
LOAN NUMBER 4021-SRI

LOAN AGREEMENT
(Ordinary Operations)

(Secondary Education Sector Improvement Program – Results-Based Lending)

between

DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA

and

ASIAN DEVELOPMENT BANK

DATED 1 DECEMBER 2020

SRI 52203

**LOAN AGREEMENT
(Ordinary Operations)**

LOAN AGREEMENT dated 1 DECEMBER 2020 between DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) the Borrower has applied to ADB for a loan for the purposes of the Program described in Schedule 1 to this Loan Agreement; and

(B) ADB has agreed to make a loan to the Borrower from ADB's ordinary capital resources upon the terms and conditions set forth herein;

NOW THEREFORE the parties hereto agree as follows:

ARTICLE I

Loan Regulations; Definitions

Section 1.01. All the provisions of ADB's Ordinary Operations Loan Regulations, dated 1 January 2017 ("Loan Regulations"), are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications:

(a) Section 2.01(tt) is deleted and the following is substituted therefor:

The term "Program" means the program for which ADB has agreed to make the Loan, as described in the Loan Agreement and as such description may be amended from time to time by agreement between ADB and the Borrower.

(b) The term "Project" wherever it appears in the Loan Regulations shall be substituted by the term "Program".

(c) Section 2.01(vv) is deleted and the following is substituted therefor:

The term "Program Executing Agency" means the entity or entities responsible for the carrying out of the Program as specified in the Loan Agreement.

(d) The term "Project Executing Agency" wherever it appears in the Loan Regulations shall be substituted by the term "Program Executing Agency".

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

- (a) “A’ level” means General Certificate of Education Advanced Level;
- (b) “Anticorruption Guidelines” means ADB’s Guidelines to Prevent or Mitigate Fraud, Corruption, and Other Prohibited Activities in Results-Based Lending for Programs as set forth in Appendix 5 to the PID;
- (c) “CAP” means a time-bound corrective action plan to address and rectify any unanticipated environmental, resettlement or indigenous peoples risks or impacts, prepared and submitted by the Borrower, and cleared by ADB;
- (d) “Deposit Account” means the account referred to in paragraph 2 of Schedule 3 to this Loan Agreement;
- (e) “DLI” means each disbursement-linked indicator as set forth in the DLI Matrix;
- (f) “DLI Matrix” means the DLI matrix for the Program as set forth in Attachment 2 of Schedule 3 to this Loan Agreement, as updated from time to time by the Borrower and ADB;
- (g) “DLI Verification Protocol” means the protocol for verifying the Borrower’s achievement of each DLI, as set forth in the PID;
- (h) “DOE” means the Borrower’s Department of Examinations, or any successor thereto;
- (i) “DOEP” means the Borrower’s Department of Educational Publications, or any successor thereto;
- (j) “Eligible Expenditures” means the eligible expenditures referred to in paragraph 2 of Schedule 4 to this Loan Agreement;
- (k) “Environmental Safeguards” means the objectives and policy principles set forth in Chapter V, Appendix 1, and Appendix 4 (as applicable) of the SPS;
- (l) “ESMF” means the environmental and social management framework dated September 2020, as updated from time to time by the Borrower and ADB;
- (m) “FELDM” means the Faculty of Education Leadership Development and Management of the NIE;

- (n) “Fiscal Year” means the fiscal year of the Borrower, which runs from 1 January to 31 December of each year;
- (o) “GESDP” means the Borrower’s General Education Sector Development Plan, 2020–2025, which is supported by the Program;
- (p) “High-Value Contracts” means (i) procurement of works, turnkey and supply and installation contracts that cost \$50 million equivalent or more per contract; (ii) procurement of goods contracts that cost \$30 million equivalent or more per contract; (iii) information technology or non-consulting services contracts that cost \$20 million equivalent or more per contract; and (iv) consulting services contracts that cost \$15 million equivalent or more per contract;
- (q) “ICT” means information and communication technology;
- (r) “Indigenous Peoples Safeguards” means the objectives and policy principles set forth in Chapter V, Appendix 3, and Appendix 4 (as applicable) of the SPS;
- (s) “Involuntary Resettlement Safeguards” means the objectives and policy principles set forth in Chapter V, Appendix 2, and Appendix 4 (as applicable) of the SPS;
- (t) “ISAs” means in-service advisors;
- (u) “Loan Disbursement Handbook” means ADB’s Loan Disbursement Handbook (2017, as amended from time to time);
- (v) “M&E Framework” means monitoring and evaluation framework;
- (w) “Minimum Standards” means the minimum standards for equipment and use for the innovation laboratories as established by NIE;
- (x) “MOE” means Borrower’s Ministry of Education;
- (y) “NEMIS” means Borrower’s National Education Management Information System;
- (z) “NEMIS Policy” means the national education management information system policy to be developed and approved under the Program;
- (aa) “NIE” means the National Institute of Education of Sri Lanka, or any successor thereto;
- (bb) “NSAF” means the National Student Assessment Framework;
- (cc) “‘O’ level” means General Certificate of Education Ordinary Level;
- (dd) “PEA” means Provincial Education Authority, or any successors thereto acceptable to ADB, and “PEAs” means all of them collectively;

