Australian Trust Fund

Grant Agreement

For

(Support for the Sri Lanka Education Sector Development Framework and Program)

between

SOCIALIST REPUBLIC OF SRI LANKA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

acting as Administrator of the Australian Trust Fund for Support for the Sri Lanka Education Sector Development Framework and Program

Dated 18th July, 2013
Article I
Standard Conditions; Definitions


1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement.

Article II
The Project

2.01. The Recipient declares its commitment to the objectives of the project described in Schedule 1 to this Agreement ("Project"). To this end, the Recipient shall carry out the Project through the MOE at the national level, and through the PCs, with the support of MLGPC and the Finance Commission, at the provincial level, in accordance with the provisions of Article II of the Standard Conditions.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.
Article III
The Grant

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 eleven million one hundred thirty thousand five hundred and two United States Dollars (US$11,130,502) (“Grant”) to assist in financing the Project.

3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.

3.03. The Grant is funded out of the abovementioned Trust Fund for which the World Bank receives periodic contributions from the Australian Agency for International Development (AusAID) (the “Donor”) to the Trust Fund. In accordance with Section 3.02 of the Standard Conditions, the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Donor under the abovementioned Trust Fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.

Article IV
Recipient’s Representative; Addresses

4.01. The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is its Secretary, Ministry of Finance and Planning, or any other person nominated for this purpose by said Secretary.

4.02. The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

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

Telex: FINMIN 21409
         FORAID21232
Facsimile: 94-112-449823
              94-112-447633
4.03. The World Bank's Address referred to in Section 7.01 of the Standard Conditions is:

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

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

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

DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA

By

Authorized Representative

Name: Ajantha Kumaresiri
Title: Director General
Department of External Resources

INTERNATIONAL DEVELOPMENT ASSOCIATION
acting as administrator of the Australian Trust Fund
for Support for the Sri Lanka Education Sector
Development Framework and Program

By

Authorized Representative

Name: Henry Raghonzzya
Title: Acting Country Director for Sri Lanka & Maldives
SCHEDULE 1

Project Description

The objective of the Project is to enhance access to, and quality of, primary and secondary education to provide a foundation for the knowledge-based economic and social development of the Recipient.

The Project is part of the Program and consists of the following parts:

Part 1: Promoting Access to Primary and Secondary Education

Carrying out activities set forth in Endorsed ESRPs aimed at increasing opportunities for children in the age group 6-10 years to complete primary education, and for children in the age group 11-16 years to complete secondary education up to grade 11; and improving education opportunities of youth aged 17-18 years in grades 12-13.

Part 2: Improving the Quality of Education

Carrying out activities set forth in Endorsed ESRPs aimed at improving the quality of education.

Part 3: Strengthening Governance and Delivery of Education Services

Carrying out activities set forth in Endorsed ESRPs aimed at strengthening governance and delivery of education services.
SCHEDULE 2

Project Execution

Section I. Institutional and Implementation Arrangements

A. Institutional Arrangements

1. (a) The Recipient shall ensure that the MOE maintain, throughout the implementation of the Project, a Project Steering Committee having a composition satisfactory to the World Bank.

(b) The mandate of the Project Steering Committee shall be to (i) develop important policy positions; (ii) review the overall performance of the Program; and (iii) determine those high level policy issues that ought to be brought to the attention of the President and the Minister of Education of the Recipient for decision.

2. The Recipient shall ensure that the MOE maintain, throughout the implementation of the Project, a consultative group having a composition satisfactory to the World Bank to provide strategic advice and guidance to the central and provincial education agencies to resolve problems and strengthen program performance.

B. Implementation Arrangements

1. To facilitate the carrying out of the Project and the Program at the provincial level, the Recipient shall make part of the proceeds of the Grant available to each PC under an Implementation Agreement between the Recipient, through the MLGPC, and that PC, or such other agency as authorized under the laws of the Recipient.

