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IDA/R2015-0169/1

June 5, 2015

**Closing Date: Wednesday, June 24, 2015  
at 6 p.m.**

FROM: The Corporate Secretary

**Sri Lanka - Early Childhood Development Project**

**Project Appraisal Document**

Attached is the Project Appraisal Document regarding a proposed credit to Sri Lanka for an Early Childhood Development Project (IDA/R2015-0169) which is being processed on an absence-of-objection basis.

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Report No: PAD1311

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED CREDIT

IN THE AMOUNT OF SDR 35.6 MILLION  
(US\$ 50 MILLION EQUIVALENT)

TO THE

DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA

FOR AN

EARLY CHILDHOOD DEVELOPMENT PROJECT

June 4, 2015

Education Global Practice  
SOUTH ASIA

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## CURRENCY EQUIVALENTS

(Exchange Rate Effective April 30, 2015)

Currency Unit = Sri Lankan Rupee (LKR)  
LKR 132.99994 = US\$1  
US\$ 1.40642 = SDR 1

## FISCAL YEAR

January 1 – December 31

## ABBREVIATIONS AND ACRONYMS

CDD	Community Driven Development
CPS	Country Program Strategy
CS	Children's Secretariat
DA	Designated Account
DPs	Development Partners
DSO	District Secretariat Office
DivSO	Divisional Secretariat Office
ECCD	Early Childhood Care and Development
ECD	Early Childhood Development
ECDP	Early Childhood Development Project
EMF	Environmental Management Framework
FM	Financial Management
GDP	Gross Domestic Product
GoSL	Government of Sri Lanka
GRM	Grievance Redress Mechanism
HIES	Household Income and Expenditure Survey
IAs	Implementing Agencies
IDA	International Development Association
INGOs	International non-governmental organizations
IP	Indigenous People
IPF	Investment Project Financing
IPR	Implementation Progress report
IUFR	Interim Unaudited Financial Report
LKR	Sri Lankan Rupees
M&E	Monitoring and Evaluation
MIS	Management Information System

MOE	Ministry of Education
MOF	Ministry of Finance
MOPID	Ministry of Plantation Infrastructure Development
MoU	Memorandum of Understanding
MPPEACYCA	Ministry of Policy Planning, Economic Affairs, Child, Youth and Cultural Affairs
NIE	National Institute of Education
NBRO	National Building Research Organization
NGO	Non-Governmental Organizations
NPECCD	National Plan for Early Childhood Care and Development
NPV	Net Present Value
OM	Operational Manual
OUSL	Open University of Sri Lanka
PC	Provincial Council
PDO	Project Development Objectives
PFM	Public Finance Management
PHDT	Plantation Human Development Trust
PISA	Program for International Student Assessment
PP	Procurement Plan
PMU	Project Management Unit
PRIMA	Portfolio Risk Management System
PSC	Project Steering Committee
PTU	Plantation Trust Union
RF	Results Framework
RPC	Regional Plantation Communities
SIMF	Social Impact Management Framework
SMCA	State Ministry of Child Affairs
TEC	Technical Evaluation Committee
TOT	Training of Trainers
USD	United States Dollars

Regional Vice President:	Annette Dixon
Country Director:	Francoise Clottes
Senior Global Practice Director:	Claudia Costin
Practice Manager:	Keiko Miwa
Task Team Leader:	Saurav Dev Bhatta



# SRI LANKA

## Early Childhood Development Project

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## PAD DATA SHEET

*Sri Lanka*

*Early Childhood Development Project (P151916)*

### PROJECT APPRAISAL DOCUMENT

*SOUTH ASIA*

*0000009057*

Report No.: PAD1311

Basic Information			
Project ID P151916	EA Category B - Partial Assessment	Team Leader(s) Saurav Dev Bhatta	
Lending Instrument Investment Project Financing	Fragile and/or Capacity Constraints [ ]		
	Financial Intermediaries [ ]		
	Series of Projects [ ]		
Project Implementation Start Date 01-Oct-2015	Project Implementation End Date 31-Dec-2020		
Expected Effectiveness Date 25-Sep-2015	Expected Closing Date 30-Jun-2021		
Joint IFC No			
Practice Manager/Manager Keiko Miwa	Senior Global Practice Director Claudia Maria Costin	Country Director Francoise Clottes	Regional Vice President Annette Dixon
Borrower: Ministry of Finance			
Responsible Agency: State Ministry of Child Affairs (SMCA)			
Contact: Telephone No.:	S.A.D.S Subasinghe 94-11-2187156	Title: Email:	Secretary subasingheofficial@gmail.com
Project Financing Data(in USD Million)			
[ ] Loan	[ ] IDA Grant	[ ] Guarantee	
[ X ] Credit	[ ] Grant	[ ] Other	
Total Project Cost:	50.00	Total Bank Financing:	50.00
Financing Gap:	0.00		

<b>Financing Source</b>	<b>Amount</b>
BORROWER/RECIPIENT	0.00
International Development Association (IDA)	50.00
<b>Total</b>	<b>50.00</b>

### **Expected Disbursements (in USD Millions)**

Fiscal Year	2016	2017	2018	2019	2020	2021	0000	0000	0000	0000
Annual	2.0	10.0	15.0	10.0	7.0	6.0	0.00	0.00	0.00	0.00
Cumulative	2.0	12.0	27.0	37.0	44.0	50.00	0.00	0.00	0.00	0.00

### **Institutional Data**

#### **Practice Area (Lead)**

Education

#### **Contributing Practice Areas**

#### **Cross Cutting Topics**

- Climate Change
- Fragile, Conflict & Violence
- Gender
- Jobs
- Public Private Partnership

#### **Sectors / Climate Change**

Sector (Maximum 5 and total % must equal 100)

Major Sector	Sector	%	Adaptation Co-benefits %	Mitigation Co-benefits %
Education	Pre-primary education	90		
Public Administration, Law, and Justice	Public administration-Education	10		
<b>Total</b>		<b>100</b>		

I certify that there is no Adaptation and Mitigation Climate Change Co-benefits information applicable to this project.

#### **Themes**

Theme (Maximum 5 and total % must equal 100)

Major theme	Theme	%
Human development	Education for all	90
Human development	Other human development	10
<b>Total</b>		<b>100</b>

<b>Proposed Development Objective(s)</b>		
The Project Development Objective is to enhance equitable access to and improve the quality of early childhood development (ECD) services.		
<b>Components</b>		
<b>Component Name</b>	<b>Cost (USD Million)</b>	
Expanding and strengthening the delivery of ECD services	45.00	
Project management, and monitoring and evaluation (M&E)	5.00	
<b>Systematic Operations Risk- Rating Tool (SORT)</b>		
<b>Risk Category</b>	<b>Rating</b>	
1. Macroeconomic	Moderate	
2. Sector Strategies and Policies	Substantial	
3. Technical Design of Project or Program	Substantial	
4. Institutional Capacity for Implementation and Sustainability	Substantial	
5. Fiduciary	High	
6. Environment and Social	Moderate	
7. Stakeholders	Moderate	
8. Other		
<b>OVERALL</b>	Substantial	
<b>Compliance</b>		
<b>Policy</b>		
Does the project depart from the CAS in content or in other significant respects?	Yes [ ]	No [ X ]
Does the project require any waivers of Bank policies?	Yes [ ]	No [ X ]
Have these been approved by Bank management?	Yes [ ]	No [ X ]
Is approval for any policy waiver sought from the Board?	Yes [ ]	No [ X ]
Does the project meet the Regional criteria for readiness for implementation?	Yes [ X ]	No [ ]
<b>Safeguard Policies Triggered by the Project</b>	<b>Yes</b>	<b>No</b>
Environmental Assessment OP/BP 4.01	<b>X</b>	
Natural Habitats OP/BP 4.04		<b>X</b>
Forests OP/BP 4.36		<b>X</b>
Pest Management OP 4.09		<b>X</b>
Physical Cultural Resources OP/BP 4.11		<b>X</b>
Indigenous Peoples OP/BP 4.10		<b>X</b>

Involuntary Resettlement OP/BP 4.12		X	
Safety of Dams OP/BP 4.37			X
Projects on International Waterways OP/BP 7.50			X
Projects in Disputed Areas OP/BP 7.60			X
<b>Legal Covenants</b>			
<b>Name</b>	<b>Recurrent</b>	<b>Due Date</b>	<b>Frequency</b>
Project Steering Committee		01-Oct-2015	
<b>Description of Covenant</b>			
Establishment of a Project Steering Committee which shall be maintained throughout the implementation of the Project.			
<b>Name</b>	<b>Recurrent</b>	<b>Due Date</b>	<b>Frequency</b>
Project Management Unit		01-Oct-2015	
<b>Description of Covenant</b>			
Establishment of a Project Management Unit, which shall be maintained throughout the implementation of the Project, and staffed with competent personnel in adequate numbers, with qualifications, experience and terms of reference acceptable to the Association.			
<b>Name</b>	<b>Recurrent</b>	<b>Due Date</b>	<b>Frequency</b>
Project Operational Manual		01-Oct-2015	
<b>Description of Covenant</b>			
The Project Operational Manual shall be adopted by the Recipient.			
<b>Name</b>	<b>Recurrent</b>	<b>Due Date</b>	<b>Frequency</b>
Audited Annual Financial Statements	X		Annual
Audited Annual Project Financial Statements to be submitted to the Bank no later than six months of the following fiscal year			
<b>Name</b>	<b>Recurrent</b>	<b>Due Date</b>	<b>Frequency</b>
Consolidated Project Interim Unaudited Financial Reports	X		Quarterly
Consolidated project IUFRRs to be submitted no later than 45 days following the end of the reporting quarter			
<b>Name</b>	<b>Recurrent</b>	<b>Due Date</b>	<b>Frequency</b>
Safeguards Compliance	X		Ongoing
<b>Description of Covenant</b>			
The Recipient shall ensure that the Project is carried out in accordance with the Safeguards Instruments as described in Section I of Schedule 2 of the Financing Agreement			
<b>Name</b>	<b>Recurrent</b>	<b>Due Date</b>	<b>Frequency</b>
Implementation Agreement with the		01-Oct-2015	