- (ee) "PID" means the program implementation document for the Program dated 13 October 2020, as updated from time to time by the Borrower and ADB;
- (ff) "Program Action Plan" means the action plan for the Program dated 13 October 2020, as updated from time to time by the Borrower and ADB;
- (gg) "Program Actions" means the actions set out in the Program Action Plan;
- (hh) "Program Completion Date" means the date set out in paragraph 3 of Schedule 1 to this Loan Agreement, or such other date as the Borrower and ADB may agree;
- (ii) "Program Executing Agency" means for the purposes of, and within the meaning of, the Loan Regulations means MOE, or any successor thereto acceptable to ADB, which is responsible for the carrying out of the Program;
- (jj) "SDP" means school development plan;
- (kk) "SPS" means ADB's Safeguard Policy Statement (2009);
- (ll) "STMC" means science, technology, mathematics, and commerce;
- (mm) "Table" means the table on the allocation and withdrawal of Loan proceeds set forth in Attachment 1 of Schedule 3 to this Loan Agreement; and
- (nn) "TOT" means training of trainers.

ARTICLE II

The Loan

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of four hundred million Dollars (\$400,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.06 of this Loan Agreement.

(b) The Loan has a principal repayment period of 21 years, and a grace period as defined in subsection (c) hereinafter.

(c) The term "grace period" as used in subsection (b) hereinabove means the period prior to the first Principal Payment Date in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

Section 2.02. The Borrower shall pay to ADB interest on the principal amount of the Loan withdrawn and outstanding from time to time at a rate for each Interest Period equal to the sum of:

- (a) LIBOR;
- (b) 0.60% as provided by Section 3.02 of the Loan Regulations less a credit of 0.10% as provided by Section 3.03 of the Loan Regulations; and
- (c) a maturity premium of 0.10 as provided by Section 3.03 of the Loan Regulations.

Section 2.03. The Borrower shall pay a commitment charge of 0.15% per annum. Such charge shall accrue on the full amount of the Loan (less amounts withdrawn from time to time), commencing 60 days after the date of this Loan Agreement.

Section 2.04. Interest and other charges on the Loan shall be payable semiannually on 15 February and 15 August in each year.

Section 2.05. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the provisions of Schedule 2 to this Loan Agreement.

Section 2.06. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management:

- (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, whether withdrawn and outstanding or unwithdrawn, to an Approved Currency;
- (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding from a Floating Rate to a Fixed Rate, or vice versa; and
- (iii) the setting of limits on the Floating Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on said Floating Rate.

(b) Any conversion requested pursuant to subsection (a) hereinabove that is accepted by ADB shall be considered a "Conversion", as defined in Section 2.01(f) of the Loan Regulations, and shall be effected in accordance with the provisions of Article V of the Loan Regulations and the Conversion Guidelines.

ARTICLE III

Use of Proceeds of the Loan

Section 3.01. The Borrower shall apply the proceeds of the Loan to the financing of expenditures of the Program in accordance with the provisions of this Loan Agreement.

Section 3.02. The proceeds of the Loan shall be allocated and withdrawn in accordance with the provisions of Schedule 3 to this Loan Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and ADB.

Section 3.03. The Loan Closing Date for the purposes of Section 9.02 of the Loan Regulations shall be 30 June 2026 or such other date as may from time to time be agreed between the Borrower and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. In the carrying out of the Program, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 4 to this Loan Agreement.

Section 4.02. (a) The Borrower shall (i) maintain separate accounts and records for the Program; (ii) prepare annual financial statements for the Program 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 a management letter (which sets out the deficiencies in the internal control of the Program that were identified in the course of the audit, if any); and (v) furnish to ADB, no later than 9 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 Program 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 Borrower shall enable ADB, upon ADB's request, to discuss the financial statements for the Program and the Borrower's financial affairs where they relate to the Program 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 Borrower, unless the Borrower shall otherwise agree.

Section 4.03. As part of the information and reports referred to in Sections 7.01 and 7.04 of the Loan Regulations, the Borrower shall furnish, or cause to be furnished, to ADB (a) quarterly reports on the implementation of the Program, including the accomplishment of the DLIs, the carrying out of the Program Actions and the Eligible Expenditures; and (b) as ADB shall reasonably request, additional information in connection with the reports described in subsection (a) hereinabove and other information on Program implementation.

Section 4.04. The Borrower shall enable ADB's representatives to inspect the Program and any relevant records and documents.

