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LOAN NUMBER 3120-SRI (SF)

LOAN AGREEMENT  
(Special Operations)

(Skills Sector Enhancement Program – Results-Based Lending)

between

DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA

and

ASIAN DEVELOPMENT BANK

DATED 27 MAY 2014

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SRI 42251

**LOAN AGREEMENT  
(Special Operations)**

LOAN AGREEMENT dated 27 May 2014 between the DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) the Borrower has applied to ADB for (i) a loan from ADB's Special Funds resources; and (ii) a loan from ADB's ordinary capital resources for the purposes of the Program described in Schedule 1 to this Loan Agreement ("Program");

(B) by a loan agreement of even date herewith ("Ordinary Operations Loan Agreement"), ADB has agreed to lend to the Borrower from its ordinary capital resources an amount of fifty million Dollars (\$50,000,000) for the purposes of the Program; and

(C) ADB has agreed to make a loan to the Borrower from ADB's Special Funds resources upon the terms and conditions set forth herein;

NOW THEREFORE the parties agree as follows:

**ARTICLE I**

**Loan Regulations; Definitions**

Section 1.01. All the provisions of the Special Operations Loan Regulations of ADB, dated 1 January 2006 ("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(24) is deleted and the following is substituted therefor:

24. The term "Program" means the program for which ADB has agreed to make the Loan, as described in the Loan Agreement and as the description thereof 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(26) is deleted and the following is substituted therefor:

26. 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) “ADB’s Results-Based Lending Policy” means ADB’s policy set out in the R-Paper on Piloting Results-Based Lending for Programs approved by ADB on 6 March 2013;

(b) “Allocation and Withdrawal Table” means the table set forth in Attachment 2 of Schedule 3 to this Loan Agreement;

(c) “Anti-Corruption Guidelines” means ADB’s Guidelines to Prevent or Mitigate Fraud, Corruption and Other Prohibited Activities in Results-Based Lending for Programs attached as Appendix 7 to ADB’s Results Based Lending Policy;

(d) “Deposit Account” means the bank account into which all withdrawals from the Loan Account shall be deposited;

(e) “Disbursement Linked Indicator” or “DLI” means each disbursement linked indicator set forth in Attachment 1 of Schedule 3 to this Loan Agreement which the Borrower is required to satisfy in order to withdraw the amount of the Loan proceeds allocated to such disbursement linked indicator in the Allocation and Withdrawal Table;

(f) “DLI Matrix” means the DLI matrix set forth in Attachment 1 of Schedule 3 to this Loan Agreement, as updated from time to time, which sets out each DLI and its corresponding protocols for the purposes of verifying the Borrower’s compliance with each DLI;

(g) “DLI Verification Protocol” means the verification protocol for the Program included in the PID;

(h) “Eligible Expenditures” means the total expenditures incurred by the Borrower under the Program during its FY minus the expenditures for (i) procurement of goods and services from countries which are not members of ADB, and (ii) any prohibited investment activities provided in Appendix 5 of the SPS, incurred by the Borrower under the Program during the same FY;

(i) “Environmental Safeguards” means the objectives, scope, triggers and policy principles set forth in the section entitled Environmental Safeguards in Chapter V of the SPS;

(j) “FY” means the fiscal year of the Borrower which runs from 1 January to 31 December in each year;

(k) “Implementing Agencies” means the Ministries of Higher Education, Agriculture, Industry, Construction, Economic Development, Environment, Social Services,

Ports, and Foreign Employment Promotion, the Department of Technical Education and Training, Tertiary and Vocational Education Commission, Vocational Training Authority, National Apprenticeship and Industrial Training Authority, University of Vocational Technology, National Institute of Fishery and Nautical Engineering, National Youth Service Council and any additional agencies, provided that these are identified in the SSDP as endorsed by the high level interministerial committee, and agreed by ADB;

(l) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2012, as amended from time to time);

(m) "MOFP" means the Borrower's Ministry of Finance and Planning or any successor thereto;

(n) "MYASD" means the Borrower's Ministry of Youth Affairs and Skills Development or any successor thereto acceptable to ADB;

(o) "PAP" means the action plan for the Program initially included in the PID and as updated from time to time;

(p) "PID" means the implementation document for the Program dated 17 February 2014 and agreed between the Borrower and ADB, as updated from time to time;

(q) "Program Executing Agency" for the purposes of, and within the meaning of, the Loan Regulations means MYASD or any successor thereto acceptable to ADB, which is responsible for the carrying out of the Program;

(r) "SDD" means the sector development division established at MYSAD to support SSDP implementation;

(s) "SPS" means ADB's Safeguard Policy Statement (2009);

(t) "SSDP" means the Borrower's Skills Sector Development (2014-2020) Program which shall be supported by the Program; and

(u) "Subproject" means a subproject under the Program.

