May 22, 2014

Mr. P. Ratnayake  
Director-General  
Department of External Resources  
Ministry of Finance  
Government of Sri Lanka  
The Secretariat  
Colombo 1  
Sri Lanka

Re: Sri Lanka: Support for the Sri Lanka Education Sector  
Development Framework and Program - TF013267  
Amendment No. 1 to the Australian Trust Fund Grant Agreement

Dear Mr. P. Ratnayake

1. We refer to the Grant Agreement dated July 18, 2013 between the Democratic Socialist Republic of Sri Lanka (the “Recipient”) and the International Development Association (the “World Bank”), acting as Administrator of the Australian Trust Fund for the Support for the Sri Lanka Education Sector Development Framework and Program Trust Fund for the above-mentioned Project (the “Grant Agreement”). We also refer to the recent discussions between the World Bank and the Department of Foreign Affairs and Trade of the Government of Australia (the “Donor”) about amending the name of the Donor in the Grant Agreement, and that the World Bank is expecting to receive the third tranche contribution from the Donor in support of the Project.

2. Accordingly, the Grant Agreement is amended as follows by this amendment letter (“Amendment Letter”):

(a) All references to “Australian Agency for International Development” and “AusAID” as used in the Grant Agreement to refer to the Donor shall be replaced with the “Department of Foreign Affairs and Trade” or “DFAT”.

(b) Paragraph 3.01 of Article III is amended to read as follows:

“3.01 The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to seventeen million two hundred forty-four thousand four hundred fifty-nine United States Dollars (US$17,244,459) ("Grant") to assist in financing the Project.”

(c) Section IV of Schedule 2 is amended to reflect the third tranche contribution added to the total amount of the Grant and the Disbursement Conditions associated with the third tranche. Section IV of Schedule 2 is amended as follows:

RCA 248423. WU 84145 FAX (202) 477-6391
Section IV. Withdrawal of Grant Proceeds

A. General

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the world Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures set forth in the table in paragraph 2 below.

2. The following table specified the categories of Eligible Expenditures that may be financed out of the Proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated (Expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (Inclusive of taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>For Eligible Expenditures Program for:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1) First scheduled disbursement</td>
<td>11,130,502</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Second scheduled disbursement (in or about August 2014) upon:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) the fulfillment of the DLI, that jointly, the MOE and the PCs, have prepared the first draft of the Education Sector Rolling Plan for 2015</td>
<td>4,446,514</td>
<td>100%</td>
</tr>
<tr>
<td>(b) the fulfillment of the DLI, that jointly, the MOE and the PCs, have organized and trained School Development Committees and School Management Teams for the Program for School Improvement in at least fifty percent (50%) of education zones</td>
<td>1,667,443</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>17,244,459</td>
<td></td>
</tr>
</tbody>
</table>
B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made:

   (a) for Category (1) prior to July 18, 2013, and until and unless: (i) the Recipient has complied with the additional instructions referred to in Section IV.A.1 of this Schedule, including the submission to the World Bank of the applicable IUFR for the period from September 1, 2013 to February 28, 2014; and

   (b) for Categories (2) (a) and (b) prior to the date of the effectiveness of this Amendment Letter, and until and unless: (i) the Recipient has complied with the additional instructions referred to in Section IV.A.1 of this Schedule, including the submission to the World Bank of the applicable IUFR for the period from March 1, 2014 to August 31, 2014; (ii) the World Bank has determined, on the basis of, inter alia, such IUFR, that the Eligible Expenditures incurred by the Recipient from March 1, 2014 to August 31, 2014, equal or exceed the amount under Category (2); and (iii) the Recipient has furnished evidence, satisfactory to the World Bank, of the achievement of the DLIs for Categories (2) (a) and (b) by June 2014.

2. Notwithstanding the foregoing:

   (a) if the World Bank is satisfied that a DLI has been achieved:

      (i) before the scheduled disbursement date thereof, the World Bank may authorize withdrawal under the relevant Category; and

      (ii) after the scheduled disbursement thereof, but within twelve (12) months of said date, the World Bank may authorize withdrawal under the relevant Category;

   (b) if the World Bank is satisfied of the achievement of a DLI, agreed to by the World Bank as a replacement for a DLI not achieved by its scheduled disbursement date (a "replacement DLI"), the World Bank may authorize withdrawal, under the relevant Category; and

   (c) if the World Bank is of the view that a DLI has not been achieved, the World Bank may, at any time, in its sole discretion and by notice to the Recipient, cancel the respective DLI value.

3. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is April 30, 2016.”

(d) A new definition is added to the Appendix to the Grant Agreement as follows:

“20. “Disbursement-Linked Indicators” and (DLIs) mean, collectively, the disbursement-linked indicators set forth in the table under Section IV.A.2
to this Agreement, or any other such indicators as the World Bank may agree; and "DLI" means any one of indicator."

3. All other terms of the Grant Agreement shall remain the same.

4. The World Bank will disclose this Amendment Letter and related information on this DFAT Trust Fund Grant Agreement in accordance with the World Bank Policy on Access to Information. By entering into this Agreement, the Recipient consents to disclosure of this Amendment Letter and related information on this DFAT Trust Fund Grant Agreement.

5. We propose that this letter shall constitute an amendment to the Australian Trust Fund Grant Agreement between the Recipient and the World Bank. Please confirm your acceptance to the foregoing, on behalf of the Recipient, by signing and dating the two originals, retaining one original for your records and returning the other original to the World Bank. Upon receipt by the World Bank of the original Amendment Letter countersigned by you, this Amendment Letter will become effective as of the date of the countersignature.

Sincerely Yours,

INTERNATIONAL DEVELOPMENT ASSOCIATION

By Q. Petrescu
Acting Country Director for Sri Lanka and Maldives

AGREED:

DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA

By: Authorized Representative

Name: Priyanka Ratnayake
Title: Director General
Date: Department of External Resources
Ministry of Finance and Planning
The Secretariat, Colombo 01, Sri Lanka.

MAY 27, 2014