ARTICLE V

Effectiveness

Section 5.01. A date 90 days after the date of this Loan Agreement is specified for the effectiveness of this Loan Agreement for the purposes of Section 10.04 of the Loan Regulations.

ARTICLE VI

Miscellaneous

Section 6.01. Each of the Secretary, MOF, Deputy Secretary to the Treasury, and Director General of the Department of External Resources, MOF of the Borrower is designated as representative of the Borrower for the purposes of Section 12.02 of the Loan Regulations.

Section 6.02. The following addresses are specified for the purposes of Section 12.01 of the Loan Regulations:

For the Borrower

Secretary
Ministry of Finance
The Secretariat Building
Colombo 1
Sri Lanka

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

Facsimile Number:

+94 11 243-3349
+94 11 244-7633.

For ADB

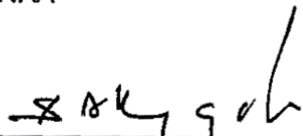
Asian Development Bank
6 ADB Avenue
Mandaluyong City
1550 Metro Manila
Philippines

Facsimile Numbers:

(632) 8636-2444
(632) 8636-2407.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan 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 
SAJITH RUCHIKA ATTYGALLE
Secretary
Ministry of Finance

ASIAN DEVELOPMENT BANK

By 
CHEN CHEN
Country Director
Sri Lanka Resident Mission

SCHEDULE 1

Description of the Program

1. The objective of the Program is to support implementation of upper secondary education reforms under GESDP to transform the secondary education system and align it with the evolving needs of the labor force.
2. The Program shall support upper secondary education reforms under GESDP which comprises:
 - (a) integrated reforms in curriculum, pedagogy, and assessment systems, including: (i) preparation of the national student assessment framework and roll-out of the new student assessment system; (ii) curricula reform through integrating practical problem-solving with cognitive and socio-emotional skills; (iii) training of teachers on inquiry-based and interactive teaching pedagogy; (iv) remedial learning to address learning gaps caused by school closures; (v) embedding of information and communication technology across the curriculum; and (vi) a national media campaign to increase demand for STMC subjects and educating children and communities on disease risk and prevention, and disaster resilience and preparedness;
 - (b) reduced disparities between urban and provincial school and empowering local authorities to translate reforms into local action, including: (i) implementation of government policy on equitable distribution of teachers between urban and provincial schools; (ii) strengthening capacity of principals and PEAs to support improved practices, approaches and technologies; (iii) development by PEAs of blended learning plans to tailor modes of delivery based on the specific needs and circumstances of students; (iv) creating a budget line to implement SDPs to meet local needs to improve learning, attract more students, especially girls, to take up STMC subjects and reduce dropouts among boys; and (v) supporting annual performance-based partnership agreements between MOE and PEAs on priority reforms, including the allocation of adequate resources; and
 - (c) strengthened education sector management capacity, including (i) improving the reliability and utilization of data; (ii) strengthening monitoring and evaluation systems and MOE's capacity for research, evidence-based planning and management; (iii) improving MOE's fiduciary management and compliance with the Borrower's financial and procurement regulations; (iv) strengthening MOE's capacity on social and environmental safeguards; and (v) supporting gender-mainstreaming and sex-disaggregation of data and results in all Program activities.
3. The Program is expected to be completed by 31 December 2025.

SCHEDULE 2**Amortization Schedule**

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (Installment Share). If the proceeds of the Loan shall have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by ADB by multiplying (a) the total principal amount of the Loan withdrawn and outstanding as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayment amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

Date Payment Due	Installment Share (Expressed as a %)
15 February 2026	2.380952
15 August 2026	2.380952
15 February 2027	2.380952
15 August 2027	2.380952
15 February 2028	2.380952
15 August 2028	2.380952
15 February 2029	2.380952
15 August 2029	2.380952
15 February 2030	2.380952
15 August 2030	2.380952
15 February 2031	2.380952
15 August 2031	2.380952
15 February 2032	2.380952
15 August 2032	2.380952
15 February 2033	2.380952
15 August 2033	2.380952
15 February 2034	2.380952
15 August 2034	2.380952
15 February 2035	2.380952
15 August 2035	2.380952
15 February 2036	2.380952
15 August 2036	2.380952
15 February 2037	2.380952
15 August 2037	2.380952
15 February 2038	2.380952
15 August 2038	2.380952
15 February 2039	2.380952
15 August 2039	2.380952
15 February 2040	2.380952
15 August 2040	2.380952
15 February 2041	2.380952

15 August 2041	2.380952
15 February 2042	2.380952
15 August 2042	2.380952
15 February 2043	2.380952
15 August 2043	2.380952
15 February 2044	2.380952
15 August 2044	2.380952
15 February 2045	2.380952
15 August 2045	2.380952
15 February 2046	2.380952
15 August 2046	2.380968
Total	100.000000