## **ARTICLE II**

### **The Loan**

Section 2.01. ADB agrees to lend to the Borrower from ADB's Special Funds resources an amount in various currencies equivalent to thirty two million six hundred thousand Special Drawing Rights (SDR32,600,000).

Section 2.02. (a) The Borrower shall pay to ADB an interest charge at the rate of 2% per annum during the grace period and thereafter, on the amount of the Loan withdrawn from the Loan Account and outstanding from time to time.

(b) The term “grace period” as used in paragraph (a) of this Section 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 2.03. The Borrower shall pay the interest charge and any other charge on the Loan semiannually on 15 May and 15 November in each year.

Section 2.04. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

Section 2.05. The currency of repayment of the principal of the Loan and the currency of payment of the interest charge for the purposes of Sections 4.03(a) and 4.04 of the Loan Regulations shall be the Dollar.

### **ARTICLE III**

#### **Use of Proceeds of the Loan**

Section 3.01. The Borrower shall (a) cause the Loan proceeds to be applied to the financing of expenditures on the Program in accordance with the provisions of this Loan Agreement; and (b) ensure that the Loan proceeds are used for their intended purposes in accordance with the generally accepted principles of economy, efficiency, transparency and accountability.

Section 3.02. The proceeds of the Loan shall be 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 Borrower shall ensure that no Loan proceeds are used to finance any activity included in the list of prohibited investment activities provided in Appendix 5 of the SPS.

Section 3.04. The Borrower shall ensure that in any FY the amount of Eligible Expenditures minus other development partners’ cofinancing to the Program is at least equal to or exceeds the proceeds of the Loan withdrawn by the Borrower in the same FY.

Section 3.05. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 30 June 2017 or such other date as may from time to time be agreed between the Borrower and ADB.

## ARTICLE IV

### Particular Covenants

Section 4.01. (a) The Borrower shall cause the Program to be carried out with due diligence, economy, efficiency, transparency and accountability and in conformity with sound applicable technical, financial, business and development practices.

(b) 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 and shall ensure that the actions set out in the PAP are implemented in a timely and efficient manner.

Section 4.02. The Borrower shall make available, promptly as needed the funds, facilities, services, land and other resources, as required, in addition to the proceeds of the Loan for the carrying out of the Program.

Section 4.03. The Borrower shall ensure that the activities of its departments and agencies with respect to the carrying out of the Program are conducted and coordinated in accordance with sound administrative policies and procedures.

Section 4.04. (a) The Borrower shall (i) maintain accounts and records for the Program; (ii) prepare annual financial statements for the Program in accordance with accounting principles 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 international standards for auditing or the national equivalent acceptable to ADB; (iv) as part of each such audit, have the auditors prepare a report (which includes the auditors' opinion on the financial statements, compliance with the financial covenants, including Section 3.04, of this Loan Agreement and the PAP) 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 6 months after the close of each of FY2014, FY2015, and FY2016, copies of such audited financial statements, audit report and management letter, all in the English language, for the previous calendar year 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 30 days of the date of their receipt 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 4.05. (a) As part of the reports and information referred to in Section 6.05 of the Loan Regulations, the Borrower shall furnish, or cause to be furnished, to ADB all such reports and information as ADB shall reasonably request concerning the implementation of the Program, including the accomplishment of the DLIs and carrying out of the actions set out in the PAP.

(b) Without limiting the generality of the foregoing or Section 6.05 of the Loan Regulations, the Borrower shall furnish, or cause to be furnished, to ADB quarterly reports on the carrying out of the Program and on the accomplishment of the DLIs and carrying out of the actions set out in the PAP.

Section 4.06. (a) ADB and the Borrower shall cooperate fully to ensure that the purposes of the Loan will be accomplished.

(b) The Borrower shall promptly inform ADB of any condition which interferes with, or threatens to interfere with, the progress of the Program, the performance of its obligations under this Loan Agreement, or the accomplishment of the purposes of the Loan.