Plantation Human Development Trust					
<b>Description of Covenant</b>					
The Recipient has entered into an Implementation Agreement with the Plantation Human Development Trust					
<b>Conditions</b>					
<b>Source Of Fund</b>		<b>Name</b>		<b>Type</b>	
IDA		Disbursement Condition for Grants and Tuition Fees		Disbursement Condition	
<b>Description of Condition</b>					
No withdrawal shall be made for the payment of Grants under Category (2), or Tuition Fees under Category (3), until the Recipient has established adequate implementation arrangements, flow of funds, financial management and procurement system, in form and substance satisfactory to the Association in accordance with Section IV, Schedule 2 of the Financing Agreement.					
<b>Team Composition</b>					
<b>Bank Staff</b>					
<b>Name</b>	<b>Role</b>	<b>Title</b>	<b>Specialization</b>	<b>Unit</b>	
Saurav Dev Bhatta	Team Leader (ADM Responsible)	Senior Economist		GEDDR	
Asif Ali	Procurement Specialist	Senior Procurement Specialist		GGODR	
Bernadeen Enoka Wijegunawardene	Financial Management Specialist	Financial Management Specialist		GGODR	
Alejandro Welch	Team Member	Program Assistant		GEDDR	
Anita Lakshmi Fernando	Team Member	Team Assistant		SACSL	
Anushka Isurunie Carmel Fernando	Team Member	Consultant		GEDDR	
Carmen Veronica Del Rosario Silva Villalobos	Team Member	Senior Social Protection Specialist		GSPDR	
Darshani De Silva	Safeguards Specialist	Environmental Specialist		GENDR	
Gamini Sarath Thilakaratne Wanninayaka Mudiyansele	Team Member	Consultant		GEDDR	

Haider Raza	Team Member	Senior Procurement Specialist		GGODR	
Harsha Aturupane	Team Member	Lead Education Specialist		GEDDR	
Hasanthi Shalika Subasinghe	Team Member	Consultant		GSPDR	
Hiran Herat	Team Member	Consultant		GEDDR	
Mohamed Ghani Razaak	Safeguards Specialist	Senior Social Development Specialist		GSURR	
Mokshana Nerandika Wijeyeratne	Safeguards Specialist	Consultant		GENDR	
Ram Krishna Rijal	Team Member	Consultant		GEDDR	
Roshini Mary Ebenezer	Team Member	Consultant		GEDDR	
Sangeeta Goyal	Team Member	Senior Economist		GEDDR	
<b>Extended Team</b>					
<b>Name</b>	<b>Title</b>	<b>Office Phone</b>	<b>Location</b>		
<b>Locations</b>					
<b>Country</b>	<b>First Administrative Division</b>	<b>Location</b>	<b>Planned</b>	<b>Actual</b>	<b>Comments</b>
<b>Consultants (Will be disclosed in the Monthly Operational Summary)</b>					
Consultants Required? Consulting services to be determined					

## **I. STRATEGIC CONTEXT**

### **A. Country Context**

1. Sri Lanka has experienced significant economic growth over recent years, coupled with notable achievements in human development. Despite the country's 26-year conflict, the 2004 tsunami and the global recession, its economy has grown at an average of 6 percent annually over the last decade. Per capita GDP in 2012 was US\$2,923, a three-fold increase since 2002. Sri Lanka is now classified as a lower-middle-income country, with only 8.9 percent of its population living under the national poverty line of Rs.3,028 per month in 2010. The country is also on target to achieve most of the 2015 Millennium Development Goals.

2. Despite these achievements, shortcomings remain in various areas of human development, which may affect the country's future growth potential. Although the incidence of poverty at the national level declined substantially from 26.1 percent in 1990 to 8.9 percent in 2010, poverty rates in the estates and rural areas remain much higher than in urban areas. While over a million people came out of poverty in the last decade, many hover just above the poverty line and are at high risk of falling back into poverty. In the area of child nutrition, according to data from 2012, 21.9 percent of children aged 0-5 years were either moderately or severely underweight with low weight-for-height and 15.1 percent were stunted with low height-for-age. Education, a key determinant of both economic and social development, is another area in need of improvement. While school participation at the primary level is near universal, net enrollment rates decline progressively in higher grades. Participation at the preschool level (3-5 year old children) is around 65 percent. These developmental gaps are more pronounced in certain sub-populations and regions.

3. To accelerate economic growth and move up the development ladder, Sri Lanka needs to strengthen its human capital and bridge human development gaps. Global evidence indicates that investment in early childhood development (ECD) contributes to the development of human capital in two ways. First, it enhances children's readiness for primary school and leads to better educational outcomes. Second, by providing underprivileged children with early support, ECD minimizes disparities in learning. As early gaps in cognitive development continue to widen over time, developmental disadvantages faced in early childhood can reduce learning and earning opportunities later in life. The provision of high quality universal ECD compensates for shortcomings faced by poor children in their home environments and helps disadvantaged households and communities break the vicious cycle of poverty transmitted across generations. Another benefit of ECD provision is that child care services can help poor families to increase their income by enabling young mothers to participate more readily in the labor market.

### **B. Situations of Urgent Need of Assistance or Capacity Constraints (if applicable)**

*Not Applicable.*

### **C. Sectoral and Institutional Context**

4. 'Early childhood' in Sri Lanka is generally considered to be the period from conception to

age 5. Within this age range, ECD services in Sri Lanka can be divided into two groups: home-based services, including parental care, for the 0-2 year age group<sup>1</sup>, and center-based services for children in the 3-5 age range<sup>2</sup>. ECD programs for the first group are well-established, with the health sector playing a lead role in ensuring the holistic development of children in this age group. As a recent sector analysis<sup>3</sup> has indicated, ECD services for this age group are robust and their coverage is wide.

5. Center-based ECD programs for children in the 3-5 age range are less developed. Sri Lanka has around 17,020 ECD centers staffed by 29,340 teachers. Around 84 percent of these centers are under non-state management<sup>4</sup>. The central government agency with primary responsibility for overseeing ECD service delivery is the Children's Secretariat (CS), housed within the State Ministry of Child Affairs (SMCA). At the same time, in accordance with the 13th Amendment to the Sri Lankan Constitution, the Provincial Councils (PCs) are also responsible for managing implementation of ECD activities at the provincial level. The key challenges facing this sub-sector are summarized below.

### *Quality*

6. *Poor quality of physical facilities and inputs:* Evidence from a national survey of ECD centers indicates that less than half of the ECD centers in the country have physical facilities that meet basic requirements for ECD instructional quality: only 41 percent have basic indoor instructional equipment; 38 percent have sufficient outdoor play equipment; and approximately 36 percent have the necessary learning materials. Moreover, approximately 25 percent of centers lack any source of drinking water and 12 percent have no sanitation facilities. Even where sanitation facilities do exist, they are often inadequate. Many centers also lack adequate facilities for children with special needs.

7. *Poor quality of the ECD teaching force:* Government guidelines require ECD teachers for the 3-5 year age group to have A-level qualifications and at least one year of professional ECD training. Less than half of ECD teachers meet these requirements. Approximately 43 percent have completed A-levels and only around 39 percent have received one year of professional training.

8. *Inadequate national standards and compliance monitoring system for quality management:* The lack of a national curriculum framework and child development standards, including standards for various physical, socio-emotional and cognitive competencies, pose challenges to the delivery of high quality ECD services for children in the 3-5 age range. GoSL is developing a set of child development standards to guide teaching-learning processes in ECD centers. These

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<sup>1</sup> The Family Health Bureau under the Ministry of Health has an early childhood development program for providing care to mothers and children through systematic home visits done by a network of public health midwives (PHMs). The services provided include care to pregnant women, newborns, infants and preschool children; family planning services; advice and counseling on health and nutrition; and linking communities with the health care system.

<sup>2</sup> These centers are supposed to provide opportunities for play and creative activities, socialization, acquisition of language skills, and development of cognitive skills.

<sup>3</sup> World Bank (2014). Laying the Foundation for Early Childhood Education in Sri Lanka: Investing Early, Investing Smartly, and Investing for All. Human Development Unit, South Asia Region.

<sup>4</sup> They are managed by the private sector, NGOs, and other non-government entities.

will need to be reviewed to ensure that they cover all aspects of holistic child development. Another challenge is ensuring that ECD centers meet minimum standards and requirements for preschool facilities and staffing levels per government guidelines. The existing system for monitoring compliance with guidelines is weak, and there is a need for greater clarity on the division of responsibility between central and provincial authorities for monitoring ECD activities at the local level.

9. *Child under-nutrition*: Child under-nutrition is a widely acknowledged and serious concern for Sri Lanka. Center-based ECD services are a key entry point to address this problem because they provide a platform for educating all members of the ECD community (including teachers, parents and even children) on best practices to improve and maintain the health and nutritional status of young children.

### ***Access***

10. *Low coverage*: Enrollment of 3-5 year olds in ECD centers has been increasing in recent years. According to the 2012 Census, however, only 65 percent of the children in this age group were enrolled in state and non-state run ECD centers across the country<sup>5</sup>.

11. *Inequitable access*: There are significant disparities in access to ECD services. For the 3-4 year age group, ECD center enrollment rates are higher for children from richer households and urban areas. According to the Household Income and Expenditure Survey (HIES), the ECD enrollment rate for the richest quintile (56 percent) is 17 percentage points higher than that for the poorest quintile (39 percent). Similarly, the enrollment rate for urban areas (59 percent) is around 10 percentage points higher than the enrollment rates in the rural areas and Plantations<sup>6</sup>. Findings from multiple regression analyses of HIES data also indicate that location and household economic status are key determinants of access, implying that the unavailability and cost of center-based ECD services negatively impact participation. Other factors leading to disparity in access include a lack of awareness among rural parents of the importance of ECD, an insufficient number of ECD centers in poor areas and a lack of ECD centers which cater to children with special needs.

### ***Financing***

12. Public expenditure on education, overall, and on ECD in particular, is low in Sri Lanka. Education expenditure as a percentage of GDP was 1.75 percent in 2013, the smallest share of public investment in education in South Asia and among countries that share similar development characteristics. Public expenditure on ECD in Sri Lanka, at less than 0.0001 percent of GDP, is significantly lower than ECD expenditures in other middle-income countries and even some low-income countries (e.g., South Africa: 0.02; Malaysia: 0.1; Kenya: 0.1; Senegal: 0.01; Nepal: 0.1). ECD provision in Sri Lanka is largely dependent on non-state sector financing, with households directly paying for services. The result of this paucity of public

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<sup>5</sup>In comparison, according to the OECD Family database, over 70 percent of the children in this age group in two thirds of OECD countries were enrolled in preschool. However, in some OECD countries, including Turkey, Greece, and Canada, the participation rate was below 50 percent.

<sup>6</sup>The Plantation sector consists of estates growing tea, rubber and coconuts. Comprising primarily of resident workers and their families, the population in the Plantations is among the disadvantaged population groups in Sri Lanka.

support for ECD is that the utilization of ECD services places a significant financial burden on poor households.

13. There are strong arguments for investing in ECD from the perspective of enhancing human capital formation, equalizing learning and earning opportunities across population groups, and accelerating economic growth and poverty reduction. There is evidence that ‘investing early is investing smartly’; and those investments in ECD offer among the highest returns of any human capital investment. The potential benefits of investment in ECD cannot be maximized, however, unless sectoral challenges, including low coverage, inequitable access<sup>7</sup> and poor quality of ECD service provision, are properly addressed.