2. If the proceeds of the Loan shall not have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

- (a) to the extent that any proceeds of the Loan shall have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the amount withdrawn and outstanding as of such date in accordance with paragraph 1 of this Schedule;
- (b) any withdrawal made after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by ADB by multiplying the amount of each such withdrawal by a fraction, the numerator of which shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. Withdrawals made within 2 calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the withdrawn principal amount of the Loan to an Approved Currency, the amount so converted in said Approved Currency that shall be repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by ADB by multiplying such amount in its currency of denomination immediately prior to said Conversion by either: (a) the exchange rate that reflects the amounts of principal in said Approved Currency payable by ADB under the Currency Hedge Transaction relating to said Conversion; or (b) if ADB so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the principal amount of the Loan withdrawn and outstanding from time to time shall be denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

SCHEDULE 3**Allocation and Withdrawal of Loan Proceeds**General

1. Except as set out in this Schedule or as ADB may otherwise agree, the Loan proceeds shall be disbursed in accordance with the Loan Disbursement Handbook.

Deposit Account

2. Prior to submitting the first application to ADB for withdrawal from the Loan Account, the Borrower shall nominate an account at the Central Bank of Sri Lanka as the Deposit Account for the Program into which all withdrawals from the Loan Account shall be deposited.

3. The Borrower shall maintain separate records in respect of the Deposit Account in accordance with accounting principles acceptable to ADB.

Basis for Withdrawal from the Loan Account

4. (a) The Table sets out the Loan amounts allocated for withdrawal in respect of a DLI upon the Borrower's achievement of the corresponding DLI targets as set out in the DLI Matrix. The years set out in the Table are indicative. They do not restrict withdrawal on account of any DLI targets achieved whether ahead of, or later than, the indicated year, provided that such DLI targets are achieved on or before the Program Completion Date.

(b) ADB may, in consultation with and by notice to the Borrower, reallocate the Loan amounts set out in the Table within the same DLI or from one DLI to any other DLI.

5. Prior to submitting any application for withdrawal from the Loan Account in respect of a DLI, the Borrower shall submit to ADB in accordance with the DLI Verification Protocol satisfactory evidence showing that: (a) such DLI has been fully achieved; or (b) for a DLI for which partial disbursement is allowed (as specified in the DLI Matrix), such DLI has been achieved to the extent required for partial disbursement under the DLI Verification Protocol. Upon ADB's confirmation that the DLI has been achieved in full or in part, the Borrower may submit to ADB an application for withdrawal of the corresponding Loan amount for such DLI.

Advance Financing and Financing for Prior Results

6. (a) Prior to the achievement of the DLIs, the Borrower may withdraw from the Loan Account an advance financing amount for the purposes of meeting the Program's financing requirements and supporting the achievement of such DLIs, provided that the outstanding advance financing amount shall not, at any time, exceed 25% of the Loan amount. ADB shall deduct the outstanding advance financing amount, or any portion thereof, from the Loan proceeds to be disbursed upon achievement of the DLIs.

(b) The Borrower may withdraw from the Loan Account for DLIs achieved prior to the Effective Date but not earlier than 12 months before the date of this Loan

Agreement, provided that the aggregate of such withdrawals for prior results shall not exceed 20% of the Loan amount.

(c) The aggregate of the outstanding advance financing amount and the amount withdrawn for financing for prior results under subparagraphs (a) and (b) hereinabove shall not, at any time, exceed 30% of the Loan amount.

Reconciliation

7. If any DLI has not been achieved by the Program Completion Date, the Borrower shall, within 6 months of the Program Completion Date, provide a refund to ADB for any outstanding advance financing amount or part thereof for such DLI.

8. If the total Eligible Expenditures amount to less than the Loan amount withdrawn by the Borrower, the Borrower shall provide a refund to ADB for an amount equal to the extent of the shortfall within 6 months of the Program Completion Date.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (\$)							
Disbursement-Linked Indicators (DLI)	Total ADB Financing Allocation	Financing for Prior Results	2021	2022	2023	2024	2025
DLI 1	80,000,000		20,000,000	20,000,000		20,000,000	20,000,000
DLI 2	76,000,000	40,000,000	7,200,000	7,200,000	7,200,000	7,200,000	7,200,000
DLI 3	76,000,000	40,000,000	7,200,000	7,200,000	7,200,000	7,200,000	7,200,000
DLI 4	60,000,000		12,000,000	12,000,000	12,000,000	12,000,000	12,000,000
DLI 5A	28,000,000		9,333,334	9,333,333	9,333,333		
DLI 5B	40,000,000		8,000,000	8,000,000	8,000,000	8,000,000	8,000,000
DLI 6	20,000,000		4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
DLI 7	20,000,000		4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
TOTAL	400,000,000	80,000,000	71,733,334	71,733,333	51,733,333	62,400,000	62,400,000