2. Each Implementation Agreement shall consist of terms and conditions agreed between the Recipient and the World Bank which shall include the following:

(a) the proceeds of the Grant shall be made available to the PC, or such other agency as authorized under the laws of the Recipient, as a grant;

(b) the PC shall be responsible for execution, management and coordination of Project activities at the provincial level, including providing appropriate input into the preparation of the Education Sector Rolling Plans, and shall maintain staff with skills, qualifications and experience, and in sufficient numbers, as set out in the Operational Manual and agreed with the World Bank;
(c) the PC, or such other agency as authorized under the laws of the Recipient, shall carry out the Project in accordance with the Anti-corruption Guidelines and the ESMF and shall not amend the ESMF without the prior written approval of the Recipient and the World Bank;

(d) the PC, or such other agency as authorized under the laws of the Recipient, shall, without limitation upon the provisions of the preceding paragraph, (i) prepare, as appropriate and in accordance with the ESMF, an environmental assessment and where required by the ESMF and such assessment, an Environmental Management Plan for each civil works contract/activity under its Part of the Project; (ii) ensure that such contracts/activities are implemented in accordance with the said Environmental Management Plan; (iii) ensure that, whenever provisions of the relevant Environmental Management Plan are varied or altered, such variation/alteration shall be appropriate, necessary and minimized, and that adequate mitigation measures shall be identified and incorporated in the design of the Project, as shall be acceptable to the Recipient and the World Bank; and (iv) undertake regular environmental appraisal, supervision, monitoring and evaluation of its Part of the Project's implementation, all in accordance with guidelines and procedures satisfactory to the Recipient and the World Bank;

(e) the PC, or such other agency as authorized under the laws of the Recipient, shall report to the Recipient in a timely manner any issues impacting or potentially impacting the implementation of the requirements of this section;

(f) the PC, or such other agency as authorized under the laws of the Recipient, shall allocate sufficient and appropriately qualified staff with adequate resources to enable the PC to carry out its obligations under the Implementation Agreement; and

(g) the PC, or such other agency as authorized under the laws of the Recipient, through the Provincial Monitoring Committee, shall review overall progress of Program and Project activities at the provincial and local level.

3. The Recipient shall exercise its rights under each Implementation Agreement in such a manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of the Grant. Except as the World Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive any of the Implementation Agreements or any of their provisions.

4. The Recipient shall: (a) ensure that all budgetary allocations related to the Project are timely released to the appropriate agencies of the Recipient and of the PCs, as
shall be required for the effective implementation of the Project; and (b) apply suitable internal controls to ensure that payments of budgetary expenditures, including monthly or quarterly reconciliations thereof, shall be made in a timely manner, together with an appropriate accounting of budgetary advances, if any, with a view to keeping said advances separate from budgetary expenditures.

C. **Education Sector Rolling Plans**

1. The Recipient shall, not later than October 31, in each year until completion of the Project, commencing October 31, 2012, prepare and furnish to the World Bank for its review and endorsement, an ESRP for the twelve (12) month period commencing on January 1 and ending on December 31 of the following year. Each such ESRP shall, in connection with said twelve (12) month period, include:

   (a) the proposed budget allocations, including forecasted expenditures, for the activities proposed to be carried out under the Project;

   (b) the Procurement Plan related thereto;

   (c) the scope of application of any applicable EMP; and

   (d) the implementation arrangements for the activities proposed to be carried out.

2. The Recipient shall, following endorsement by the World Bank of an ESRP, carry out the Project in accordance with such Endorsed ESRP.

D. **Anti-Corruption**

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 (“Anti-Corruption Guidelines”).

E. **Safeguards**

1. The Recipient shall, and shall cause each PC to, carry out the Project and the Program in accordance with the ESMF, and shall not amend the ESMF without the prior written approval of the World Bank.

2. Without limitation upon the provisions of the preceding paragraph, the Recipient shall, and shall cause each PC to: (i) prepare, in accordance with the ESMF, an environmental assessment and, where required by the ESMF and such assessment, an Environmental Management Plan for each civil works
contract/activity under the Project; (ii) ensure that such contracts/activities are implemented in accordance with the said Environmental Management Plan; (iii) ensure that, whenever provisions of the relevant Environmental Management Plan are varied or altered, such variation/alteration shall be appropriate, necessary and minimized, and that adequate mitigation measures shall be identified and incorporated in the design of the Project, as shall be acceptable to the World Bank; and (iv) undertake regular environmental appraisal, supervision, monitoring and evaluation of the Project's implementation, all in accordance with guidelines and procedures satisfactory to the World Bank.

3. The Recipient shall, through the MOE and MLGPC, report to the World Bank in a timely manner any issues impacting or potentially impacting the implementation of the requirements of this section.