(c) ADB and the Borrower shall from time to time, at the request of either party, exchange views through their representatives with regard to any matters relating to the Program or the Loan.

## **ARTICLE V**

### **Suspension; Acceleration of Maturity**

Section 5.01. The following is specified as an additional event for suspension of the right of the Borrower to make withdrawals from the Loan Account for the purposes of Section 8.01(m) of the Loan Regulations: the Borrower shall have failed to perform one or more of its obligations under the Ordinary Operations Loan Agreement.

Section 5.02. The following is specified as an additional event for acceleration of maturity for the purposes of Section 8.07(d) of the Loan Regulations: the event specified in Section 5.01 of this Loan Agreement shall have occurred.

## **ARTICLE VI**

### **Effectiveness**

Section 6.01. The following is specified as an additional condition to the effectiveness of this Loan Agreement for the purposes of Section 9.01(f) of the Loan Regulations: the Ordinary Operations Loan Agreement shall have been duly executed and

delivered on behalf of the Borrower, and all conditions precedent to its effectiveness (other than a condition requiring the effectiveness of this Loan Agreement) shall have been fulfilled.

Section 6.02. The following is specified as an additional matter, for the purposes of Section 9.02(d) of the Loan Regulations, to be included in the opinion or opinions to be furnished to ADB: that the Ordinary Operations Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, Borrower and is legally binding upon the Borrower in accordance with its terms, subject only to the effectiveness of this Loan Agreement.

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

## **ARTICLE VII**

### **Miscellaneous**

Section 7.01. The Secretary, MOFP, Deputy Secretary to the Treasury, and the Director General, Department of External Resources, MOFP of the Borrower are designated as representatives of the Borrower for the purposes of Section 11.02 of the Loan Regulations.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the Loan Regulations:

#### For the Borrower

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

Copy to: Director General, Department of External Resources

Facsimile Number:

0094 112447633.



For ADB


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

Facsimile Numbers:

(632) 636-2444  
(632) 636-2407.

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 the ADB.

DEMOCRATIC SOCIALIST REPUBLIC  
OF SRI LANKA

By   
PUNCHI BANDARA JAYASUNDERA  
Secretary  
Ministry of Finance and Planning

ASIAN DEVELOPMENT BANK

By   
SRI WIDOWATI  
Country Director  
Sri Lanka Resident Mission

## SCHEDULE 1

### Description of the Program

1. The objective of the Program is to provide support between 2014 and 2016 for certain deliverables under SSDP, which aims at transforming Sri Lanka's TVET system into a market-responsive and inclusive system.
  
2. The Program comprises the following outputs:
  - (i) **Output 1. Improved quality of TVET provision.** This output will strengthen the quality management system across public and private TVET providers, improve articulation of competencies within the NVQ framework, and improve trainee assessment. TVEC's capacity as sector regulator and quality assurance body will be strengthened to ensure transparency and reliability of TVET certificates to employers and students. A comprehensive human resource development plan will ensure adequate supply of qualified instructors, assessors and managers through in-service training, revised recruitment requirements, and allowance scheme.
  
  - (ii) **Output 2. Enhanced industry partnership for TVET planning and provision.** This output will increase private sector participation in training planning and provision. Skills-gap analyses for at least 2 priority economic sectors will be carried out for industry validation to inform the training planning. MYASD will introduce a purchasing model / employment-linked training agreement to source training providers in critical and emerging skills gap areas, using a tripartite partnership agreement among MYASD, training provider and employer. At least 1,000 additional students will be enrolled for middle level skills training in five university colleges that are established through public-private partnership.
  
  - (iii) **Output 3. Increased participation and improved equity in TVET.** This output will increase enrollment in TVET programs to 187,000, with at least 15,000 students benefiting from a stipend program to target school leavers, women and disadvantaged groups for training in emerging and critical skills gap areas. Existing workforce's skills will be upgraded by offering flexible training delivery mechanisms and recognition of prior learning. People in the underserved areas will have increased access to training facilities through selected TVET agencies.
  
  - (iv) **Output 4. Improved TVET sector management to implement policy, institutional, and operational reforms.** This output will strengthen sector management and coordination capacity to implement SSDP through establishment of high level interministerial committee and SDD. SDD will carry out a TVET system capacity utilization census to determine underutilized training facilities and develop a rationalization plan. It will also pilot a performance-based financing for public training providers. This output will also improve sector monitoring and evaluation; planning and budgeting; and procurement capacity.
  