DLI MATRIX

Disbursement-Linked Indicators (DLI)	Baseline and Year	Prior Results 2019	2021	2022	2023	2024	2025
Outcome: Secondary education system transformed and aligned with evolving labor force needs by 2025.							
DLI 1 A student assessment system for improving learning and 21 st century skills established by 2025.	2019 baseline: Not applicable		(i) NSAF developed in accordance with new curriculum and approved. (ii) At least 75% of DOE, NIE, MOE and DOEP staff trained on developing a new assessment system based on NSAF and the new curriculum (at least 50% female trainees).	New assessment modules for 'O' and 'A' Level program target subjects developed, based on NSAF and the new curriculum.		'O' Level examination in mathematics and science based on the new curriculum and new assessment system held for first cohort of students.	'O' Level examination in mathematics and science based on new curriculum and new assessment system held for second cohort of students <i>(with results reported by national/provincial schools; girls/boys)</i> .
Output 1: Quality and relevance of secondary science, technology, mathematics, and commerce programs enhanced by 2025.							
DLI 2 Inquiry-based 'O' Level and 'A' Level blended learning	2019 baseline: No new curricula integrating	National curricula framework developed.	(i) Inquiry-based blended learning curricula developed for	Gender sensitive national media campaign launched to	Inquiry-based blended learning curricula for	(i) Inquiry-based blended learning curricula for grade 11 'O'	Inquiry-based blended learning curricula for grades 10 and

Disbursement-Linked Indicators (DLI)	Baseline and Year	Prior Results 2019	2021	2022	2023	2024	2025
curricula in program-targeted subjects developed and implemented, mainstreaming gender by 2025.	21 st century skills.		<p>'O' Level and 'A' Level program target subjects for grades 10–13, mainstreaming gender.</p> <p>(ii) Gender sensitive national media campaign and implementation plan developed to raise awareness on communicable disease risk, benefit of blended learning approaches, new STMC curriculum, pedagogy and assessment system which integrate 21st century skills and meet labor market needs.</p>	raise awareness on blended learning approaches, communicable disease risk, new STMC curriculum, pedagogy and assessment system which integrate 21 st century skills and labour market needs.	grade 10 'O' Level program target subjects, mainstreaming gender, implemented in all schools.	<p>Level program target subjects, mainstreaming gender implemented in all schools.</p> <p>(ii) All innovation laboratories have been established and are being used to support practical learning in STMC subjects.</p>	11 ('O' Level) and grade 12 ('A' Level) program targeted subjects implemented, mainstreaming gender (<i>reporting by national/provincial schools</i>).

Disbursement-Linked Indicators (DLI)	Baseline and Year	Prior Results 2019	2021	2022	2023	2024	2025
			(iii) All instructional materials for 'O' Level and 'A' Level program-targeted subjects for grades 10–13 developed/ revised as appropriate and approved, including online/distance learning modules on selected topics.				
DLI 3 Teachers implement inquiry-based and interactive teaching practices by online and distance learning, and face-to-face classroom instruction in 'O' Level and 'A' Level program-	2019 baseline: 0 teachers trained in new curricula.	Teacher Standards Framework Developed.	(i) National Applied Resource Hub at NIE and Provincial Applied Resource Hubs are staffed and equipped as per criteria/ Minimum Standards and include a pool of resource trainers for	(i) TOT for at least 50% staff and pool of trainers at National and Provincial Applied Resource Hubs completed in 'O' Level program-targeted subjects, including	(i) TOT for at least 80% of staff and pool of trainers at National and Provincial Applied Resource Hubs completed in 'O' Level program-targeted	(i) TOT for at least 80% staff and pool of trainers at National and Provincial Applied Resource Hubs completed in 'A' Level program-targeted subjects	At least 65% of grades 10-12 teachers in 'O' Level and 'A' Level program-targeted subjects implement inquiry-based and interactive teaching practices by online and distance learning, and

Disbursement-Linked Indicators (DLI)	Baseline and Year	Prior Results 2019	2021	2022	2023	2024	2025
targeted subjects <i>(reporting by female/male teachers).</i>			Sinhala and Tamil medium and bilingual education. (ii) Teacher training modules for grades 10-13 new 'O' Level and 'A' Level program-targeted subjects', including content for online teacher training, developed based on the Teacher Standards Framework, and approved.	inquiry based and interactive teaching, blended learning instruction and remedial teaching (at least 60% women trainees). (ii) At least 80% of grade 10 teachers in 'O' Level program-targeted subjects' trained on inquiry based and interactive teaching, blended learning instruction and remedial teaching (at least 60% women trainees).	subjects (cumulative) including inquiry based and interactive teaching, blended learning instruction and remedial teaching (at least 60% women trainees). (ii) At least 80% of grade 11 teachers in 'O' Level program-targeted subjects' trained on inquiry based and interactive teaching, blended learning	(cumulative), including inquiry based and interactive teaching, blended learning instruction and remedial teaching (at least 60% women trainees). (ii) At least 60% of teachers in 'A' Level program-targeted subjects' trained on inquiry based and interactive teaching, blended learning instruction and remedial teaching (at least 60% women trainees).	face-to-face classroom instruction (at least 60% women trainees).