#### **D. Higher Level Objectives to which the Project Contributes**

14. The Project contributes to the goals of the World Bank’s Country Partnership Strategy (CPS) for Sri Lanka (2013-2016)<sup>8</sup> The CPS focuses on three areas of engagement to support Sri Lanka’s development goals. The proposed Project is aligned with the third area, namely, “improving living standards and social inclusion”. Given the likely high returns from investment in ECD and its potential to promote a more equitable society, the CPS Progress Report (2014) states that the Bank will support GoSL’s efforts to mainstream reforms in this area through an ECD project. Complimenting ongoing Bank financial and technical support for education in Sri Lanka, including for secondary and higher education and skills development, the CPS plans to support GoSL’s efforts to shift towards a knowledge-based, globally integrated and competitive economy through continued investment in education and training. The proposed Project would directly address these objectives by enhancing the quality of ECD programs which would, over the longer term, help meet the needs of the labor market in a growing economy.

15. The mandate to “invest early, invest smartly and invest for all” is at the heart of the Bank’s Education Sector Strategy 2020, “Learning for All: Investing in Peoples Knowledge and Skills to Promote Development”. The strategy emphasizes three points: (a) the foundational skills acquired early in childhood make possible a lifetime of learning; (b) getting value for the education dollar requires smart investments that have proven to contribute to learning; and (c) it is important to ensure that *all* students, not just the most privileged or gifted, have equitable access to learning opportunities. As outlined above, the proposed Project is strongly aligned with all three of these themes. By enabling the poor and the disadvantaged to gain access to quality ECD programs, and helping all children to enhance their learning and earning potential in the long run, the Project also contributes to the Bank’s twin goals of reducing poverty and promoting shared prosperity.

16. The Project is also in line with the strategic development goals of the Government of Sri Lanka (GoSL). GoSL recognizes the importance of human capital formation, including the role of ECD, in realizing the country’s long-term development goals. Accordingly, GoSL has recently established a special State Ministry of Child Affairs to promote the development and

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<sup>7</sup> A recent World Bank report on student learning in South Asia recommends that ECD programs aimed at enhancing school readiness be targeted primarily to disadvantaged and poor children, who start primary school with enormous learning disadvantages (Dundar et al. 2014).

<sup>8</sup> Report No. 84426, discussed at the Board on May 22, 2012.

wellbeing of children in the 0-5 age group. It has also developed a draft National Plan for Early Childhood Care and Development (NPECCD) (2015-2020)<sup>9</sup> to guide interventions in the ECD sector.

## **II. PROJECT DEVELOPMENT OBJECTIVES**

### **A. PDO**

17. The development objective of the Project is to enhance equitable access to and improve the quality of ECD services.

### **B. Project Beneficiaries**

18. The primary beneficiaries of the Project are children attending ECD centers. Other direct beneficiaries include ECD teachers and teacher assistants, trainers of ECD teachers, ECD administrators, ECD centers receiving support from the program, parents and community members reached by the Project's activities, and children in Plantations receiving daycare services in project supported ECD centers. The indirect project beneficiaries include families of children enrolled in ECD programs, contractors of ECD facility improvement schemes, and suppliers of teaching-learning materials.

### **C. PDO Level Results Indicators**

19. The following results indicators will be used to measure progress towards achievement of the PDO:

- Children enrolled in ECD centers (disaggregated by gender);
- ECD centers meeting national quality standards, including in Plantations; and
- ECD centers conducting annual child development assessments.

## **III. PROJECT DESCRIPTION**

20. The Government of Sri Lanka is currently in the process of finalizing the NPECCD. The draft NPECCD identifies equitable access and quality of ECD programs as the most important key issues in the sector. In order to address these issues, it proposes interventions in the following strategic areas: (1) policies, systems and structure of ECD; (2) access to ECD; (3) quality improvement of ECD; (4) health, nutrition and safety; and (5) monitoring and regulation of ECD. The ECD Project supports some of the key interventions outlined in the five strategic areas of NPECCD with the objective of enhancing equitable access to and improving the quality of ECD services.

### **A. Project Components**

21. The proposed Project aims to achieve its development objective through the following two components: (1) expanding and strengthening the delivery of ECD services, and (2) project management, and monitoring and evaluation.

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<sup>9</sup> GoSL uses the term Early Childhood Care and Development (ECCD) to refer to ECD interventions and the ECD sector in general. Wherever reference is made to official GoSL policy documents, the term ECCD is used in order to maintain the official terminology of GoSL.

**Component 1: Expanding and strengthening the delivery of ECD services (estimated cost US\$ 45.0 million)**

22. This component aims to improve the provision of ECD services in Sri Lanka by: (i) improving the quality of ECD provision across the country, (ii) expanding equitable access to ECD services across the country, and (iii) improving the quality of ECD services in the Plantation sector.

***Subcomponent 1.1: Improving the quality of ECD provision (estimated cost US\$ 28.0 million)***

23. In order to improve the quality of ECD provision in Sri Lanka, the Project will support quality management, improvement of ECD facilities, provision of teaching-learning materials, and the training of ECD teachers, teacher assistants, and trainers. It will also provide some support for activities aimed at improving the health and nutritional status of children enrolled in ECD centers.

24. *Quality management:* The Project will finance the revision of the curriculum framework and child development standards that are meant to guide the teaching-learning processes in ECD centers throughout the country. It will support the development of age-appropriate teaching-learning materials for 3-5 year old children and teachers in the Sinhalese, Tamil and English languages. To measure the improvements made towards meeting child development standards, all project supported centers will be required to conduct annual child development assessments.

25. The Project will also support the development of a compact set of prioritized minimum quality standards for ECD centers based on the government's existing quality standards. In addition, it will support the establishment and consolidation of a provincial ECD center registration system in each province. The Project will also support the development of ECD resource centers at the Province level by upgrading or extending existing facilities. These resource centers may also include facilities for conducting small workshops and training programs.

26. *Facility improvement grants to existing ECD centers:* To help improve the physical quality of center facilities, eligible state- and non-state-run ECD centers across the country will receive grants from the Project for minor civil works and for upgrading equipment and furniture. Beneficiary centers that do not meet the government's prioritized minimum quality standards will be required to focus the support on meeting these standards. Support for minor civil works will focus on construction of toilets, water connections for sanitation, and refurbishment of facilities. The broad categories of equipment, consumables and furniture that can be provided to centers by the Project include play area equipment, toys, water filters, safety equipment, equipment for children with special needs, equipment for administrative support, consumable classroom materials, and basic furniture for students and teachers.

27. *Provision of teaching-learning materials:* The Project will support the provision of age-appropriate, high-quality teaching-learning materials to eligible state- and non-state-run centers across the country. The Project Management Unit (PMU) will prepare a standard package of play-oriented educational materials such as toys, blocks and shapes, different types of puzzles, and measuring devices, and distribute them to the centers. In addition, it will provide these

centers with a set of age-appropriate picture books, storybooks and other reading materials in Sinhalese, Tamil and English.

28. *Training of ECD teachers and teacher assistants:* As an initial essential step in the development of training programs, SMCA will prepare a comprehensive capacity development plan for ECD teachers and teacher assistants. Guided by this plan, the Project will support the following categories of training: (i) one to two-year long ECD certificate and diploma programs; and (ii) standardized, week-long short-term training. Both types of training programs will be targeted towards in-service as well as freshly recruited incoming teachers and teacher assistants and will be completed before closure of the Project. Certificate and diploma programs will be delivered by selected universities and other recognized institutions. Short-term training will be organized and delivered at the divisional level by SMCA ECCD officers with the support of resource persons.

29. *Training of trainers and other training activities:* The training of trainers (TOT) program supported by the Project will prepare the necessary pool of trainers to deliver short-term training across the nation. To reinforce the skills emphasized in the short-term training program through peer-to-peer learning, the Project will provide support to SMCA divisional offices for organizing periodic interaction programs among teachers. Given that children's smooth transition from pre- to primary school depends partly on the primary school teachers' understanding of child development principles, the Project will also support short orientation programs on holistic child development for primary school teachers and head teachers.

30. *Center-based health and nutrition support:* To improve the nutritional status of children enrolled in ECD centers, the Project will support efforts to improve knowledge of early childhood health and care practices among both teachers and parents. For teachers, it will support the development and implementation of health sub-modules as part of ECD teacher training programs. Parental awareness programs supported by the Project will include sessions aimed at increasing awareness of best practices in improving the health and care of young children.

***Subcomponent 1.2: Expanding equitable access to ECD services (estimated cost US\$ 7 million)***

31. Both demand side and supply side interventions will be used to make ECD more accessible to all, and to increase the enrollment of children in the 3-5 year old age group.

32. *Parental awareness and interaction programs:* Parental awareness programs are one group of activities currently being carried out each year by SMCA. However, the scale of these activities is small, and the quality and intensity of these programs vary widely across time and locations. The Project will support the development of standardized program modules as well as the regular delivery of these programs across the country. Targeted towards parents of children in the 0-5 year age group<sup>10</sup>, these programs will include awareness programs for enhancing parents' understanding of holistic childhood development; interaction programs for guided parental experience; and parent education programs to enhance parenting practices and

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<sup>10</sup> While the overall Project focuses primarily on children in the 3-5 year age group, the parental awareness and interaction interventions cater to parents of 0-5 year old children.

behaviors.<sup>11</sup>

33. *Special support for poor students channeled through ECD centers:* The Project will support fee waivers for poor households to help them enroll their 3-5 year old children in both state- and non-state-run ECD centers. Supported beneficiaries will be selected by individual ECD centers and parents' committees, with concurrence from the ECCD officers, primarily on the basis of their household economic status. This intervention will be implemented after unserved and underserved areas have been identified through the ECD center mapping exercise discussed below. The Project will also support the provision of transportation to nearby ECD centers for children living in orphanages.

34. *Establishment and extension of facilities in unserved and underserved areas:* The Project will support the establishment of new ECD facilities in unserved areas to enhance equitable access to ECD services. Unserved and underserved areas, and gaps in ECD provision, will be identified through a comprehensive mapping of ECD facilities and distribution of the 3-5 year old population. In the underserved areas identified through the mapping exercise, the Project will support the extension of existing state- and community-run ECD centers to expand enrollment. The selection of beneficiary centers in these areas will be done jointly by the ECCD officers, PCs and local government authorities.

***Subcomponent 1.3: Improving the quality of ECD services in the Plantation sector (estimated cost US\$ 10.0 million)***

35. The Plantation sector, with its distinct, historically marginalized population, needs special support to enhance the quality of ECD services. Unlike in the rest of the country where SMCA plays the lead role in overseeing ECD related activities, social development programs—including ECD—in the Plantation sector are implemented by the Plantation Human Development Trust (PHDT). Furthermore, as many of the mothers of young children in the Plantation community are engaged as Plantation workers, the centers in Plantations serve as both childcare facilities and ECD centers. Hence, project support for the Plantation sector through PHDT is treated as a separate subcomponent of the Project.

36. The activities supported by the Project in the Plantation sector are similar to those under subcomponents 1.1 and 1.2. More specifically, they include (i) refurbishment and upgrading of ECD center facilities; (ii) training of ECD teachers; and (iii) parental awareness/parenting education programs. This subcomponent will be implemented by PHDT through an Implementation Agreement with SMCA.