3. The Program is expected to be completed by 31 December 2016.

**SCHEDULE 2****Amortization Schedule****(Skills Sector Enhancement Program – Results-Based Lending)**

<b><u>Date Payment Due</u></b>	<b><u>Payment of Principal</u></b> (expressed in Special Drawing Rights)*
15 May 2019	815,000.00
15 November 2019	815,000.00
15 May 2020	815,000.00
15 November 2020	815,000.00
15 May 2021	815,000.00
15 November 2021	815,000.00
15 May 2022	815,000.00
15 November 2022	815,000.00
15 May 2023	815,000.00
15 November 2023	815,000.00
15 May 2024	815,000.00
15 November 2024	815,000.00
15 May 2025	815,000.00
15 November 2025	815,000.00
15 May 2026	815,000.00
15 November 2026	815,000.00
15 May 2027	815,000.00
15 November 2027	815,000.00
15 May 2028	815,000.00
15 November 2028	815,000.00
15 May 2029	815,000.00
15 November 2029	815,000.00
15 May 2030	815,000.00
15 November 2030	815,000.00
15 May 2031	815,000.00
15 November 2031	815,000.00
15 May 2032	815,000.00
15 November 2032	815,000.00
15 May 2033	815,000.00
15 November 2033	815,000.00
15 May 2034	815,000.00
15 November 2034	815,000.00
15 May 2035	815,000.00
15 November 2035	815,000.00
15 May 2036	815,000.00
15 November 2036	815,000.00
15 May 2037	815,000.00
15 November 2037	815,000.00
15 May 2038	815,000.00
15 November 2038	815,000.00
<b>TOTAL</b>	<b>32,600,000.00</b>

\* The arrangements for payment are subject to the provisions of Sections 3.04 and 4.03 of the Loan Regulations.

### SCHEDULE 3

#### Withdrawal of Loan Proceeds

##### General

1. Except as ADB may otherwise agree, the following provisions of this Schedule shall apply to the withdrawal of Loan proceeds from the Loan Account.

##### Deposit Account

2. Prior to submitting the first application to ADB for withdrawal from the Loan Account, the Borrower shall nominate the Deposit Account at Central Bank of Sri Lanka into which all withdrawals from the Loan Account shall be deposited. The Deposit Account shall be managed and liquidated in accordance with terms and conditions satisfactory to ADB.

3. The Borrower shall maintain separate accounts and records in respect of the Deposit Account in accordance with accounting principles acceptable to ADB. Upon ADB's request, the Borrower shall have the financial statements for the Deposit Account audited by independent auditors, whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with international standards for auditing or the national equivalent acceptable to ADB. Promptly after their preparation but in any event not later than 6 months after the date of ADB's request, copies of such audited financial statements and the opinion of the auditors on the financial statements, in the English language, shall be furnished to ADB.

##### Basis for Withdrawal from the Loan Account

4. The initial application for withdrawal from the Loan Account shall be submitted after successful verification of achievement of prior results as stated in the DLI Matrix.

5. Prior to submitting any application for withdrawal from the Loan Account for a DLI, the Borrower shall submit for ADB's approval satisfactory evidence as required under the DLI Verification Protocol that such DLI has been fully achieved, and unaudited interim financial statements for the period specified in the PID. After ADB's confirmation that the DLI has been achieved and that, over the period covered by the unaudited interim financial statements, the Borrower's spending on Eligible Expenditures exceeds disbursements of the Loan, the Borrower may submit an application for withdrawal of the corresponding Loan proceeds for such DLI.

6. No withdrawal shall be made or permitted from the Loan Account for any DLI unless ADB is satisfied that the Borrower continues to comply with all DLIs that were previously met and for which Loan proceeds have been disbursed.

7. Throughout the Program period, the Borrower shall submit any information on the Program that ADB may require from time to time to assess and calculate the value of Eligible Expenditures.

Application for withdrawal from the Loan Account

8. (a) An application for withdrawal from the Loan Account shall be submitted to ADB by the Borrower and shall be in a form satisfactory to ADB; and

(b) Prior to the submission of the first withdrawal application, the Borrower shall submit to ADB sufficient evidence of the authority of the person(s) who shall sign the withdrawal applications on behalf of the Borrower, together with the authenticated specimen signatures of each authorized person.

