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OFFICIAL DOCUMENTS

CREDIT NUMBER 6026-LK

Financing Agreement

(Accelerating Higher Education Expansion and Development Operation)

between

DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 17, 2017

OFFICIAL
DOCUMENTS

FINANCING AGREEMENT

AGREEMENT dated July 17, 2017, entered into between DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in this Agreement (including the Appendix to this Agreement), or the General Conditions, or the Loan Agreement, in such order of precedence.

ARTICLE II — FINANCING

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to twenty four million four hundred thousand Special Drawing Rights (SDR 24,400,000) (variously, "Credit" and "Financing"), to assist in financing the program and the project described in Parts I (the "Program") and Part II (the "Project") of Schedule 1 to the Loan Agreement (collectively the "Operation").
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section V of Schedule 2 to the Loan Agreement. All withdrawals from the Financing Account shall be deposited by the Association into an account specified by the Recipient and acceptable to the Association.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to one and a quarter percent (1.25%) per annum.

- 2.06. The Payment Dates are May 15th and November 15th in each year.
- 2.07. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule to this Agreement.
- 2.08. The Payment Currency is Dollar.

ARTICLE III — PROGRAM

- 3.01. The Recipient declares its commitment to the objectives of the Operation. To this end, the Recipient shall carry out the Operation, and/or cause the Operation to be carried out in accordance with the provisions of Article IV of the General Conditions.
- 3.02. (a) Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Operation is carried out in accordance with the provisions of Schedule 2, and Schedule 3, to the Loan Agreement, which are hereby incorporated into this Agreement with the following modifications (unless the context otherwise requires):
 - (i) the terms "Bank," "Loan" (except in Section V of said Schedule 2), "this Agreement" (except in paragraph 2 in subsection V.A of said Schedule), and "General Conditions" (except in the Table set forth in subsection IV.A.2 of said Schedule) shall be construed, respectively, as a referring to the Association (as defined above), the Credit provided for in Section 2.01 of this Agreement, this Financing Agreement, and the General Conditions referred to in Section 1.01 of this Agreement (as defined in the Appendix to this Agreement); and
 - (ii) the references to "Article V," "Section 5.08," "Section 5.09," and "Section 5.09(b)" of the General Conditions shall be deemed references respectively to Article IV, Section 4.08, Section 4.09, and Section 4.09(b) of the General Conditions referred to in Section 1.01 of this Agreement (as defined in the Appendix to this Agreement).
- (b) so long as any part of the Loan provided for under the Loan Agreement shall remain outstanding and unless the Recipient has been notified otherwise by the Association:

- (i) all actions taken, including approvals given, by the IBRD pursuant to any Sections of, and Schedules to, the Loan Agreement, enumerated in paragraph (a) of this Section shall be deemed to be taken or given in the name and on behalf the IBRD and the Association; and
- (ii) all information or documentation furnished by the Recipient to the IBRD pursuant to the provisions of any such Sections of the Loan Agreement, or Schedules thereto, shall be deemed to be furnished to both the IBRD and the Association.
- (c) if the Loan Agreement terminates prior to the termination of this Agreement, the provision of the Loan Agreement referred to in this Agreement (i.e. Schedules 1, 2 –except Section IV-, 3 and the Appendix to the Loan Agreement) shall continue in full force and effect between the Recipient and the Association.

ARTICLE IV — EFFECTIVENESS; TERMINATION

- 4.01. The Additional Condition of Effectiveness consists of the following, namely, that the Loan Agreement has been executed and delivered and all conditions precedent to its effectiveness and the right of the Recipient to make withdrawals thereunder (other than the effectiveness of this Agreement) have been fulfilled.
- 4.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 4.03. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

- 5.01. The Recipient's Representative is the Secretary, Ministry of Finance.

5.02. The Recipient's Address is:

Director General
Department of External Resources
The Secretariat
Colombo 1, Sri Lanka

Facsimile:

+94-11-2447633

5.03. The Association's Address is:

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

Facsimile:

1-202-477-6391

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

DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA

By



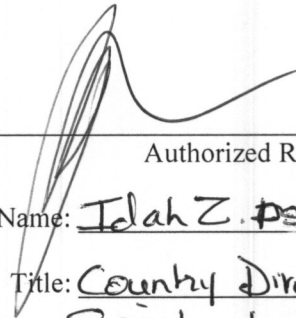
Authorized Representative

Name: Dr. R. H. S. Samaratunga

Title: Secretary, Ministry of Finance & Mass Media.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

Name: Idah Z. Pswarayi-Riddihough

Title: Country Director
Sri Lanka and the Maldives

5.02. The Recipient's Address is:

Director General
Department of External Resources
The Secretariat
Colombo 1, Sri Lanka

Facsimile:

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

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1-202-477-6391

SCHEDULE

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each May 15 and November 15:	
commencing May 15, 2022 to and including November 15, 2031	1.65%
commencing May 15, 2032 to and including November 15, 2041	3.35%

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03 (b) of the General Conditions.

