B of Annex I.

*BTSM Grant Facility* has the meaning provided in Part B of Annex I.

*Bus Sector Reform Plan* has the meaning provided in Part B of Annex I.

*Bus Transport Service Modernization Activity or BTSM Activity* has the meaning provided in Part B of Annex ANNEX I.

*CBA* has the meaning provided in Annex III.

*CCR* has the meaning provided in Annex III.

*CCTV* has the meaning provided in Part B of Annex I.

*CDF Agreement* has the meaning provided in Section 3.2(b).

*Central Ring Road Network Activity or CRRN Activity* has the meaning provided in Part B of Annex I.

*CMR* has the meaning provided in Section 1.2(a).

*Common Indicators* has the meaning provided in Annex III.

*Compact* has the meaning provided in the Preamble.

*Compact CDF* has the meaning provided in Section 2.2(a).

*Compact CDF Disbursement* has the meaning provided in Annex IV.

*Compact CDF Disbursement Request* means a Disbursement Request pertaining to Compact CDF.

*Compact Goal* has the meaning provided in Section 1.1.

*Compact Records* has the meaning provided in Section 3.7(a).

*Compact Term* has the meaning provided in Section 7.4.

*Counter-Trafficking in Person Policy* has the meaning provided in Part B of Annex I.

*Covered Provider* has the meaning provided in the Audit Guidelines.

*CRRN* has the meaning provided in Part B of Annex I.

*Deeds Registry Improvement Activity* has the meaning provided in Part B of Annex I.

*Detailed Financial Plan* means the financial plan developed and implemented by MCA-Sri Lanka for each quarter for the upcoming year and on an annual basis for each year of the remaining years of the Compact, in accordance with the Reporting Guidelines, setting forth funding requirements for the Program (including administrative costs) and for the Project, broken down to the sub-activity level (or lower, where appropriate), and projected both on a commitment and cash requirement basis.

*Disbursement* has the meaning provided in Section 2.4.

*Disbursement Period* means each quarter, or any other period of time as agreed between MCA-Sri Lanka and MCC, during which MCA-Sri Lanka submits to MCC a Disbursement Request for funding.

*Disbursement Request* means a request by MCA-Sri Lanka to MCC for Program Funding or Compact CDF, respectively, submitted in accordance with the Reporting Guidelines.

*DQRs* has the meaning provided in Annex III.

*eLand Registry* has the meaning provided in Part B of Annex I.

*ERR has the meaning provided in Annex III.*

*eSlims has the meaning provided in Part B of Annex I.*

*Evaluation Component has the meaning provided in Annex III.*

*Excess Compact CDF Amount has the meaning provided in Section 2.2(c).*

*Fiscal Accountability Plan means the manual, to be developed and implemented by MCA-Sri Lanka (as approved by MCC) setting forth the principles, mechanisms and procedures that MCA-Sri Lanka shall use to ensure appropriate fiscal accountability for the use of MCC Funding, including the process to ensure that open, fair, and competitive procedures shall be used in a transparent manner in the administration of grants or cooperative agreements and in the procurement of goods, works, and services.*

*Fiscal Agent has the meaning provided in Part C of Annex I.*

*Fiscal Agent Agreement means an agreement between MCA-Sri Lanka and the Fiscal Agent, in form and substance satisfactory to MCC that sets forth the roles and responsibilities of the Fiscal Agent and other appropriate terms and conditions.*

*Fiscal Agent Disbursement Certificate means a certificate of the Fiscal Agent, substantially in the form provided by MCC.*

*Gender Integration Guidelines has the meaning provided in Part B of Annex I.*

*Goal Indicator has the meaning provided in Annex III.*

*Governance Guidelines means the MCC Guidelines for Accountable Entities and Implementation Structures.*

*Government has the meaning provided in the Preamble.*

*GPS has the meaning provided in Part B of Annex I.*

*Grant has the meaning provided in Section 3.6(b).*

*HDM-4 has the meaning provided in Part B of Annex I.*

*ICTA has the meaning provided in Part B of Annex I.*

*Implementation Letters has the meaning provided in Section 3.5.*

*Implementation Plan refers to the collective four Implementation Plan Documents, in form and substance approved by MCC, elaborating the framework for implementation of the Program.*

*Implementation Plan Document means each of (i) a Work Plan, (ii) a Detailed Financial Plan, (iii) an Audit Plan and (iv) a Procurement Plan.*

*Implementing Entity* has the meaning provided in Part C of Annex I.

*Implementing Entity Agreement* has the meaning provided in Part C of Annex I.

*Importer* has the meaning provided in Part C of Annex I.

*Indicator Tracking Table and ITT* have the meaning provided in Annex III.

*Indicators* has the meaning provided in Annex III.

*Initial Compact CDF Disbursement* means the first Disbursement relating to Compact CDF.

*Inspector General* has the meaning provided in Section 3.7(c).

*Intellectual Property* means all registered and unregistered trademarks, service marks, logos, names, trade names and all other trademark rights; all registered and unregistered copyrights; all patents, inventions, shop rights, know how, trade secrets, designs, drawings, art work, plans, prints, manuals, computer files, computer software, hard copy files, catalogues, specifications, and other proprietary technology and similar information; and all registrations for, and applications for registration of, any of the foregoing, that are financed, in whole or in part, using MCC Funding.

*IT* has the meaning provided in Part B of Annex I.

*Land Grants Registration and Deed Conversion Activity* has the meaning provided in Part B of Annex I.

*Land Policy and Legal Governance Improvement Activity* has the meaning provided in Part B of Annex I.

*Land Project* has the meaning provided in Part B of Annex I.

*Land Valuation System Improvement Activity* has the meaning provided in Part B of Annex I.