Disbursement-Linked Indicators (DLI)	Baseline and Year	Prior Results 2019	2021	2022	2023	2024	2025
					<p>instruction and remedial teaching (at least 60% women trainees).</p> <p>(iii) TOT for at least 50% staff and pool of trainers at National and Provincial Applied Resource Hubs completed in 'A' Level program-targeted subjects including blended learning approaches and remedial instruction (at least</p>	<p>(iii) At least 60% of grades 10 and 11 teachers in 'O' Level program-targeted subjects implement inquiry-based and interactive teaching practices through online and distance learning, and face-to-face classroom instruction (at least 60% women trainees).</p>	

Disbursement-Linked Indicators (DLI)	Baseline and Year	Prior Results 2019	2021	2022	2023	2024	2025
					60% women trainees).		
Output 2: Provincial and school capacity to implement education reforms strengthened by 2025.							
DLI 4 Teacher deployment in 'O' Level and 'A' Level program target subjects improved in program schools.	2020 baseline: MOE Circular on Determination of Teacher Cadres not consistently followed in teacher deployment.		(i) School-based teacher mapping completed to set baseline for program schools. Percentage of teachers for program-targeted subjects and subject streams deployed in accordance with MOE Circular on Determination of Teacher Cadres increased from baseline in at least 50% of program schools for 'O' Level and 20% of program	Percentage of teachers for program-targeted subjects and subject streams deployed in accordance with MOE Circular on Determination of Teacher Cadres increased from previous year in at least 70% of program schools for 'O' Level and 40% of program schools for 'A' Level.	Percentage of teachers for 'A' Level program-targeted subject streams deployed in accordance with MOE Circular on Determination of Teacher Cadres increased from previous year in at least 60% of program schools.	Percentage of teachers for 'A' Level program-targeted subject streams deployed in accordance with MOE Circular on Determination of Teacher Cadres increased from previous year in at least 70% of program schools.	At least 70% of teachers for 'O' Level program-targeted subjects and 'A' Level program-targeted subject streams are deployed in program schools in accordance with MOE Circular on Determination of Teacher Cadres (by national/provincial schools).

Disbursement-Linked Indicators (DLI)	Baseline and Year	Prior Results 2019	2021	2022	2023	2024	2025
			schools for 'A' Level.				
DLI 5A and 5B Educational leadership to support secondary education reform strengthened.	2019 baseline: (i) 0% of 3,200 Principals, Assistant Principals and Deputy Principals trained. (ii) 0% of 200 Provincial, Divisional and Zonal Education Officers and 200 science and math ISAs and directors trained. 2019 baseline: 0% SDPs implemented		DLI 5A (i) Instructional leadership modules aligned to the new curriculum developed and approved. (ii) TOT on instructional leadership completed for 75% of FELDM trainers. (iii) At least 25% of Principals, Assistant Principals and Deputy Principals in program schools trained in instructional leadership (with at least 40%	DLI 5A (i) At least 50% of Principals, Assistant Principals and Deputy Principals in program schools trained in instructional leadership (with at least 40% women trainees). (ii) At least 50% of Provincial, Divisional and Zonal Education Officers, and science and mathematics ISAs and directors trained in instructional	DLI 5A (i) At least 75% of Principals, Assistant Principals and Deputy Principals in program schools trained in instructional leadership (with at least 40% women trainees). (ii) At least 75% of Provincial, Divisional and Zonal Education Officers, and science and mathematic s ISAs and	DLI 5B At least 40% of program schools have implemented SDP strategies for (a) improving learning outcomes in STMC subjects; (b) attracting and increasing girls into STMC subjects; and (c) reducing the dropout rate for boys.	DLI 5B At least 70% of program schools have implemented SDP strategies for (a) improving learning outcomes in STMC subjects; (b) attracting and increasing girls into STMC subjects; and (c) reducing the dropout rate for boys.