F. Donor Visibility and Visit

1. The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donor's support for the Project.

2. For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank's request, take all measures required on its part to enable the representatives of the Donor to visit any part of the Recipient's territory, after informing the Recipient through its authorized representative, for purposes related to the Project.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports; Completion Report

1. The Recipient shall ensure that the MOE monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the indicators acceptable to the World Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than forty-five days after the end of the period covered by such report;

2. The Recipient shall ensure that the MOE shall:

(a) no later than November 30 of each year, commencing November 30, 2013, carry out joint reviews of the Project and the Program with the World Bank to, inter alia, assess the progress of implementation and achievement of agreed results, and identify any obstacles or impediments;
Maintain continuous dialogue with the World Bank to afford the latter the opportunity to discuss options, respond to requests for advice, or identify issues; and

No later than October 31, 2014, prepare, under terms of reference satisfactory to the World Bank, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraphs (a) and (b) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives of the Project and of the Program during the period following such date.

3. The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six months after the Closing Date.

B. Financial Management; Financial Reports; Audits

1. The Recipient shall ensure that a financial management system is maintained by the MOE, MLGPC and each PC in accordance with the provisions of Section 2.07 of the Standard Conditions.

2. The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank by the MOE and MLGPC as part of the Project Report not later than forty-five days after the end of each six month period, covering such six month period, in form and substance satisfactory to the World Bank.

3. The Recipient shall ensure that the MOE, MLGPC and each PC shall have the Financial Statements for the Project audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than ten (10) months after the end of such period in the first two (2) years and not later than nine (9), and seven (7) months respectively in the ensuing years.
Section III. **Procurement**

A. **General**

1. **Procurement and Consultant Guidelines.** All goods, works, non-consulting-services and consultants' services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

   (a) Section I of the "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 ("Procurement Guidelines") in the case of goods, works and non-consulting services, and Sections I and IV of the "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 ("Consultant Guidelines") in the case of consultants' services; and

   (b) the provisions of this Section III, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines ("Procurement Plan").

2. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

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

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan: (a) Shopping; (b) Community Participation procedures which have been found acceptable to the World Bank; and (c) National Competitive Bidding, subject to the following additional provisions:
(i) Only the model bidding documents for NCB agreed with the World Bank shall be used for bidding;

(ii) Invitations for bids will be advertised in at least one (1) widely circulated national daily newspaper, and bidding documents will be made available at least twenty-one (21) days before, and issued up to, the deadline for submission of bids;

(iii) Bidding documents shall be made available, by mail or in person, to all who are willing to pay the required fee;

(iv) Foreign bidders shall not be precluded from bidding and no preference of any kind be given to national bidders in the bidding process;

(v) Qualification criteria will be stated in the bidding documents, and if a registration process is required, a foreign firm declared as the lowest evaluated responsive bidder shall be given a reasonable time for registering, without let or hindrance;

(vi) There shall not any restriction on the means of delivery of the bids, which shall be either through post or hand-delivered. Electronic submissions shall not be permitted;

(vii) Bids will be opened in public in one (1) location, immediately after the deadline for the submission of bids, as stipulated in the bidding document (the bidding document will indicate the date, time and place of bid opening);

(viii) Except in cases of force majeure or exceptional situations beyond the control of the implementing agency, the extension of bid validity will not be allowed;

(ix) Bids will not be rejected merely on the basis of a comparison with an official estimate;

(x) Evaluations of the bids will be made in strict adherence to the criteria disclosed in the bidding document, in a format and within the specified period agreed with the World Bank, and within the bid validity period specified in the bidding document;

(xi) All bidders/contractors shall, provide bid/performance security as indicated in the bidding/contract documents;
Section I. Definitions


3. “Education Sector Rolling Plans” and “ESRPs” mean the Recipient’s education sector plans to be updated annually by the Recipient and furnished to the World Bank for endorsement, each of which will set out activities proposed to be carried out under the Program in the following year; and “Education Sector Rolling Plan” and “ESRP” mean each of the ESRPs.

4. “Eligible Expenditures Program” and “EEP” mean eligible expenditures for the Program including capital budgets of the MOE and the PEAs excluding land acquisition and the counterpart funds of other donors, and the recurrent budgets of the MOE and PEAs excluding personal emoluments and school uniforms.

5. “Endorsed ESRPs” means the ESRPs endorsed by the World Bank for financing under the Grant.