Reallocation

9. Notwithstanding the allocation of Loan proceeds set forth in the Allocation and Withdrawal Table, if the amount of Loan proceeds allocated to any DLI appears to be insufficient or excessive for any reason whatsoever, the Borrower and ADB may by agreement reallocate such shortfall or excess amount to any other DLI.

Disbursement Procedures

10. Except as ADB may otherwise agree, the Loan proceeds shall be disbursed in accordance with the Loan Disbursement Handbook. The Borrower shall submit the supporting documents specified in paragraph 5 of this Schedule 3 in lieu of the supporting documents required under the Loan Disbursement Handbook.

**DLI Matrix****1. DLI 1: Employability of graduates from quality assured TVET programs increased**

<b>May 2016</b>
Employment rate for TVET graduates increased to 52%

**2. DLI 2: Improved quality assurance mechanism**

<b>Prior Result</b>	<b>October 2014</b>	<b>May 2015</b>	<b>May 2016</b>
Cabinet has approved amendment to TVEC Act	Revised TVEC quality assurance system and implementation plan for TVEC approved by the TVEC Board and MYASD	5% of training providers of NVQ 1-6 established QMS	15% of training providers of NVQ 1-6 established QMS

**3. DLI 3: Increased availability of effective teaching staff in priority and emerging skill shortage areas**

<b>October 2014</b>	<b>May 2015</b>	<b>May 2016</b>
Vocational teacher development policy developed by MYASD, and teacher development plans developed by all IAs	New recruitment criteria and performance based allowance scheme under the vocational teacher development policy are implemented by at least 5 IAs	Across all IAs, on average, at least 70% of needed vocational teacher positions filled

**4. DLI4: TVET provision based on skills gap analyses**

<b>October 2014</b>	<b>May 2015</b>	<b>May 2016</b>
Skill gap analysis terms of reference approved by TVEC	Skills gap analyses on at least 2 priority sectors, validated by industry working groups and endorsed by high level interministerial committee	All IAs commenced training to meet the targets aligned with the two sector training plans which are developed from the skills gap analyses

5. **DLI5: Private sector engagement in TVET delivery strengthened**

Prior Result	October 2014	May 2015	May 2016
Two MOUs for training delivery signed between MYASD and private sector entities and training commenced	ETA model is approved by MYASD	ETAs signed between SDD and private sector training providers in priority skill areas for at least 2,000 trainees targeting at least 65% job placement rate and training commenced	ETAs signed between SDD and private sector training providers in priority skill areas for additional 2,000 trainees with at least 65% job placement rate and training commenced

6. **DLI6: Enrolment of students in TVET programs increased**

Prior Result	May 2015	May 2016
University colleges development commenced	Total enrolment increased to 157,000 or more	Total enrolment increased to 172,000 or more

7. **DLI7: Increased efficiency in utilization of TVET sector resources through performance based financing**

October 2014	May 2015	May 2016
A performance based financing model is approved by MYASD	The performance based financing model are piloted in at least 10 VTA centers	The performance based financing model assessed, revised and implemented in at least 20 VTA centers (cumulative)

8. **DLI8: Coordination and implementation capacity strengthened**

Prior Result	October 2014	May 2015	May 2016
(i) SSDP approved;  (ii) high level interministerial committee is established; and  (iii) cadre positions for SSD approved	Procurement capacity development plan approved	At least 50% of the training targets (in terms of number of people trained) under the capacity development plan are achieved	At least 90% of the training targets (in terms of number of people trained) under the capacity development plan are achieved, and at least 70% of agreed critical findings from AGD's FY 2014 audit of MYASD are resolved

9. **DLI9: Improved medium term skills sector budgeting and expenditure**

Prior Result	October 2014	May 2015	May 2016
3 year medium-term expenditure framework included in the amended 2014 appropriation bill	Performance partnership agreement concluded between (i) MOFP and MYASD and (ii) MYASD and TVET agencies for 2015 in line with medium term expenditure framework, committed workplan including new initiatives to diversify TVET provision	(i) Both recurrent and capital budget for 2015 is allocated in accordance with the performance partnership agreement; and  (ii) At least 75% of 2014 budget allocations for skills development initiatives have been spent	(i) Both recurrent and capital budget for 2016 is allocated in accordance with the performance partnership agreement; and  (ii) At least 80% of 2015 budget allocations for skills development initiatives have been spent