Disbursement-Linked Indicators (DLI)	Baseline and Year	Prior Results 2019	2021	2022	2023	2024	2025
	d in support of reforms.		<p>women trainees).</p> <p>(iv) At least 25% of Provincial, Divisional and Zonal Education Officers, and science and mathematics ISAs and directors trained in instructional leadership (with at least 60% women trainees).</p> <p>(v) at least 80% of innovation laboratories equipped in accordance with the Minimum Standards.</p> <p>(vi) Each province has prepared and</p>	<p>leadership (with at least 60% women trainees).</p> <p>DLI 5B (iii) At least 20% of SDPs in program schools include strategies for (a) improving learning outcomes in STMC subjects; (b) attracting and increasing girls into STMC subjects; and (c) reducing the dropout rate for boys.</p>	<p>directors trained in instructional leadership (with at least 60% women trainees).</p> <p>DLI 5B (iii) At least 40% of SDPs in program schools include strategies for (a) improving learning outcomes in STMC subjects; (b) attracting and increasing girls into STMC subjects; and (c) reducing the dropout</p>		

Disbursement-Linked Indicators (DLI)	Baseline and Year	Prior Results 2019	2021	2022	2023	2024	2025
			<p>approved a time-bound implementation plan for blended learning to support secondary education.</p> <p>DLI 5B (vii) Budget line created for the provision of school grants for implementing the SDPs.</p>		rate for boys.		
<p>DLI 6 All performance-based partnership agreements between MOE and PEAs aligned with the priority educational reform agenda for each year.</p>	<p>2019 baseline: no institutional mechanism to ensure alignment between performance-based partnership agreements and the priority educational</p>		<p>Performance-based partnership agreements reviewed and updated for all nine provinces to align provincial and national work plans, supporting the priority educational reform agenda.</p>	<p>Performance-based partnership agreements reviewed and updated for all nine provinces to align provincial and national work plans, supporting the priority educational reform agenda.</p>	<p>Performance-based partnership agreements reviewed and updated for all nine provinces to align provincial and national work plans, supporting the priority educational</p>	<p>Performance-based partnership agreements reviewed and updated for all nine provinces to align provincial and national work plans, supporting the priority educational</p>	<p>Performance-based partnership agreements reviewed and updated for all nine provinces to align provincial and national work plans, supporting the priority educational reform agenda.</p>

Disbursement-Linked Indicators (DLI)	Baseline and Year	Prior Results 2019	2021	2022	2023	2024	2025
	reform agenda.				reform agenda.	reform agenda.	
Output 3: Sector management capacity strengthened.							
DLI 7 All key education sector indicators and performance reports publicly available by 2025.	2019 baseline: No integrated monitoring and evaluation system producing consolidated sector indicators or performance reports.		(i) Standing Committee for developing, approving and coordinating the implementation of the M&E Framework for the education sector and NEMIS Policy established. (ii) M&E Framework and NEMIS Policy and action plan finalized and approved. (iii) ICT equipment installed in accordance with the NEMIS action plan.	Education system monitoring formats, definitions, and user guides standardized across MOE, provincial and zonal levels, and data quality standards developed (including on the use of data).	NEMIS online data collection and verification system installed and operational in all nine provinces.	Training for 75% MOE, DOE, NIE, DOEP, Zonal, and Provincial M&E and NEMIS staff in using new standards and tools completed (with at least 60% female trainees).	All key sector indicators (including sex-disaggregated data) from MOE, NIE, and DOE made publicly available on the MOE website and published as annual education sector performance reports by 2025.

Disbursement-Linked Indicators (DLI)	Baseline and Year	Prior Results 2019	2021	2022	2023	2024	2025
			(iv) Educational research guidelines and protocols finalized and approved.				

SCHEDULE 4

Execution of Program

Implementation Arrangements

1. The Borrower shall ensure, and cause MOE and the PEAs to ensure, that the Program is implemented in accordance with the detailed arrangements set forth in the PID. Any subsequent change to the PID shall become effective only after approval of such change by the Borrower and ADB. In the event of any discrepancy between the PID and this Loan Agreement, the provisions of this Loan Agreement shall prevail.

2. The Borrower shall ensure that the amount of Eligible Expenditures under the Program for any Fiscal Year is equal to or exceeds the Loan proceeds withdrawn by the Borrower in the same Fiscal Year. Such Eligible Expenditures are part of the expenditures incurred under GESDP, but they exclude any expenditures for (a) procurement of works, goods and services from countries which are not members of ADB; (b) procurement of works, goods and services from persons or entities debarred or suspended by ADB; (c) procurement involving High-Value Contracts; (d) any activities that may be classified as category A for environment under the SPS or which are assessed by ADB to be likely to have significant adverse impacts that are sensitive, diverse, or unprecedented on the environment and/or affected people; and (e) any activities which are prohibited investment activities provided in Appendix 5 of the SPS.

DLI Compliance, Program Dialogue, and Independent Verification

3. The Borrower shall ensure that all DLIs achieved under the Program continue to be complied with for the duration of GESDP.

4. The Borrower shall keep ADB informed of discussions with other multilateral or bilateral aid agencies that may have implications for the implementation of GESDP and the Program and shall provide ADB with an opportunity to comment on any resulting proposals. The Borrower shall give due consideration to ADB's views before finalizing and implementing any such proposal.