6. “Environmental and Social Management Framework” and “ESMF” mean the Recipient’s framework for undertaking environmental and social analysis and developing mitigation measures for all Project activities, acceptable to the World Bank, publicly disclosed on January 8, 2013 and providing, among other things, for: (a) the institutional arrangements for implementation of environmental safeguards in the carrying out of the Project; (b) details of potential environmental issues that may arise under the proposed civil works and the necessary background for environmental considerations to be built into the design of the Project; (c) detailed guidelines on when and how to prepare EMPs; (d) guidelines and procedures for social safeguard screening and impact assessment, including guidelines and procedures for stakeholder consultation and participation; (e) measures to monitor activities for significant social impacts, and, if necessary, to assist in mitigation of such impacts; and (f) a grievance redress mechanism, as such ESMF may be amended with the written consent of the World Bank.

7. “Environmental Management Plan” and “EMP” means an environmental management plan, acceptable to the World Bank, prepared in accordance with
the Environmental and Social Management Framework, as such EMP may be amended with the written consent of the World Bank.

8. "Finance Commission" means the body established under the thirteenth amendment to Constitution of the Recipient with the mandate of, among other things, allocating budgets to the PCs; or any successor thereto.

9. "Implementation Agreement" means each of the agreements, in form and substance satisfactory to the World Bank, referred to in Schedule 2, Section I.B, Paragraph 1 to this Agreement pursuant to which the Recipient shall make part of the proceeds of the Grant available to each PC.

10. "MLGPC" means the Recipient’s Ministry of Local Government and Provincial Councils, or any successor thereto.

11. "MOE" means the Recipient’s Ministry of Education or any successor thereto.

12. "Operational Manual" means the manual for the implementation of the Project dated October 19, 2011 adopted by the Recipient and acceptable to the World Bank, as such manual may be revised from time to time with the written consent of the World Bank.

13. "PEAs" means the Provincial Education Authorities for each of the provinces of the Recipient, or any successors thereto.


15. "Procurement Plan" means the Recipient’s procurement plan for the Project, dated October 19, 2011 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

16. "Program" means the Recipient’s National Education Sector Development Framework and Program 2012-2016 which is aimed at addressing the challenges facing the general education sector of the Recipient.

17. "Project Steering Committee" means the committee referred to in paragraph 1 of Section I.A of Schedule 2 to this Agreement.

18. "Provincial Council" or "PC" means Provincial Council, a body having jurisdiction over each of the Provinces of the Recipient as provided for in the thirteenth amendment of the Constitution of the Recipient.
(xii) Except in exceptional situations, re-invitation of bids shall not be carried out;

(xiii) Contracts shall be awarded to the lowest evaluated responsive bidder;

(xiv) Except with the prior concurrence of the World Bank, there will be no negotiation of price with bidders, even with the lowest evaluated bidder;

(xv) A bidder’s bid security will apply only to the specific bid, and a contractor’s performance security will apply only to the specific contract under which they are furnished; and

(xvi) Bids will not be invited on the basis of percentage premium or discount over the estimated cost, unless agreed with the World Bank.

C. Particular Methods of Procurement of Consultants’ Services

1. Quality- and Cost-based Selection. Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

2. Other Methods of Procurement of Consultants’ Services. The following methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Least Cost Selection; (c) Selection based on Consultants’ Qualifications; (d) Selection under a Fixed Budget; (e) Single-source Selection of consulting firms; (f) Selection of Individual Consultants; and (g) Single-source procedures for the Selection of Individual Consultants.

D. Review by the World Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All other contracts shall be subject to Post Review by the World Bank.

Section IV. Withdrawal of Grant Proceeds

A. General

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 one hundred percent (100%) of the Eligible Expenditures Program up to the total amount of the Grant, namely $11,130,502.

B. Withdrawal Conditions; Withdrawal Period

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

   (a) prior to the date of this Agreement; or

   (b) in respect of a province unless an Implementation Agreement, acceptable to the World Bank, has been executed on behalf of the Recipient, through the MLGPC, and the respective PC, and the World Bank has received a legal opinion, satisfactory to the World Bank, of counsel acceptable to the World Bank, that such Implementation Agreement has been duly authorized or ratified by the Recipient and the PC and is legally binding upon the Recipient and the PC in accordance with its terms.

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