AGD = Attorney General's Department; DLI = disbursement linked indicator; ETA = employment-linked training agreement; FY = Fiscal Year; IAs = implementing agencies; MOFP = Ministry of Financial Planning; MOU = memorandum of understanding; MYASD = Ministry of Youth Affairs and Skills; NVQ = National Vocational Qualifications; QMS = quality management system, SDD = Sector Development Division; SSDP = Skills Sector Development Program; TVEC = Technology and Vocational Education Commission; TVET = Technical and Vocational Education and Training; VTA = Vocational Training Authority



**TABLE**

<b>ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Skills Sector Enhancement Program – Results-Based Lending)</b>				
<b>DLIs</b>	<b>Total Amount Allocated for ADB Financing (SDR)</b>			
	<b>Financing of prior results</b>	<b>October 2014</b>	<b>May 2015</b>	<b>May 2016</b>
DLI1				1,630,000
DLI2	1,630,000	652,000	978,000	652,000
DLI3		1,304,000	1,304,000	978,000
DLI4		652,000	1,304,000	978,000
DLI5	652,000	1,304,000	1,304,000	1,304,000
DLI6			1,630,000	1,304,000
DLI7		652,000	1,304,000	978,000
DLI8	(i) 1,630,000 (ii) 326,000 (iii) 652,000	652,000	652,000	652,000
DLI9	1,630,000	(i) 652,000 (ii) 652,000	(i) 652,000 (ii) 652,000	(i) 652,000 (ii) 652,000
<b>Total</b>	<b>6,520,000</b>	<b>6,520,000</b>	<b>9,780,000</b>	<b>9,780,000</b>

## SCHEDULE 4

### Execution of Program

#### Implementation Arrangements

1. The Borrower shall 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.

#### DLI Actions and Dialogue

2. The Borrower shall ensure that all DLIs under the Program, as set forth in the DLI Matrix, continue to be in effect for the duration of the Program.

3. The Borrower shall share with ADB information concerning policy discussions with other multilateral and bilateral aid agencies that may have implications for the implementation of the Program and shall provide ADB with an opportunity to comment on any resulting policy proposals. The Borrower shall take into account ADB's views before finalizing and implementing any such proposal.

#### Procurement

4. The Borrower shall ensure that the Program includes no activities which involve (a) procurement of works, turnkey, supply or installation contracts estimated to cost \$50,000,000 equivalent or more per contract; (b) procurement of goods contracts estimated to cost \$30,000,000 equivalent or more per contract; (c) information technology or non-consulting services contracts estimated to cost \$20,000,000 equivalent or more per contract; and (d) consultants' services contracts estimated to cost \$15,000,000 equivalent or more per contract.

#### Safeguards

5. The Borrower shall ensure that construction or rehabilitation works under the Program do not involve significant adverse environmental, resettlement or indigenous peoples impacts which may be classified as category A under the SPS or its related rules/manuals.

6. The Borrower shall ensure that the Program does not involve any resettlement or indigenous people's risks or impacts within the meaning of the SPS.

#### Environment

7. The Borrower shall ensure that the preparation, design, construction, implementation, operation and decommissioning of all activities under the Program comply with (a) all applicable laws, regulations and guidelines of the Borrower relating to environment, health and safety; (b) the Environmental Safeguards; and (c) all measures and requirements, including monitoring requirements set forth in an environmental management plan, initial environmental examination, or environmental impact assessment.

Governance and Anticorruption

8. The Borrower shall cause MYASD and the Implementing Agencies to (a) ensure that the Program complies with the provisions of the Anti-Corruption Guidelines and shall take all appropriate and timely measures to prevent, detect and respond to allegations of fraud, corruption, or any other prohibited activities in accordance with the Anti-Corruption Guidelines; and (b) promptly inform ADB of any allegations of fraud, corruption, or any other prohibited activities relating to the Program.
9. The Borrower shall cooperate fully with any investigation by ADB relating to allegations of fraud, corruption, or any other prohibited activities and extend all necessary assistance, including providing access to all relevant books and records, for satisfactory completion of such investigation.
10. Within 90 days of the Effective Date, the Borrower shall cause MYASD to update its website to (a) provide information on bidding procedures, bidders, contract awards, and physical progress of the Program; (b) post the annual audited financial statements for the Program, as such audited financial statements become available; and (c) disseminate other relevant information on the implementation of the Program.