5. Within 90 days of the Effective Date, the Borrower shall appoint an independent verification agency with qualifications, experience, and expertise acceptable to ADB to provide independent verification of the achievement of the DLIs.

Annual Budget Allocations for GESDP

6. For the duration of GESDP, the Borrower shall (a) make sufficient budgetary allocations in its annual budget or equivalent budget to ensure that requisite funding for the medium-term budget framework of GESDP is duly allocated; and (b) ensure that all budgetary allocations for GESDP are released in a timely and efficient manner.

Technical Requirements

7. The Borrower shall ensure that all Program Actions in the area of technical requirements, including teacher deployment and incentive policy, are implemented in a timely and efficient manner.

Financial Management

8. (a) The Borrower shall ensure that all Program Actions in the area of financial management are implemented in a timely and efficient manner.

(b) The Borrower shall monitor and evaluate the financial progress of the Program and prepare unaudited financial reports for Program in accordance with Section B of the PID. Each unaudited financial report for the Program shall cover the period of one calendar semester, and shall be furnished to ADB not later than 60 days after the end of the period covered by such report.

Procurement

9. The Borrower shall ensure that each contract under the Program is awarded on the basis of the Program's procurement system, having due regard for principles of competition, economy and efficiency, transparency, and fairness and equal opportunity.

10. The Borrower shall ensure that all Program Actions in the area of procurement are implemented in a timely and efficient manner.

Environmental and Social Safeguards

11. The Borrower shall ensure that all Program Actions in the area of environmental and social safeguards are implemented in a timely and efficient manner.

12. (a) The Borrower shall ensure, or cause MOE to ensure, that no construction or rehabilitation works under the Program involve any activities that may be classified as category A for environment under the SPS or which are assessed by ADB to be likely to have significant adverse impacts that are sensitive, diverse, or unprecedented on the environment and/or affected people. Prior to commencing any construction or rehabilitation works under the Program, the Borrower shall conduct, or cause MOE to conduct, a screening to ensure that any works that may be classified as category A for environment within the meaning of the SPS or which are assessed by ADB to be likely to have significant adverse impacts that are sensitive, diverse, or unprecedented on the environment and/or affected people are excluded from the Program.

(b) The Borrower shall ensure, or cause MOE to ensure, that the preparation, design, construction, implementation, operation and decommissioning of all activities under the Program comply with (i) all applicable laws, regulations and guidelines of the Borrower relating to environment, health and safety; (ii) the Environmental Safeguards; and (iii) all measures and requirements, including monitoring requirements, set forth in the ESMF, Program Action Plan and CAP.

13. The Borrower shall ensure, or cause MOE to ensure, that the Program does not involve any involuntary resettlement risks or impacts within the meaning of the SPS. If due to

unforeseen circumstances, the Program involves any such impacts, the Borrower shall (a) promptly inform ADB of the occurrence of such risks or impacts, with detailed description of the event; (b) develop and implement a CAP; and (c) ensure that the Program complies with (i) all applicable laws and regulations of the Borrower relating to land acquisition and involuntary resettlement; (ii) the Involuntary Resettlement Safeguards; and (iii) all measures and requirements, including monitoring requirements, set forth in the CAP.

14. The Borrower shall ensure, or cause MOE to ensure, that the Program does not involve any indigenous people risks or impacts within the meaning of the SPS. If due to unforeseen circumstances, the Program involves any such impacts, the Borrower shall (a) promptly inform ADB of the occurrence of such risks or impacts, with detailed description of the event; (b) develop and implement a CAP; and (c) ensure that the Program complies with (i) all applicable laws and regulations of the Borrower relating to indigenous peoples; (ii) the Indigenous Peoples Safeguards; and (iii) all measures and requirements, including monitoring requirements, set forth in the CAP.

Gender and Social Equality

15. The Borrower shall ensure that all Program Actions in the area of gender and social equality are implemented in a timely and efficient manner.

Governance and Anticorruption

16. The Borrower shall ensure and cause MOE and the PEAs to ensure that the Program complies with the Anticorruption Guidelines and that all appropriate and timely measures are taken to prevent, detect and respond to allegations of fraud, corruption or any other prohibited activities relating to the Program in accordance with the Anticorruption Guidelines.

17. The Borrower shall, and shall cause MOE and PEAs, to (a) promptly inform ADB of any allegations of fraud, corruption or any other prohibited activities relating to the Program; and (b) cooperate fully with any investigation by ADB on such allegations and extend all necessary assistance, including providing access to all relevant records, for satisfactory completion of such investigation.

18. Within 90 days of the Effective Date, the Borrower shall, or cause the MOE to, update its public website to (a) provide information on progress of the Program; (b) post the annual audited financial statements for the Program, as such financial statements become available; and (c) disseminate other relevant information on Program implementation.