*LPRG* has the meaning provided in Part B of Annex I.

*LSPA* has the meaning provided in Part B of Annex I.

*M&E* has the meaning provided in Annex III.

*M&E Plan* has the meaning provided in Annex III.

*Management Unit* has the meaning provided in Part C of Annex I.

*MCA Act* has the meaning provided in Section 2.2(a).

*MCA-Sri Lanka* has the meaning provided in Section 3.2(b).

*MCC* has the meaning provided in the Preamble.



*MCC Contracted Compact CDF Activities* has the meaning provided in Section 2.2(f).

*MCC Environmental Guidelines* has the meaning provided in Section 2.7(c).

*MCC Funding* has the meaning provided in Section 2.3.

*MCC Gender Policy* means the MCC Gender Policy (including any guidance documents issued in connection with such policy).

*MCC M&E Policy* has the meaning provided in Annex III.

*MCC Program Closure Guidelines* means the MCC Program Closure Guidelines (including any guidance documents issued in connection with such guidelines).

*MCC Program Procurement Guidelines* has the meaning provided in Section 3.6(a).

*MCC Website* means the MCC website at www.mcc.gov.

*Monitoring Component* has the meaning provided in Annex III.

*MOWCA* has the meaning provided in Part B of Annex I.

*Multi-Year Financial Plan Summary* has the meaning provided in Annex II.

*O&M* has the meaning provided in Part B of Annex I.

*Parcel Fabric Map and State Land Inventory Activity* has the meaning provided in Part B of Annex I.

*Party and Parties* have the meaning provided in the Preamble.

*Periodic Reports* means the reports and information that MCA-Sri Lanka shall periodically provide to MCC, in form and substance satisfactory to MCC, as required by the Reporting Guidelines.

*Permitted Account* has the meaning provided in Section 2.4.

*PPP* has the meaning provided in Part B of Annex I.

*Principal Representative* has the meaning provided in Section 4.2.

*Procurement Agent* has the meaning provided in Part C of Annex I.

*Procurement Agent Agreement* means the agreement that MCA-Sri Lanka shall enter into with the Procurement Agent, in form and substance satisfactory to MCC that sets forth the roles and responsibilities of the Procurement Agent with respect to the conduct, monitoring and review of procurements and other appropriate terms and conditions.

**Procurement Agent Disbursement Certificate** means a certificate of the Procurement Agent, substantially in the form provided by MCC.

**Procurement Plan** means the plan prepared by MCA-Sri Lanka for acquiring the goods, works, and consultant and non-consultant services needed to implement the Compact.

**Program** has the meaning provided in the recitals to this Compact.

**Program Assets** means any assets, goods or property (real, tangible or intangible) purchased or financed in whole or in part (directly or indirectly) by MCC Funding.

**Program Funding** has the meaning provided in Section 2.1.

**Program Guidelines** means collectively the Audit Guidelines, the MCC Environmental Guidelines, the MCC Guidelines for Accountable Entities and Implementation Structures, the MCC Program Procurement Guidelines, the Reporting Guidelines, the MCC M&E Policy, the MCC Cost Principles for Government Affiliates Involved in Compact Implementation, the MCC Program Closure Guidelines, the MCC Gender Policy, the MCC Gender Integration Guidelines, the MCC Guidelines for Economic and Beneficiary Analysis, the MCC Standards for Global Marking, the MCC Guidelines for Country Contributions, and any other guidelines, policies or guidance papers relating to the administration of MCC-funded compact programs, in each case, as such may be posted from time to time on the MCC Website.

**Program Implementation Agreement and PIA** have the meaning provided in Section 3.1.

**Project** has the meaning provided in Section 1.2.

**Project Objective** has the meaning provided in Section 1.2.

**Provider** means (a) any entity of the Government that receives or uses MCC Funding or any other Program Asset in carrying out activities in furtherance of this Compact or (b) any third party that receives at least US\$50,000 in the aggregate of MCC Funding (other than as salary or compensation as an employee of an entity of the Government) during the Compact Term.

**Reporting Guidelines** means the MCC Guidance on Quarterly Accountable Entity Disbursement Request and Reporting Package.

**RMTF** has the meaning provided in Part B of Annex I.

**RTA** has the meaning provided in Part B of Annex I.

**SLTB** has the meaning provided in Part B of Annex I.

**Social and Gender Integration Plan** has the meaning provided in Part B of Annex I.

**Sri Lanka** has the meaning provided in the Preamble.

*State Lands* means all land in Sri Lanka to which the State is lawfully entitled or which may be disposed of by the State and includes all rights, interests, and privileges attached or appertaining to such land.

*Supplemental Agreement* means any agreement between (a) the Government (or any Government affiliate, including MCA-Sri Lanka) and MCC (including, but not limited to, the PIA), or (b) MCC and/or the Government (or any Government affiliate, including MCA-Sri Lanka), on the one hand, and any third party, on the other hand, including any of the Providers, in each case, setting forth the details of any funding, implementing or other arrangements in furtherance of, and in compliance with, this Compact.

*Target* has the meaning provided in Annex III.

*Targeted Districts* has the meaning provided in Part B of Annex I.

*Taxes* has the meaning provided in Section 2.8(a).

*TMC* has the meaning provided in Part B of Annex I.

*Transport Project* has the meaning provided in Part B of Annex I.

*United States Dollars or US\$* means the lawful currency of the United States of America.

*USAID* means the U.S. Agency for International Development.

*WB* has the meaning provided in Part B of Annex I.

*Work Plan* means the plan, in form and substance satisfactory to MCC, that MCA-Sri Lanka shall develop and implement for the overall administration of the Program.