**Component 2: Project management, and monitoring and evaluation (M&E) (estimated cost US\$ 5.0 million)**

37. This component finances different inputs, including technical assistance in specific areas, to support the project management team in achieving the project objectives. It also supports the Project's monitoring and evaluation activities.

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<sup>11</sup> Such programs will also include issues related to protection, child rights, and early warnings on developmental problems.

38. *Project management*: This component will finance incremental operating costs associated with program management, consulting services, transportation, equipment, and the training of ECD administrators. The training of administrators will focus on the capacity development of staff at all levels of government, including the PCs, engaged in implementing ECD activities. It will cover a broad range of topics, including administration, planning, budgeting, procurement, monitoring and evaluation, financial management, ECD domain knowledge and computer literacy. Staff working on ECD will also be supported to pursue higher studies leading to ECD diplomas and higher degrees.

39. The Project will provide support for technical assistance to the PMU and different implementing agencies in a number of areas including, *inter alia*, institutional analysis, preparation of guidelines, development of information systems, monitoring and evaluation, planning, communication, procurement, financial management and social and environmental safeguards, as necessary. It will also support other technical assistance such as assessment studies, surveys and evaluations, necessary for the smooth implementation of the Project

40. *M&E and results framework*: The Project will support the development and implementation of a robust, comprehensive MIS-integrated<sup>12</sup> ECD monitoring and evaluation system for ensuring compliance with quality assurance standards and providing constructive feedback to ECD centers. Project progress will be tracked through a set of key performance and intermediate results indicators reflecting the PDO (see Annex 1).

## B. Project Financing

41. The Project will be financed through a US\$50 million International Development Association (IDA) credit using an Investment Project Financing (IPF) lending instrument (see Table 1). This financing approach provides flexibility to build necessary human and institutional capacity, and also allows for close follow-up of and necessary adjustments to project activities and procedures by the Government and the World Bank. The implementation period for the Project is five years.

**Table 1: Project Costs by Component**

<b>Components</b>	<b>Project cost (US\$ million)</b>	<b>IDA Financing (US\$ million)</b>	<b>% Financing</b>
<b>Component 1: Expanding and strengthening the Delivery of ECD Services</b>	<b>45.00</b>	<b>45.00</b>	<b>100</b>
Subcomponent 1.1: Improving the Quality of ECD Provision	28.00	28.00	100
Subcomponent 1.2: Expanding Equitable Access to ECD Services	7.00	7.00	100
Subcomponent 1.3: Improving the Quality of ECD services in the Plantation Sector	10.00	10.00	100
<b>Component 2: Project Management, Monitoring and</b>	<b>5.00</b>	<b>5.00</b>	<b>100</b>

<sup>12</sup> Management Information System.

Components	Project cost (US\$ million)	IDA Financing (US\$ million)	% Financing
<b>Evaluation</b>			
<b>Total Project Costs</b>	<b>50.00</b>	<b>50.00</b>	
<b>Total Financing Required</b>	<b>50.00</b>	<b>50.00</b>	<b>100</b>

42. The Government has requested retroactive financing to support project preparation. These funds will be utilized to hire PMU staff and consultant services, purchase goods and equipment, initiate work on the Project M&E system, and carry out awareness campaigns. All goods and services purchased under retroactive financing will be subject to Bank procurement rules and procedures.

### C. Lessons Learned and Reflected in the Project Design

43. The project design incorporates several lessons, both from international experience in ECD as well as from the Bank’s previous experience in this area.

- *Strong government commitment and adequate system capacity are critical for ensuring implementation success.* The government’s strong commitment to ECD is reflected in its decision to set up a special State Ministry of Child Affairs with its own work program and budget. Recognizing the criticality of system capacity in successfully translating the government’s commitments to concrete actions and outputs, the Project has provisions for systematic capacity development of relevant staff and units at all levels of government.
- *Programs for parents can play a key role in improving the quality of ECD services:* There is international evidence that center-based parent support programs, parent support groups, and home-visitation programs targeting mother and child can yield positive developmental outcomes when they are well designed and implemented with fidelity<sup>13</sup>. Taking this into account, the Project includes a sub-component to provide support to parents through parental awareness and education programs.
- *Low quality and relevance of ECD programs result in low up-take of services:* Evidence from an evaluation of the Bank’s experience with ECD in Cambodia shows that quality and relevance of preschool programs affect the up-take of pre-school services. The project design has a strong emphasis on improving the quality of ECD programs, which is expected to have a positive effect not only on child development outcomes but also on participation rates.
- *Improved instructional quality of preschool programs is associated with better learning outcomes.* There is significant evidence that the instructional quality of pre-school programs

<sup>13</sup> (a) Alive & Thrive, 2010; (b) Engle, P.L, et al., and the Global Development Steering group. 2011. Strategies for reducing inequalities and improving developmental outcomes for young children in low-income and middle-income countries. The Lancet, 37, 1339-1353; (c) Susan P Walker et al (2011), “Inequality in early childhood: risk and protective factors for early child development”, Child Development 1, Series 1.

has a bearing on learning outcomes<sup>14</sup>. Accordingly, the Project puts special emphasis on developing learning standards, establishing a national curriculum framework and investing in teacher training and development.

- *Community-based mechanisms can be used effectively to identify potential beneficiaries for support, and to undertake local level activities.* The Bank's experience in human development operations suggests that it might be viable to use a community-based approach for selecting potential beneficiaries of financial assistance programs aimed at enhancing access to ECD services among the poor. Accordingly, the Project utilizes parent committees to identify candidates (children) for scholarship support in ECD centers. Drawing upon the experience of other countries in South Asia, the Project also uses community based procurement for implementing facility improvement activities in ECD centers.
- *Supply-side interventions are more effective when accompanied by robust demand-side interventions.* The Bank's recent experience in Indonesia suggests that supply-side interventions may not meet their full potential in the absence of sufficient interventions to address demand-side constraints. The Project utilizes both demand side (parental/community awareness programs and tuition fee-waivers for the poor) and supply-side interventions to enhance access to ECD services.
- *A strong M&E system is essential for keeping the project on track:* Previous experience from other Bank-financed projects confirms the important role of monitoring and feedback in achieving a project's development objective. In particular, a robust M&E system is critical for measuring and recording achievements, and supporting field level implementation. The project design includes a strong MIS-integrated M&E system that will be used for compliance monitoring, process monitoring, data collection and analysis, planning, and providing feedback to ECD centers.

## **IV. IMPLEMENTATION**

### **A. Institutional and Implementation Arrangements**

44. The overall responsibility for project implementation will lie with SMCA, a state ministry under the Ministry of Policy Planning, Economic Affairs, Child, Youth and Cultural Affairs (MPPEACYCA). SMCA will work closely with the PCs, PHDT, and relevant ministries (Plantation Infrastructure Development, Local Government, Health and Education) to implement the Project. The oversight of the Project will be carried out by a Project Steering Committee (PSC) chaired by the Secretary of SMCA.

45. *Project coordination:* The PSC will be established by October 1, 2015, and will oversee management of the Project. It will review progress, approve annual work plans and budgets, take timely policy and practice decisions, and endorse project implementation. The PSC will have representatives from all implementing agencies.

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<sup>14</sup> (a) Engle et al., 2011, *ibid*; (b) Britto, P., Yoshikawa, H., Boller, K. 2011. "Quality of Early Childhood Development Programs: Rationale for Investment, Conceptual Framework and Implications for Equity." *Social Policy Report*, 25 (2): 1-31

46. *Project implementation:* The focal person for the Project will be the Secretary of SMCA. The SMCA Children's Secretariat (CS) will be responsible for project coordination and implementation. It will be supported by a dedicated Project Management Unit (PMU)<sup>15</sup> that will also carry out the financial management and procurement functions for the Project, while the finance and procurement units under the Additional Secretary Administration will handle the day to day financial and procurement activities of SMCA. The PMU will also be responsible for consolidating all progress and financial reports to be submitted to the World Bank. Project activities in the Plantation sector will be implemented by PHDT through an Implementation Agreement with SMCA. In addition, the Ministry of Plantation Infrastructure Development (MoPID) will appoint a representative in the PMU to oversee project activities in the Plantation sector and report to MoPID and the PMU on the work carried out by PHDT.

47. The Director of the CS will report to the Additional Secretary Development and work closely with the PMU to oversee project activities. The CS and the PMU will be adequately staffed to effectively implement the Project. The Project will make resources available to SMCA to finance additional technical staff as and when required to implement the Project. Detailed job descriptions of all positions in the PMU will be provided in the project's Operational Manual (OM). The CS will coordinate with:

- The PCs in the selection of sites for the establishment of new ECD facilities, based on a mapping exercise to be carried out in the first year of Project implementation. New ECD centers will be built by the respective District Secretariat Offices (DSOs) once a commitment has been obtained from the PCs or the Local Government Authorities that they will take the responsibility of hiring the required ECD teachers and maintaining the facilities;
- The PCs, MOH, and MOE in the development of parent/teacher awareness programs, development of curricula, and implementation of on-going programs on health and nutrition;
- The PCs and DSOs in the refurbishment of existing resource centers; and
- PHDT in all matters related to project activities in the Plantation sector.

## **B. Results Monitoring and Evaluation**

48. Monitoring and evaluation of Sri Lanka's ECD sector currently relies on ad-hoc, non-systematic and non-periodic collection of limited information by the CS and PCs. More critically, fragmented data from different sources have to be used to estimate enrollment, participation, attendance, and the impact on children of their exposure to ECD services. Moreover, M&E capacity is uneven across different agencies, and the information collected by them is often outdated. The Project will help build an ECD sector MIS for the timely and systematic collection of complete and reliable data on all ECD centers in the country. The sector MIS will also serve as the Project MIS. Capacity building of the different agencies in carrying out M&E activities will be undertaken through Component 2 of the Project. The Project will support the commissioning of various studies, reports and evaluations to inform policy and practice in the ECD sector. An agreed set of indicators, organized within a Results Framework (RF), will be used to track project progress (see Annex 1). Some of these indicators will also be used to monitor progress in the sector as a whole. The CS will be responsible for the overall

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<sup>15</sup> PMU will be established by October 1, 2015.

M&E of the Project.

### C. Sustainability

49. The high level of government commitment to the Project, and the use of country systems and processes are key factors that will contribute to the sustainability of the Project. Despite the recent change in government, GoSL has shown its continued commitment to the Project and early childhood development by setting up a special State Ministry of Child Affairs with its own budget to administer ECD activities. In addition, GoSL has allocated resources in the budget for nutritional support to expectant mothers to help address issues related to early childhood nutrition. The economic analysis for the Project indicates that the proposed interventions are not likely to generate additional costs that will need to be borne by GoSL after project closing (see Annex 4).