APPENDIX

Definitions

1. "General Conditions" means the "International Development Association General Conditions for Credits and Grants", dated July 31, 2010, with the modifications set forth in Section II of this Appendix.
2. "IBRD" means the International Bank for Reconstruction and Development
3. "Loan Agreement" means the loan agreement for the Operation between the Recipient and the Bank, dated the same date as this Agreement, as such loan agreement may be amended from time to time. "Loan Agreement" includes all appendices, schedules and agreements supplemental to the Loan Agreement.
4. "Operation" means, collectively, the activities described under Part I (the "Program") and Part II (the "Project") of the Schedule 1 to the Loan Agreement.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. Wherever used throughout the General Conditions, the term "the Project" is modified to read "the Program", the term "the Project Agreement" is modified to read "the Program Agreement", the term "Project Implementing Entity" is modified to read "the Program Implementing Entity", the term "Project Report" is modified to read "Progress Report"; and the term "Eligible Expenditures" is modified to read "Program Expenditures".
2. In the **Table of Contents**, the references to Sections, Section names and Section numbers are modified to reflect the modifications set forth in the paragraphs below.
3. Section 2.02, *Special Commitment by the Association*, is deleted in its entirety, and the subsequent Sections in Article II are renumbered accordingly.
4. In Section 2.02 (originally numbered as Section 2.03), the heading "*Applications for Withdrawal or for Special Commitment*" is replaced with "*Applications for Withdrawal*", and the phrase "or to request the Association to enter into a Special Commitment" is deleted.
5. The section originally numbered as Section 2.04, *Designated Accounts*, is deleted in its entirety, and the subsequent Sections in Article II are renumbered accordingly.

6. Paragraph (a) of Section 2.03 (originally numbered as Section 2.05), *Eligible Expenditures* (renamed "Program Expenditures" in accordance with paragraph 1 of this Section II), is modified to read: "(a) the payment is for the financing of the reasonable cost of expenditures required for the Program and to be financed out of the proceeds of the Financing in accordance with the provisions of the Legal Agreements;"
7. The last sentence of Section 2.04 (originally numbered as Section 2.06), *Financing Taxes*, is modified to read: "To that end, if the Association at any time determines that the amount of any such Tax is excessive, or that such Tax is discriminatory or otherwise unreasonable, the Association may, by notice to the Recipient, exclude such amount or such Tax from the Program Expenditures to be financed out of the proceeds of the Financing, as required to ensure consistency with such policy of the Association."
8. Section 2.06 (originally numbered as Section 2.08), *Reallocation*, is modified to read: "Notwithstanding any allocation of an amount of the Financing to a withdrawal category under the Financing Agreement, the Association may, by notice to the Recipient, reallocate any other amount of the Financing to such category if the Association reasonably determines at any time that such reallocation is appropriate for the purposes of the Program."
9. Section 3.02 is modified to read as follows:

"Section 3.02. *Service Charge and Interest Charge*

 - (a) *Service Charge*. The Recipient shall pay the Association a service charge on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. The Service Charge shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Service Charges shall be computed on the basis of a 360-day year of twelve 30-day months.
 - (b) *Interest Charge*. The Recipient shall pay the Association interest on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. Interest shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Interest shall be computed on the basis of a 360-day year of twelve 30-day months."
10. Section 6.01, *Cancellation by the Recipient*, is modified to read: "The Recipient may, by notice to the Association, cancel any amount of the Unwithdrawn Financing Balance."

11. Paragraph (d) of Section 6.03, *Cancellation by the Association*, entitled "Misprocurement", is deleted, and subsequent paragraphs are relettered accordingly.
12. Section 6.04, *Amounts Subject to Special Commitment not Affected by Cancellation or Suspension by the Association*, is deleted in its entirety, and subsequent Sections in Article VI and references to such Sections are renumbered accordingly.
13. In the **Appendix**, *Definitions*, all references to Section numbers are modified, as necessary, to reflect the modifications set forth above. In addition, the definition of the term "Special Commitment" set forth in paragraph 50 is deleted in its entirety, and all subsequent paragraphs are renumbered accordingly.
14. Paragraph 28 of the Appendix ("Financing Payment") is modified by inserting the words "the Interest Charge" between the words "the Service Charge" and "the Commitment Charge".
15. The Appendix is modified by inserting a new paragraph 32 with the following definition of "Interest Charge", and renumbering the remaining paragraphs accordingly:

"32. "Interest Charge" means the interest charge specified in the Financing Agreement for the purpose of Section 3.02(b)."
16. Renumbered paragraph 37 (originally paragraph 36) of the Appendix ("Payment Date") is modified by inserting the words "Interest Charges" between the words "Service Charges" and "Commitment Charges".
17. Renumbered paragraph 50 (originally paragraph 49) of the Appendix ("Service Charge") is modified by replacing the reference to Section 3.02 with Section 3.02 (a).

11. Paragraph (d) of Section 6.03, *Cancellation by the Association*, entitled "Misprocurement", is deleted, and subsequent paragraphs are relettered accordingly.
12. Section 6.04, *Amounts Subject to Special Commitment not Affected by Cancellation or Suspension by the Association*, is deleted in its entirety, and subsequent Sections in Article VI and references to such Sections are renumbered accordingly.
13. In the **Appendix**, *Definitions*, all references to Section numbers are modified, as necessary, to reflect the modifications set forth above. In addition, the definition of the term "Special Commitment" set forth in paragraph 50 is deleted in its entirety, and all subsequent paragraphs are renumbered accordingly.
14. Paragraph 28 of the Appendix ("Financing Payment") is modified by inserting the words "the Interest Charge" between the words "the Service Charge" and "the Commitment Charge".
15. The Appendix is modified by inserting a new paragraph 32 with the following definition of "Interest Charge", and renumbering the remaining paragraphs accordingly:

"32. "Interest Charge" means the interest charge specified in the Financing Agreement for the purpose of Section 3.02(b)."
16. Renumbered paragraph 37 (originally paragraph 36) of the Appendix ("Payment Date") is modified by inserting the words "Interest Charges" between the words "Service Charges" and "Commitment Charges".
17. Renumbered paragraph 50 (originally paragraph 49) of the Appendix ("Service Charge") is modified by replacing the reference to Section 3.02 with Section 3.02 (a).