
GRANT NUMBER 9193-SRI(EF)

GRANT AGREEMENT
(Externally Financed)

(Skills Sector Enhancement Program – Additional Financing)

between

DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA

and

ASIAN DEVELOPMENT BANK

DATED 11 MAY 2018

SRI 42251

**GRANT AGREEMENT
(Externally Financed)**

GRANT AGREEMENT dated 11 May 2018 between DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA ("Recipient") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) by a Loan Agreement of even date herewith ("Ordinary Operations [Concessional] Loan Agreement"), ADB has agreed to make a loan ("Concessional Loan") to the Recipient from ADB's ordinary capital resources for an amount of sixty million Dollars (\$60,000,000) for the purposes of financing the Program described in Schedule 1 to the Ordinary Operations [Concessional] Loan Agreement;

(B) by a loan agreement of even date herewith ("Ordinary Operations Loan Agreement", and together with the Ordinary Operations [Concessional] Loan Agreement, "Loan Agreements"), ADB has agreed to make a loan ("Ordinary Operations Loan", and together with the Concessional Loan, the "Loans") to the Recipient from ADB's ordinary capital resources in an amount of forty million Dollars (\$40,000,000) for the purposes of financing the Program;

(C) the Recipient has applied to the Japan Fund for Poverty Reduction ("JFPR") for a grant to be administered by ADB for the purposes of financing the Project described in Schedule 1 to this Grant Agreement;

(D) the Program and the Project will be carried out by the Borrower's Ministry of Skills Development and Vocational Training ("MSDVT") and for this purpose the Recipient will make available to MSDVT the proceeds of the Grant provided for herein upon terms and conditions satisfactory to ADB; and

(E) ADB has agreed to make the proceeds of the Grant from JFPR available to the Recipient upon the terms and conditions set forth herein;

NOW THEREFORE the parties agree as follows:

ARTICLE I

Grant Regulations; Definitions

Section 1.01. All provisions of the Externally Financed Grant Regulations of ADB, dated 1 January 2017 ("Grant Regulations"), are hereby made applicable to this Grant Agreement with the same force and effect as if they were fully set forth herein.

Section 1.02. Wherever used in this Grant Agreement, the several terms defined in the Grant Regulations and the Loan Agreements have the respective meanings therein set forth unless modified herein or the context otherwise requires.

ARTICLE II

The Grant

Section 2.01. ADB agrees to make available to the Recipient a grant from JFPR in the amount of three million Dollars (\$3,000,000).

ARTICLE III

Use of Proceeds of the Grant

Section 3.01. The Recipient shall cause the proceeds of the Grant to be applied to the financing of expenditures on the Project in accordance with the provisions of this Grant Agreement.

Section 3.02. The proceeds of the Grant shall be allocated and withdrawn in accordance with the provisions of Schedule 2 to this Grant Agreement, as such Schedule may be amended from time to time by agreement between the Recipient and ADB.

Section 3.03. Except as ADB may otherwise agree, the Recipient shall procure, or cause to be procured, the items of expenditure to be financed out of the proceeds of the Grant in accordance with the provisions of Schedule 4 to the Ordinary Operations [Concessional] Loan Agreement.

Section 3.04. Withdrawals from the Grant Account in respect of Goods, Works and Consulting Services shall be made only on account of expenditures relating to:

- (a) Goods which are produced in and supplied from and Works and Consulting Services which are supplied from such member countries of ADB as shall have been specified by ADB from time to time as eligible sources for procurement; and
- (b) Goods, Works and Consulting Services which meet such other eligibility requirements as shall have been specified by ADB from time to time.

Section 3.05. The Grant Closing Date for the purposes of Section 8.02 of the Grant Regulations shall be 30 September 2021 or such other date as may from time to time be agreed between the Recipient and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. In the carrying out of the Project and operation of the Project facilities, the Recipient shall perform, or cause to be performed, all obligations set forth in Schedule 5 to the Ordinary Operations [Concessional] Loan Agreement.