### V. KEY RISKS

Risk Categories	Rating
1. Macroeconomic	Moderate
2. Sector strategies and policies	Substantial
3. Technical design of project	Substantial
4. Institutional capacity for implementation and sustainability	Substantial
5. Fiduciary	High
6. Environment and social	Moderate
7. Stakeholders	Moderate
Overall	Substantial

50. The overall risk rating for this project is ‘Substantial’ based on the following assessment:

51. *Sector strategies and policies:* The scope of GoSL’s engagement in the ECD sector has been limited to date. Consequently, the policy framework for this sector is weak. Where policy provisions exist, they allow for overlapping responsibilities between central and provincial agencies. This has resulted in a weak governance environment for the sector. The finalization and implementation of the NPECCD is expected to help mitigate risks associated with the weak governance environment. The project design also accounts for these shortcomings. However, lack of clarity on the roles and responsibilities of the agencies involved in ECD service delivery may hinder smooth implementation of the Project.

52. *Technical design of the Project:* The Project’s design relies on strong coordination between various agencies involved in ECD service delivery. Currently, coordination mechanisms are not well-developed and Sri Lanka’s decentralized governance structure allows for significant variation in modalities for ECD implementation. The project design has attempted to mitigate this risk through the provision of a strong PMU, with personnel dedicated to overseeing project coordination and implementation of activities. Nevertheless, there is a risk of non-uniform quality in the delivery of ECD services, which in turn can have a negative impact on the Project’s ability to fully achieve its objectives.

53. *Institutional capacity and fiduciary risk:* The lead implementing agency, SMCA, is a newly

formed entity without prior experience in implementing Bank-financed projects. It therefore faces substantial capacity constraints in the areas of project management, monitoring and evaluation, procurement and financial management. The establishment of the PMU and the capacity development activities proposed under Component 2, such as training of FM staff in all implementing agencies, procurement related training, and workshops on M&E, will help to mitigate this risk. In addition, fiduciary staff with prior Bank funded project experience will be recruited as a risk mitigation measure. The Project will also provide resources to hire additional staff for implementing activities at the district and divisional levels, as necessary. Limited capacity may, nonetheless, be an issue during the Project's early stages.

## **VI. APPRAISAL SUMMARY**

### **A. Economic and Financial (if applicable) Analysis**

54. Children attending ECD programs tend to have higher cognitive abilities, better disposition for learning and are better prepared for formal schooling. These early stage endowments set up a crucial foundation for higher schooling attainment and increased earnings in later stages of life. The benefits of quality ECD services are even more pronounced for children from disadvantaged families, making ECD investments not just cost-effective but also equity promoting. Increasing initial endowments has been shown to have a greater impact on improving child outcomes than making investments later in the child's life.

55. The need for public investment in the pre-school years arises primarily to rectify market failures due to credit constraints, information gaps and other socio-economic and cultural reasons. There may also be incomplete parental knowledge on child-care provision, and disseminating information through awareness programs and outreach campaigns can have a positive influence on ECD coverage. Government investment in developing and implementing standards can also improve the quality of child care. ECD services in Sri Lanka are provided primarily by non-government agencies. In poor and disadvantaged areas, there is currently a thin presence of ECD providers, most of which are run by non-state entities. In these locations, without public provision of ECD services, many children in the 3-5 years age group will not have any exposure to ECD programs. Poor families in better served areas also need public support to enroll their children in ECD centers.

56. The Project has been informed by a comprehensive and in-depth study of the ECD sector in Sri Lanka, which has allowed the task team to design a needs-based and cost-effective project. The Project combines financial support with technical and administrative capacity building to ensure that the Project expenditures are used in an efficacious manner.

57. Considering the difficulty associated with monetizing all benefits, a cost-effective analysis for the Project was carried out. Of three alternatives considered<sup>16</sup>, the proposed Project is the least cost alternative, with the Net Present Value (NPV) of the associated cost being US\$ 56.3 million. Increase in future wages will be between US\$7 to US\$18 per dollar invested, with likely improvement in school completion rates, enrollment rates at the secondary level, equity in learning and earning, and cognitive abilities of the beneficiaries, particularly disadvantaged children.

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<sup>16</sup> The details of the alternatives are given in Annex 4.

## **B. Technical**

58. The technical design of the Project is informed by a comprehensive sector study<sup>17</sup>, relevant policy documents, international good practices, and the experience of the government as well as other donors and organizations actively supporting the ECD sector in Sri Lanka. The Project's focus on enhancing equitable access to and quality of ECD services is consistent with and supports the strategic intervention areas of NPECCD 2015-20, which is currently in the process of being finalized. This has ensured that there is buy-in of the project design from all stakeholders.

59. The approaches used for enhancing access to ECD effectively address both the demand and supply side constraints faced by households, and give special attention to children from poor families and those residing in unserved and underserved areas. The interventions aimed at quality improvement are comprehensive in that they include strengthening quality management, improving physical facilities, enhancing the quality of inputs, and improving the quality of teaching-learning processes through the training of teachers and teacher assistants. Furthermore, in order to keep track of the quality of outcomes, the Project will implement child development assessments in supported centers. Given that the vast majority of ECD centers in Sri Lanka are either under private management or run by NGOs and other non-government entities, the Project's plans to support both state- and non-state-run centers will ensure that the proposed interventions will have a wide reach.

## **C. Financial Management**

60. The proposed Financial Management (FM) procedures are in line with the Bank's fiduciary requirements spelled out in OP 10.00. The PMU, acting on behalf of the SMCA Secretary, will have overall responsibility for handling the Project's FM functions, including coordinating with other implementing agencies as required. PHDT, which will also handle a substantial portion of project funds, will be a cost center under the Project. Similarly DSOs and Divisional Secretariat Offices (DivSOs) will support project implementation across the country<sup>18</sup>. Furthermore, DSOs/DivSOs may also handle project funds and function as cost centers. However, the necessary FM capacity and arrangements need to be in place in the DSOs/DivSOs before project funds can be channeled through them. A disbursement condition has been included in the Financing Agreement to ensure this set of actions.

61. An FM assessment of SMCA, PHDT and a sample of DSOs/DivSOs has been completed. Based on the findings of the assessment, the FM risk for the Project has been rated "High", and the following key risk mitigation and capacity building measures have been proposed: (1) assigning a qualified Senior Finance Manager and relevant FM staff to the PMU; (2) documenting FM procedures in detail in the OM; and (3) making provisions for strengthening the FM staff capacity in DSOs and DivSOs, including for coordination purposes. SMCA does not have any overdue audit reports or ineligible expenditures.

62. *FM staffing*: Dedicated FM staff, including an experienced and suitably qualified Finance

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<sup>17</sup> World Bank (2015). Laying the Foundation for Early Childhood Education in Sri Lanka: Investing Early, Investing Smartly, and Investing for All. Human Development Unit, South Asia Region.

<sup>18</sup> Excluding areas covered by PHDT.

Manager and FM support staff, will be recruited to handle overall project FM arrangements in the PMU. DSOs and DivSOs will also have dedicated FM staff as required. Currently, the chief accountant of SMCA functions as the focal point for project FM arrangements.

63. *Funds flow:* Funds required for the Project will be included in the annual budget of SMCA, and will be drawn by the PMU based on the annual work plan. A segregated/dedicated Designated Account (DA) in United States Dollars (USD) (handled by the PMU) will be opened at the Central Bank of Sri Lanka to receive project funds from the World Bank. Part of the funds will flow from the PMU to PHDT to finance project activities in the Plantations. Funds will also flow from the PMU to DSOs, as required, to finance activities implemented by the latter. Funds for facility improvement as well as fee waiver support will flow from DSOs to eligible ECD centers (see Annex 3 for details).

64. *Disbursements:* Disbursements will be report-based. An initial advance will be deposited in the DA in USD. Subsequently, withdrawals from the DA will be made on the basis of six-monthly forecasts as reflected in the quarterly Interim Unaudited Financial Reports (IUFRRs) prepared by the Project. Quarterly IUFRRs must be submitted to the World Bank within 45 days of the end of the quarter.

65. *Audit arrangements:* Internal auditors attached to SMCA will carry out the Project's internal audits, while external audits will be carried out by the Auditor General of Sri Lanka. The annual audit reports will be submitted to IDA within six months of the end of the financial year and will be monitored through the Bank's Portfolio Risk Management System (PRIMA). The audited financial statements will be made available for public disclosure.

#### **D. Procurement**

66. An assessment of the procurement capacity of SMCA has concluded that given the Project's size and scope, SMCA has limited capacity to effectively carry out procurement activities. This is mainly because the Ministry was created only recently and therefore has a shortage of qualified and experienced staff. The assessment has identified a few areas that require attention and remedial measures: (a) overall procurement capacity; (b) contract management; (c) technical skills and motivation of the Technical Evaluation Committee (TEC) members; (d) procurement related M&E; (e) coordination of procurement planning; and (f) procurement related complaints and grievance handling. Because of the combination of areas identified as needing attention, overall procurement risk is rated as "High". The Project will support the development of a stronger system for procurement and compliance monitoring, including setting up a project-specific website and grievance handling system. The procurement risk rating will be revisited during each implementation support mission and adjusted accordingly.

67. A procurement specialist in the PMU will design a procurement performance and compliance monitoring system that should include, *inter alia*, a project-specific website and a procurement related grievance handling system. The procurement staff of the PMU will also be responsible for reinforcing procurement systems and delivering training programs to enhance the capacity of staff responsible for procurement in field offices, PCs and other relevant agencies. Dedicated full-time procurement staff will be placed in each of the project implementing agencies throughout the project period. They will be responsible for procurement monitoring and

reporting, training, and guidance. To enhance monitoring, internal auditors will be given additional training on procurement. The procurement specialist will also prepare a procurement manual as a part of the overall OM for the Project. Since one of the key interventions of the Project—facility improvement grants to ECD centers—will be implemented using a community driven development (CDD) approach, the OM will also have a section providing guidelines for CDD based procurement. There is also a need to ensure that adequate design and supervision arrangements are in place before undertaking any works procurement.

68. In the case of the Plantation sector, PHDT has the required capacity for effectively designing and supervising the construction of ECD centers. PHDT will also be responsible for preparing Procurement Plans (PP) for the Plantation sector. These plans will be integrated in the overall Project PP by SMCA.

69. A PP is required in accordance with the World Bank Procurement Guidelines. SMCA has drafted an initial PP for the first 18 months of the Project. It will be updated at least annually and as required to reflect evolving project needs.

#### **E. Social (including Safeguards)**

70. The Project expects to expand/reconstruct or build some new ECD centers to expand access to ECD services among all types of communities, including plantations workers, marginalized groups and people living in rural areas. While only government land would be used for new infrastructure facilities, there might be cases where the land acquired using GoSL funds is temporarily occupied by people or is under some encumbrances. Hence, the Project has been identified as a category B project and OP 4.12 (involuntary resettlement) has been triggered. However, except in such cases, it is unlikely that project activities will have any significant adverse social impacts.

71. The Project will cover the entire country and will not include interventions targeted at specific communities, social groups or geographical regions. OP 4.10 (Indigenous People) is not triggered for the following reasons: (a) as the national population census does not show any presence of the IP population in the country or in specific localities, there are no administrative data/figures that can be used for targeting IPs; (b) the project services are targeted at individuals rather than at communities and are therefore accessible to everyone regardless of their ethnic or cultural backgrounds; and (c) the project interventions do not specifically target IPs as a group.

72. A Social Impact Management Framework (SIMF) has been prepared to ensure proper due diligence in assessing potential social risks associated with the project interventions and to avoid/minimize adverse social impacts. The social safeguards management process suggested in the SIMF includes broad guidelines outlining mitigation measures, processes, institutional arrangements, procedures, tools and instruments that need to be adopted by the Project. This framework ensures that any potential infrastructure development under the Project is systematically assessed through social screening and the necessary safeguards policy requirements (both national and World Bank) are followed to mitigate adverse social impacts. In addition, the SIMF outlines both national and World Bank standards to be adhered to during the implementation of physical interventions. The SIMF was disclosed by SMCA on April 6, 2015 and was published in the Bank's Infoshop on April 16, 2015.

73. The project staff, including key staff of SMCA and PHDT, require exposure to and training on the Bank's social safeguards policies and procedures for systematic monitoring and implementation of safeguards management work. The SIMF includes a capacity building program aimed at strengthening the capacity of the implementing agencies to effectively implement social safeguards and gender mainstreaming activities in the field.

#### Gender and Citizen Engagement

74. Available data suggest that the Project's interventions would benefit both boys and girls equally. The parental awareness/parenting education programs under the Project are expected to reach out to women in particular. SMCA will ensure that needs and priorities of girls and vulnerable households such as female-headed households are given proper emphasis in targeting and delivering ECD support services. The OM will provide guidelines for ensuring gender equity, especially when the interventions involve the selection of individuals for support. The Project's M&E unit will also be responsible for collecting gender-disaggregated data and tracking Project progress. The annual social audits carried out by the Project will be shared with the Bank to monitor the gender aspects of the Project.

75. The Project's citizen engagement process has several components. At the community level, stakeholder consultations with parents, ECD teachers and the government staff responsible for ECD service provisions will be carried out. These community consultations will be conducted through workshops aimed at identifying ECD implementing challenges, obtaining stakeholder participation, and creating a sense of ownership for project supported activities. At the project management level, an independent social audit will be conducted by engaging a CSO/NGO or neutral agency such as a University. The results of the social audit will provide feedback to the project steering committee for decision making.

#### **F. Environment (including Safeguards)**

76. Under Component 1, the Project is expected to finance the construction, rehabilitation or extension of ECD centers across Sri Lanka, predominantly in underserved areas and the plantation sector. The typical structure of local ECD centers consists of a small classroom unit that can accommodate up to 20-30 children. ECD centers are sometimes attached to existing community facilities that include sanitary facilities on site. It is expected that potential environmental impacts from the proposed physical interventions will not pose major, irreversible environmental impacts given their nature and small scale. The general environmental footprints of these investments are anticipated to be construction/rehabilitation related, consisting of short-term localized impacts that can be easily managed.

77. The Project has been categorized as safeguards category B and will trigger the safeguard policy on Environmental Assessment (OP/BP 4.01). In compliance with the safeguards requirement, SMCA has prepared a comprehensive Environmental Management Framework (EMF), which will serve as the guiding document for undertaking safeguards due diligence for all physical interventions funded under the Project. While the nature of the infrastructure development activities is known at this time, their exact scope and locations will be finalized during project implementation. An EMF has been prepared to ensure proper due diligence to

environmental aspects as and when the scope, locations and designs of the physical interventions are known.

78. The safeguards management process recommended in the EMF primarily includes the preparation of a site specific Environmental Management Plan (EMP) for each physical intervention. In the case of new constructions and expansion work in the Plantations under Component 1, there may be a need for the construction of landslide prevention structures. Specific due diligence actions have been outlined in the EMF where consultations with the National Building Research Organization (NBRO) will be required to identify appropriate measures to mitigate site specific issues that may arise during initial sub-project feasibility screening. In addition, the EMF outlines both national and World Bank standards to be adhered to during the implementation of physical interventions. The EMF was disclosed by SMCA on April 6, 2015 and was published in the Bank's InfoShop on April 16, 2015.

79. SMCA has no prior experience with Bank funded projects and is therefore new to Bank safeguard procedures, guidelines and requirements. However, the Plantation Human Development Trust (PHDT), which has adequate prior experience with environmental safeguards and conducting environmental management activities, has the capacity to effectively implement the EMF in the field. The EMF includes a capacity building program aimed at strengthening the capacity of the implementing agencies, including SMCA, to effectively implement environmental safeguards in the field.

#### **G. Other Safeguards Policies Triggered**

80. No other safeguard policies have been triggered.

#### **H. Grievance Redress Mechanism**

81. The Project will adopt a grievance redress mechanism (GRM) that will be transparent, objective and unbiased, and will take into consideration grievances related to both environmental and social aspects. The GRM will operate at three levels. The lowest level of the GRM is at the site (sub project) level where ECD management committees will be formed to respond to grievances brought to their notice. These committees will have representatives of the EDC managers, teachers, parents/guardians, and the local communities. The local community representatives will be impartial third parties in the grievance procedure. The middle level of the GRM will involve divisional and district level project staff who will receive and record project related complaints, comments and suggestions from local level stakeholders. The project team will review the grievance submissions and take appropriate actions. Records of all grievances received, including information on the date of receipt of grievance, type of grievance and resolution, and the date of resolution, will all be recorded and regularly updated. The GRM will be monitored regularly, as it provides important feedback on the functioning of the Project. At the national level, all stakeholders including parents, teachers and ECD centers will have the opportunity to make complaints, if any, related to the Project through the grievance redress mechanism of the Bank.

82. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints

received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit [www.worldbank.org/grs](http://www.worldbank.org/grs). For information on how to submit complaints to the World Bank Inspection Panel, please visit [www.inspectionpanel.org](http://www.inspectionpanel.org).

**Annex 1: Results Framework and Monitoring**  
**Sri Lanka: Early Childhood Development Project (P151916)**

**Table A1.1: Monitoring Indicators**

<b>Project Development Objective (PDO):</b> Enhance equitable access to and improve the quality of ECD services.												
PDO Level Results Indicators*	Core	Unit of Measure	Baseline 2015 (Jan)	Target Values						Frequency	Data Source/ Methodology	Responsibility for Data Collection
				YR 1 2016	YR 2 2017	YR 3 2018	YR 4 2019	YR 5 2020	Cumulative Targets by the end of the Project			
1. Children enrolled in ECD centers: all girls	<input type="checkbox"/>	Number	Total: 512,620 Girls: 253,900	T: 543,250 G: 268,000	T: 572,700 G: 283,200	T: 602,200 G: 298,200	T: 631,690 G: 312,800	T: 661,150 G: 327,400	T: 661,150 G: 327,400	Annual	SMCA administrative data; M & E system starting year 2	SMCA
2.ECD centers meeting national quality standards, including in Plantations: all Plantations	<input type="checkbox"/>	Number	Total: 1000 Plantation: 371	T: 1100 P: 400	T: 1250 P: 440	T:1500 P:470	T:2500 P: 500	T:3500 P:515	T:3500 P: 515	Annual	SMCA & PHDT administrative data; M & E system starting year 2	SMCA
3.ECD centers conducting annual child	<input type="checkbox"/>	Number	0	Development of testing	900	2700	3600	5000	5000	Annual	SMCA administrative data; M & E	SMCA

development assessments				kit and testing protocols							system starting year 2	
<b>INTERMEDIATE RESULTS</b>												
4. Number of project beneficiaries (% female)		Number (%)	520,000 (50%)	530,000 (50%)	650,000 (50%)	1,000,000 (50%)	1,400,000 (50%)	170,000 (50%)	1,700,000 (50%)			
<b>Component 1: Expanding and strengthening the delivery of ECD services</b>												
5.ECD centers receiving facility improvement grants	<input type="checkbox"/>	Number	0	200	1,500	3,000	5,000	6,000	6,000	Annual	SMCA administrative data	SMCA
6.ECD centers receiving teaching-learning material packages	<input type="checkbox"/>	Number	0	200	1,500	3,000	5,000	6000	6000	Annual	SMCA administrative data	SMCA
7.ECD trainers completing TOT	<input type="checkbox"/>	Number	0	100	250	350	450	500	500	Annual	SMCA administrative data; M & E system starting year 2	SMCA
8.Persons completing ECD certificate/diploma/degree courses	<input type="checkbox"/>	Number	0	0	100	200	400	500	500	Annual	SMCA administrative data; M & E system starting year 2	SMCA
9.ECD teachers and teacher assistants completing standardized	<input type="checkbox"/>	Number	0	500	2,200	3,500	4,500	6,000	6,000	Annual	SMCA administrative data; M & E system starting year 2	SMCA

short-term training												
10. Development of ECD resource centers in Provinces.	<input type="checkbox"/>	Num	0	2	4	6	8	9	9	Annual	SMCA administrative data	SMCA
11. Uniform ECD center registration system established in Provinces	<input type="checkbox"/>		0	0	Design, specs and protocols of the uniform registration system	3	6	9	9	Annual	SMCA administrative data	SMCA
12. Children receiving tuition fee support through the Project		Number	0	0	7,000	15,000	22,000	25,000	25,000	Annual	MCA administrative data; M & E system starting year 2	MCA
13. Awareness programs conducted by SMCA, PCs and ECD centers	<input type="checkbox"/>	Number	0	50	300	600	900	1,200	1,200	Annual	SMCA administrative data; M & E system starting year 2	SMCA
14. ECD centers established in unserved/underserved areas	<input type="checkbox"/>	Number	0	20	50	90	140	185	185	Annual	SMCA administrative data	SMCA
<b>Component 2: Project Management, and Monitoring and Evaluation (M &amp;E)</b>												
15. Establishment and utilization	<input type="checkbox"/>	Text	None	Development of	M & E system	M & E system	M & E system	M & E system	M & E system	Six-Monthly	SMCA reports	SMCA

of M & E system				M & E project plan Establishment of database of ECD centers	functional Monitoring data from 30% of ECD centers in MIS	functional Monitoring data from 50% of ECD centers in MIS	functional Monitoring data from 70% of ECD centers in MIS	functional Monitoring data from 80% of ECD centers in MIS	functional Monitoring data from 80% of ECD centers in MIS			
16. Administrative staff completing standardized ECD training	<input type="checkbox"/>	0	50	100	150	200	300	350	350	Annual	SMCA administrative data; M & E system starting year 2	SMCA
17. Community monitoring, evaluation and oversight in Provinces through social audits	<input type="checkbox"/>	Text	None	Conducted in Uva, Sabaragamuwa and Southern provinces	Conducted in North-Central, Eastern and North-Western provinces	Conducted in Northern, Central and Western provinces	Conducted in North-Western, Sabaragamuwa, Eastern and Southern provinces	Conducted in North-Central, Northern, Central, Western, Sabaragamuwa, and Uva provinces	Conducted in all nine provinces	Annual	SMCA administrative data; M & E system starting year 2	SMCA