Section 4.02. (a) The Recipient shall (i) maintain separate accounts and records for the Project; (ii) prepare annual financial statements for the Project in accordance with financial reporting standards acceptable to ADB; (iii) have such financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with auditing standards acceptable to ADB; (iv) as part of each such audit, have the auditors prepare a report, which includes the auditors' opinion(s) on the financial statements and the use of the Grant proceeds, and a management letter (which sets out the deficiencies in the internal control of the Project that were identified in the course of the audit, if any); and (v) furnish to ADB, no later than 6 months after the end of each related fiscal year, copies of such audited financial statements, audit report and management letter, all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.

(b) ADB shall disclose the annual audited financial statements for the Project and the opinion of the auditors on the financial statements within 14 days of the date of ADB's confirmation of their acceptability by posting them on ADB's website.

(c) The Recipient shall enable ADB, upon ADB's request, to discuss the financial statements for the Project and the Recipient's financial affairs where they relate to the Project with the auditors appointed pursuant to subsection (a)(iii) hereinabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB. This is provided that such discussions shall be conducted only in the presence of an authorized officer of the Recipient, unless the Recipient shall otherwise agree.

Section 4.03. The Recipient shall enable ADB's representatives to inspect the Project, the Goods and Works, and any relevant records and documents.

Section 4.04. The Recipient acknowledges and agrees that this Grant Agreement is entered into by ADB, not in its individual capacity, but as grant administrator for JFPR. Accordingly, the Recipient agrees that (a) it may only withdraw Grant proceeds to the extent that ADB has received proceeds for the Grant from JFPR; and (b) that ADB does not assume any obligations or responsibilities of JFPR in respect of the Project or the Grant other than those set out in this Grant Agreement.

ARTICLE V**Suspension**

Section 5.01. The following are specified as additional events for suspension of the right of the Recipient to make withdrawals from the Grant Account for purposes of Section 8.01(k) of the Grant Regulations:

- (a) the Recipient shall have failed to perform any of its obligations under the Ordinary Operations [Concessional] Loan Agreement; and
- (b) the Recipient shall have failed to perform any of its obligations under the Ordinary Operations Loan Agreement.

ARTICLE VI**Effectiveness**

Section 6.01. The following are specified as additional conditions to the effectiveness of this Grant Agreement for the purposes of Section 9.01(e) of the Grant Regulations:

- (a) the Ordinary Operations [Concessional] Loan Agreement shall have been duly authorized by, and executed and delivered on behalf of, the Recipient, and all conditions precedent to its effectiveness, other than a condition requiring the effectiveness of this Grant Agreement, shall have been fulfilled; and
- (b) the Ordinary Operations Loan Agreement shall have been duly authorized by, and executed and delivered on behalf of, the Recipient, and all conditions precedent to its effectiveness, other than a condition requiring the effectiveness of this Grant Agreement, shall have been fulfilled.

Section 6.02. The following are specified as additional matters, for the purposes of Section 9.02(c) of the Grant Regulations, to be included in the opinion or opinions to be furnished to ADB:

- (a) that the Ordinary Operations [Concessional] Loan Agreement has been duly authorized by, and executed and delivered on behalf of, the Recipient and is legally binding upon the Recipient in accordance with its terms; and
- (b) that the Ordinary Operations Loan Agreement has been duly authorized by, and executed and delivered on behalf of, the Recipient and is legally binding upon the Recipient in accordance with its terms.

Section 6.03. A date 90 days after the date of this Grant Agreement is specified for the effectiveness of this Grant Agreement for the purposes of Section 9.04 of the Grant Regulations.

ARTICLE VII

Termination

Section 7.01. The Grant Agreement and all obligations of the parties thereunder shall terminate on the date on which the Loan Agreements terminate.