Note: For the purposes of reporting to Bank management, all PDO level indicators and only the following eight intermediate outcome level indicators will be included in the Implementation Status and Results Report:

- Number of project beneficiaries
- ECD centers receiving facility improvement grants
- ECD teachers and teacher assistants completing standardized short-term training
- Children receiving tuition fee support through the Project

- Awareness programs conducted by SMCA, PCs and ECD centers
- ECD centers established in unserved/ underserved areas
- Establishment and utilization of M & E system
- Community monitoring, evaluation and oversight in Provinces through social audits

**Table A1.2: Definitions and Description of Monitoring Indicators**

<b>PDO Level Results Indicators*</b>	<b>Description (indicator definition, etc.)</b>
1.Children enrolled in ECD centers <sup>19</sup> : All Girls	Number of children who are currently enrolled in ECD centers nationwide (all children and girls)
2.ECD centers meeting national quality standards, including in Plantations: All Plantations	Cumulative number of ECD centers meeting at least seven of the ten prioritized minimum quality standards for ECD centers in Plantations and in the rest of the country.
3.ECD centers conducting annual child development assessments	Cumulative number of ECD centers conducting annual child development assessments (developed under the Project) for all enrolled five-year-old children through project support
<b>Intermediate Results Indicators</b>	<b>Description (indicator definition etc.)</b>
4. Number of project beneficiaries (% female)	Cumulative number of children (0-5 years), parents, ECD teachers and teacher assistants, and administrators (of whom % female).
<b>Component 1: Expansion and Quality Enhancement of ECD Services</b>	
5.ECD centers receiving facility improvement grants	Cumulative number of centers receiving support for minor civil works (construction of toilets, water connection for sanitation and refurbishment of facilities, boundary wall, playground clearance), furniture, and upgrading playground equipment from the project
6.ECD centers receiving teaching-learning material packages	Cumulative number of ECD centers receiving age-appropriate high quality teaching learning materials through project support

<sup>19</sup> ECCD centers to mean both government and non-government run centers unless specified otherwise

7.ECD trainers completing TOT	Cumulative number of eligible persons who complete a standardized training of trainers package through project support
8.Persons completing ECD certificate/diploma/degree courses	Cumulative number of ECD teachers or teacher assistants who complete one to two-year long ECD certificate and diploma program through project support.
9.ECD teachers and teacher assistants completing standardized short-term training	Cumulative number of ECD teachers or teacher assistants who complete project approved short-term (1-2 weeks) training through project support.
10.Development of ECD resource centers in Provinces	Cumulative number of ECD resource centers, which will have been established/improved in existing facilities through project support. There will be at least 1 project-supported resource center in each Province.
11.Uniform ECD center registration system	Cumulative number of Provinces using a project supported uniform registration system for the ECD centers in the Province.
12.Children receiving tuition fee support through the project	Cumulative number of distinct 3-5 year old children enrolled in ECD center, receiving tuition fee support through the project for 1, 2 or 3 years.
13.Awareness programs conducted by SMCA, PCs and ECD centers	Cumulative number of awareness programs conducted by SMCA, PCs and ECD centers catering to parents of children between 0 and 5 years through project support. <sup>20</sup>
14.ECD centers established in unserved/ underserved areas	Cumulative number of new ECD centers constructed on government land in unserved/underserved areas through project support.
<b>Component 2: Project Management, Technical Assistance, Monitoring and Evaluation</b>	
15.Establishment and utilization of M & E system	(i) Yes/No indicator on whether M& E system exists and is being utilized (developed through Project support), (ii) Utilization will include uploading of monitoring data from cumulative % of Project supported ECD centers.
16.Administrative staff completing ECD training programs through project support	Cumulative number of administrative staff at the central, provincial, district and divisional levels completing training programs on different aspects of ECD through project support
17.Community monitoring, evaluation and oversight in Provinces through social audits	Engagement of communities in monitoring, evaluation and oversight at the provincial level

<sup>20</sup> The awareness programs are based on standardized program modules developed by SMCA

## **Arrangements for Results Monitoring**

### **A. Institutional Arrangements**

1. The Results Framework (RF) has been designed to represent the underlying logical strategy to achieve the PDO. All key performance indicators are directly related to the PDO. Likewise the intermediate outcome indicators are consistent with and support the PDO. All indicators are specific, measurable, actionable, time-bound and realistic.
2. At the national level, the Children's Secretariat (CS) of SMCA, with the support of the PMU, will be responsible for carrying out project M&E activities. These activities will include: (a) periodic sector and project progress reviews, (b) preparing and disseminating project progress reports (including reporting on the fiduciary and safeguards requirements of the project), and (c) other studies, evaluations and reports. The CS will be responsible for consolidating the M&E information according to the agreed RF from all implementing agencies, including the PCs, DSOs, DivSOs, and PHDT.
3. The ECCD officers of SMCA at the DivSO level will be responsible for supporting the ECD centers within their divisions for maintaining data records in standardized formats. The ECCD officers will also be responsible for collecting and consolidating project data periodically from supported ECD centers.
4. The Project will support the establishment of an ECD sector MIS that will include data from both Project supported and non-supported state and non-state ECD centers in the country. The frequency with which different types of data will be collected will be specified in an MIS manual<sup>21</sup>. Capacity building of staff in the CS, PCs, DSOs and DivSOs for M&E activities will also be undertaken through this component. The ECCD officers will be responsible for uploading and updating ECD center level data in the MIS.

### **B. Reporting Requirements**

5. *Review missions:* Combined teams of GoSL and the World Bank will undertake joint review missions to assess project progress every six months during the project implementation period. The CS will report on project progress as per the RF, and ensure the collection of complete and credible data from all implementing agencies and participating centers. The information consolidated in the progress reports will critically inform the review mission discussions, and will be the basis for assessing project progress formally. Each progress report will document the extent to which the Project is on track in achieving the PDO, summarize the progress on agreed actions, identify key implementation issues and challenges, and make recommendations for future actions. The progress report will also provide evidence underlying the achievements, document implementation progress, and report on fiduciary and safeguards aspects of the Project. Based on their findings, the review missions will agree on the next steps to be undertaken by GoSL to improve project implementation in the ensuing six months. Thematic area experts may be invited by the GoSL and the World Bank to participate in the review missions as necessary.

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<sup>21</sup> The MIS, along with the manual, will be completed by the end of the first year of Project implementation.

6. *Implementation progress reports (IPRs)*: The CS of SMCA together with PMU will produce periodic IPRs showing the sources and uses of funds<sup>22</sup>, procurement management and output monitoring. The IPRs will be produced on a quarterly basis and will be submitted within 45 days of the end of the preceding quarter.

7. *Base-line data and standard reporting formats*: Baseline data for all indicators in the RF will be collected by the CS from all supported and non-supported government and non-government ECD centers in Sri Lanka. Until the MIS for the sector and Project is established, the CS will make adequate alternative arrangements for the collection, storage and analysis of project data. The CS will also develop reporting formats for each project component and ensure that data reporting by implementing agencies, participating institutions such as training providers, and ECD centers is standardized.

8. *Mid-term and end-term reviews*: Mid-term and end-term reviews of the Project will be carried out along the lines of the joint review missions roughly half-way and towards the end of the project implementation period, respectively.

9. *Other policy studies and reports*: As part of Component 2, SMCA and the CS may carry out or undertake through experts/consultants policy and thematic area studies and surveys, formative assessments and impact evaluations of policy, practice and new interventions in Sri Lanka's ECD sector.

### **C. Sources of Data for Monitoring Outcomes and Outputs**

10. The indicators described in the RF have been selected to reflect the underlying logic framing the achievement of project outcomes. A range of M&E tools and methods will be used to assess project progress towards achievement of all agreed indicators.

11. *Project monitoring*: The CS will regularly monitor and document implementation of all project components as part of standard project monitoring. It will also establish a system for tracking project expenditures at the level of all implementing agencies, and will generate quarterly financial monitoring reports. ECCD officers at the Division Secretariat level will be responsible for monitoring and documenting implementation progress for all ECD centers under their purview. Each ECCD officer will be expected to visit all project supported ECCD centers in his/her division on a monthly basis. Monitoring protocols will be developed for these visits, and monitoring data will be entered in the project MIS and used to track progress.

12. *MIS*: The MIS will be an integral part of the M&E system and will be developed during project implementation. It will cover in its scope all project implementing agencies at the national, provincial, district and division secretariat levels. It will be used to maintain all project related inputs, outputs and outcomes information generated from all project components, and will be updated regularly in a manner specified in an MIS user manual.

13. *Third party validation*: The CS will commission, as and when agreed, studies that will be carried out by external/third party agencies on project performance and implementation assessments. These studies by external agencies will complement internal monitoring.

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<sup>22</sup> The IPRs will also include Consolidated Interim Unaudited Financial Reports (IUFRRs).

14. *Surveys and studies:* As necessary, the CS will commission studies, evaluations and surveys of different dimensions of the ECD sector in Sri Lanka, and disseminate the findings. Studies can be commissioned as due diligence to inform policy, implementation or other relevant objectives for improving the functioning of the ECD sector in the country.

#### **D. Capacity Development**

15. The Project will support the development of the MIS and capacity building of the implementing agencies in carrying out M&E activities.

## **Annex 2: Detailed Project Description**

### **Sri Lanka: Early Childhood Development Project (P151916)**

#### **I. Introduction**

1. The Government of Sri Lanka has an embryonic ECD program encapsulated in different policy and plan documents, including the National Plan of Action for Children of Sri Lanka 2013-17 and the Sri Lanka National Budget which includes a three-year plan. Drawing upon these policy and plan documents, GoSL is currently in the process of finalizing a National Plan for Early Childhood Care and Development (NPECCD), 2015-2020<sup>23</sup>.

2. The draft NPECCD provides a situation analysis of the sector, identifies key issues and challenges, outlines strategic areas of focus, and presents planned interventions aimed at addressing the challenges faced by the sector. It identifies equitable access to and quality of ECD programs as the most important key issues in the sector. In order to address these issues, it proposes interventions in the following strategic areas: (1) policies, systems and structure of early childhood development; (2) access to ECD; (3) quality improvement of ECD; (4) health, nutrition and safety; and (5) monitoring/regulation of ECD. NPECCD provides the foundation for the proposed IDA-financed operation.

3. The ECD Project supports some of the key interventions outlined in the five strategic areas of NPECCD with the objective of enhancing equitable access to and improving the quality of ECD services for children. The project-supported interventions are structured around two components: (1) expanding and strengthening the delivery of ECD services, and (2) project management, and monitoring and evaluation (M&E).

#### **II. Description of Project Components**

***Component 1: Expanding and strengthening the delivery of ECD services (estimated cost US\$ 45.0 million)***

4. This component aims to improve the provision of ECD services in Sri Lanka by: (i) improving the quality of ECD provision across the country, (ii) expanding equitable access to ECD services across the country, and (iii) improving the quality of ECD services in the Plantation sector.