ARTICLE VIII

Miscellaneous

Section 8.01. The Secretary of the Ministry of Finance and Mass Media, Deputy Secretary to the Treasury and Director General, Department of External Resources of the Recipient is designated as representative of the Recipient for the purposes of Section 11.02 of the Grant Regulations

Section 8.02. The following addresses are specified for the purposes of Section 11.01 of the Grant Regulations:

For the Recipient

Secretary
Ministry of Finance and Mass Media
The Secretariat Building
Colombo 1
Sri Lanka

Copy to: Deputy Secretary to the Treasury
Director General, Department of External Resources

Facsimile Numbers:

0094 112447633
0094 112484563

For ADB

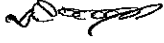
Asian Development Bank
6 ADB Avenue
Mandaluyong City
1550 Metro Manila
Philippines

Facsimile Numbers:

+63 2 636-2444
+63 2 636-2449.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Grant Agreement to be signed in their respective names as of the day and year first above written and to be delivered at the principal office of ADB.

DEMOCRATIC SOCIALIST REPUBLIC
OF SRI LANKA

By 

R.H.S. SAMARATUNGA
Secretary
Ministry of Finance & Mass Media

ASIAN DEVELOPMENT BANK

By 

SRI WIDOWATI
Country Director
Sri Lanka Resident Mission

SCHEDULE 1**Description of the Project**

1. The objective of the Project is to provide support between 2018 and 2021 for certain deliverables under SSDP, which aims at transforming Sri Lanka's TVET system into a market-responsive and inclusive system.
2. The Project comprises the following:
 - Part 1:** Strengthening of private sector engagement in TVET.
 - Part 2:** Enhancement of entrepreneurship development training program for self-employment with a focus on women.
 - Part 3:** Provision of women-targeted incentives, mentoring and on-the-job training to attract women into non-traditional areas.
 - Part 4:** Demonstration of gender-inclusive recruitment and working environment practices in private sector.
3. The Project is expected to be completed by 31 March 2021.

SCHEDULE 2**Allocation and Withdrawal of Grant Proceeds**General

1. The table attached to this Schedule sets forth the Categories of items of expenditure to be financed out of the proceeds of the Grant and the allocation of the Grant proceeds to each such Category ("Table"). (Reference to "Category" in this Schedule is to a Category or Subcategory of the Table.)

Basis for Withdrawal from the Grant Account

2. Except as ADB may otherwise agree, the proceeds of the Grant shall be disbursed on the basis of the withdrawal percentage for each item of expenditure set forth in the Table.

Reallocation

3. Notwithstanding the allocation of Grant proceeds and the withdrawal percentages set forth in the Table,

- (a) if the amount of the Grant allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, ADB may, by notice to the Recipient, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the Grant which have been allocated to another Category but, in the opinion of ADB, are not needed to meet other expenditures, and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the withdrawal percentage applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made; and
- (b) if the amount of the Grant allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, by notice to the Recipient, reallocate such excess amount to any other Category.

Disbursement Procedures

4. Except as ADB may otherwise agree, the Grant proceeds shall be disbursed in accordance with the Loan Disbursement Handbook.

Retroactive Financing

5. Withdrawals from the Grant Account may be made to finance eligible expenditures incurred under the Project before the Effective Date, but not earlier than 12 months before the date of this Grant Agreement, subject to a maximum amount equivalent to 20% of the Grant amount.

TABLE

ALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS				
Number	Item	Total Amount Allocated for JFPR Financing (\$)		Basis for Withdrawal from the Grant Account
		Category	Subcategory	
1	Training (Local)	125,000		100% of total expenditure claimed
2	Grants for Training	300,000		100% of total expenditure claimed
3	Workshops and Conferences (Local)	211,000		100% of total expenditure claimed
4	Studies and Research	90,000		100% of total expenditure claimed
5	Grant Support for Entrepreneurs	1,469,000		100% of total expenditure claimed
6	Match Funding for Employer-Initiatives	300,000		100% of total expenditure claimed
7	Project Management and Monitoring	341,100		
7A	Consultancy Services		246,800	100% of total expenditure claimed
7B	Management and Coordination		94,300	100% of total expenditure claimed
7C	Financial Audit		75,000	100% of total expenditure claimed
8	Unallocated	88,900		
	TOTAL	3,000,000		