***Subcomponent 1.1: Improving the quality of ECD provision (estimated cost US\$ 28.0 million)***

5. In order to improve the quality of ECD provision in Sri Lanka, the Project will support quality management, improvement of ECD facilities, provision of teaching-learning materials, and the training of ECD teachers, teacher assistants, and trainers.

##### *Quality management*

6. The Project will finance the revision of the government's curriculum framework and child development standards that are meant to guide the teaching-learning processes in ECD centers

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<sup>23</sup> GoSL uses the term Early Childhood Care and Development (ECCD) to refer to ECD interventions and the ECD sector in general. Wherever there is reference made to official policy documents of the GoSL, the term ECCD is used in order to maintain the official terminology of the GoSL

throughout the country. It will also support the development of age-appropriate teaching-learning materials for 3-5 year old children and teachers in the Sinhalese, Tamil and English languages, and the acquisition of these materials by ECD centers. The development of these materials will be guided by the above curriculum framework and development standards endorsed by the government. To measure the improvements made towards meeting development standards, all project-supported centers will be required to conduct annual child development assessments. SMCA will work closely with the MOE and independent experts in developing the curricula, standards, teaching-learning materials, and standardized child development assessments for use by ECD centers.

7. The Project will also support SMCA in the development of a compact set of prioritized minimum quality standards<sup>24</sup> for ECD centers, based on the government's existing quality standards. Project support for ECD facility improvement discussed below will put special emphasis on helping centers meet these prioritized standards. In addition, the Project will support the establishment and consolidation of a provincial ECD center registration system in each province. It will coordinate with the PCs to ensure consistency in the registration systems across Provinces. These systems will be based on national quality standards, and will have the ability to grade ECD centers according to their service quality.

8. The Project will also support the development of ECD resource centers (that would include library and other resources to support ECD practitioners) at the provincial level by upgrading or extending existing facilities. These resource centers may also include facilities for conducting small workshops and training programs, and will be linked with specific ECD centers which can be used as model centers for good ECD practices. SMCA will undertake these activities in coordination with the relevant PCs and DSOs.

#### Facility improvement grants to existing ECD centers

9. The quality of physical infrastructure and equipment in ECD centers is among the key determinants of the quality of ECD services. Most ECD centers are resource constrained, and are inadequate in terms of basic infrastructure, play equipment, and teaching learning materials. Government support for the improvement of center facilities is currently very limited. In order to help improve the physical quality of center facilities, around 6,000 eligible state- and non-state-run ECD centers across the country will receive project support in the form of grants for minor works and for upgrading equipment and furniture. Beneficiary centers that do not meet the government's prioritized minimum quality standards will be required to focus the support on meeting these standards. It should be noted, however, that even with the assistance provided under the Project, enabling most of the centers to meet all the prioritized minimum quality standards will be a challenge due to the limited availability of resources.

10. Support for minor civil works will focus on construction of toilets, water connections for sanitation, and refurbishment of facilities. Facility refurbishment can involve, *inter alia*, enhancement of disability access; repairs of roofs, doors and windows; installation of water tanks; construction of fences; cleaning up play areas; and construction of room partitions. Centers located in rented private premises will not be eligible for refurbishment support (minor civil works), but will be eligible to receive learning materials, consumables and play equipment. The broad categories of equipment, consumables and furniture that can be provided to centers

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<sup>24</sup> The prioritization will be done by an expert committee formed by SMCA.

by the Project include play area equipment, toys, water filters, safety equipment, equipment for children with special needs, equipment for administrative support, consumable classroom materials, and basic furniture for students and teachers.

11. The Project will target ECD centers serving poorer families and locations by allowing only centers charging monthly tuition fees below a pre-specified maximum amount<sup>25</sup> to apply for support. Project funds for facility improvement must give particular attention to the requirements of children with special needs. Centers operating in rented premises will not qualify for financing for infrastructure improvements, but will be eligible for equipment and materials up to an amount of Rs. 200,000 (centers in non-rented buildings will be eligible to receive up to a maximum of Rs. 400,000 at the discretion of SMCA). The tentative eligibility criteria for ECD centers applying for facility improvement grants include the following:

- The center should either be formally registered with an approved registration authority or be recorded in the DivSO as having been in operation since January 1, 2014 or earlier.
- The fees charged by the center per child should not exceed the pre-specified maximum amount.
- The center should have a functioning Parents Committee in place.
- The center should meet the following minimum criteria for a functioning center: it should have (i) at least one teacher/ teacher assistant per 25 children; and (ii) adequate space (20 square feet per child).

12. Interested eligible centers will submit proposals to the SMCA ECCD divisional office requesting support for a set of activities/equipment/materials that fit within the broad categories of works and equipment discussed above. The total estimated cost in the proposals must be equal to or less than a pre-determined maximum amount<sup>26</sup>. The application must also include detailed data on the state of their facilities. In order to make the application process efficient, each proposal will be required to follow a simple, pre-defined format which will help the applicant to easily document the center's status and key needs, estimate itemized costs, and present their activities timeline. As part of the proposal evaluation process, each applicant will be visited by an ECCD officer to ensure that the requests made in the proposal are consistent with the needs of the center and are prioritized to help the center in meeting the government's quality standards. While the support will cover centers across the country over the project period, priority will be given to centers in poor, remote and/or underserved areas during the initial years. Activities/items under this sub-component will follow community driven development (CDD)<sup>27</sup> based procurement.

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<sup>25</sup> During the first two years of the Project, the maximum amount will be fixed at Rs. 600/month. This figure can be revised upward in the last three years as necessary.

<sup>26</sup> The maximum amount is Rs. 400,000. In the case of government-run centers designated to become model ECD centers, however, the maximum amount can be higher and the eligibility criteria discussed above will not apply. The amount will be determined on a case by case basis by SMCA.

<sup>27</sup> Under this sub-component, there will be a large number of small value contracts for goods, non-consulting services and small works scattered in remote areas. The procurement arrangements, methods and procedures have been simplified to facilitate these types of procurement activities. More specifically, community participation in procurement is expected for those works contracts not exceeding US\$ 40,000, and Goods and non-Consulting Services not exceeding US\$ 20,000. The CDD approach is described in detail in the OM.

13. In order to enhance transparency and accountability, each beneficiary center will be required to publicly display information on the amount and the results of the support received. All participating centers will also be required to have a functioning parent committee which will assist the ECD teacher(s) in developing the grant proposal and implementing the approved work plan. Grants under this sub-component will be distributed either by the PMU or the DSO.

#### Provision of teaching-learning materials

14. The Project will support the provision of age-appropriate, high-quality teaching-learning materials to both state- and non-state-run centers across the country<sup>28</sup>. SMCA has already identified a list of essential educational materials for ECD centers, which are on display in the ministry. These materials include durable wooden toys, blocks and shapes, different types of puzzles, shapes, and measuring devices such as scales and clocks. Using this list as the basis, the Project will prepare a standard package of play-oriented educational materials for distribution. In addition, the Project will also identify a list of around 100 age-appropriate picture books, storybooks and other reading materials that will be distributed to ECD centers as a package. This reading package, which can include board books, cloth books, and ordinary paper books, will be made available in Sinhalese, Tamil, English, or in a mix of languages. SMCA, with the support of the PMU, be responsible for procuring and distributing the educational materials, including the reading package, to eligible ECD centers.

15. Interested ECD centers must submit a request for the packages to the SMCA ECCD officers. SMCA will procure the packages centrally and make arrangements for their distribution to the centers.

#### Training of ECD teachers, ECD teacher assistants, and trainers

16. The Project will support the development and delivery of training programs for ECD teachers, teacher assistants, and teacher trainers. As an initial essential step in the development of these training programs, SMCA will prepare a comprehensive capacity development plan for these stakeholders, which will guide the plans for the different types of training.

17. *Training of ECD teachers and ECD teacher assistants:* The Project will support the following categories of training for ECD teachers and teacher assistants: (i) one to two-year long ECD certificate and diploma programs; and (ii) short-term training. Both types of training programs will be targeted mainly towards in-service as well as freshly recruited incoming teachers and teacher assistants. The Project will prioritize training for ECD teachers from geographical areas which lag behind others in terms of teacher training and qualifications.<sup>29</sup>

18. Full tuition scholarships will be provided to qualified and financially needy teachers and teacher assistants on a competitive basis to pursue certificate and diploma programs offered by selected government universities and institutions<sup>30</sup>. Interested candidates must submit their

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<sup>28</sup> The provision of teaching-learning material will initially be restricted to centers eligible to receive facility improvement grants. However, the eligibility criteria can be modified starting the third year to expand coverage.

<sup>29</sup> The Northern and North Central Provinces, where the percentages of ECCD teachers with the adequate training are only 30 percent and 31 percent, respectively, lag significantly behind the other provinces in terms of training. The worst performing provinces in terms of the percentage of teachers with A-level qualifications is Uva (4 percent), followed by the Central (14 percent), Northern (16 percent) and North Central (16 percent) Provinces, respectively.

<sup>30</sup> The selection of institutions will be done by a SMCA.

applications for scholarships to SMCA. The beneficiaries will be selected by a scholarship committee that will include government officials as well as independent experts. The Project will pay the selected beneficiaries' tuition fees directly to the educational institutions in which they are admitted and enrolled. In order to ensure that the scholarship candidates have access to programs relatively close to where they reside, the institutions selected to participate in the scholarship scheme will, as a group, have a physical presence in each of the nine provinces. Information on the available scholarships will be disseminated widely to the target groups by both SMCA and the participating institutions. Around 500 ECD teachers and teacher assistants will be supported during the project period.

19. Short-term training will be organized and delivered at the divisional level by ECCD officers with the support of resource persons and other key stakeholders, including non-governmental and private organizations working on ECD in Sri Lanka. As there are currently no clear guidelines for the length and content of short-term training, there is a wide variation in the quality and quantity of training across locations and time. Hence, before the commencement of short-term training, a standardized, week-long, certified short-term training module will be developed centrally by the Open University of Sri Lanka (OUSL) through a Memorandum of Understanding (MoU) with SMCA. The development of this module will also involve the preparation of a trainer's manual<sup>31</sup> and a training package for trainees consisting of a workbook and resource materials for future reference.

20. While the short-term training program will focus primarily on enhancing ECD domain knowledge and developing pedagogical skills grounded in child development principles, it will also cover issues related to child rights, child protection, health, nutrition, simple screening for developmental problems, and approaches to facilitating the learning of children with special needs<sup>32</sup>. Approximately 6,000 ECD teachers and teacher assistants will benefit from short-term training during the project period.

21. *Training of trainers*: Currently, Sri Lanka does not have any program for training trainers for delivering short-term training in ECD. As a result, there is a near absence of properly trained resource persons who can be engaged to support the delivery of short-term training. The training of trainers (TOT) program supported by the Project will prepare the necessary pool of trainers to deliver short-term training across the nation. Around 500 trainers will be trained through project support during the project period.

22. The TOT module will be a 2-week training program that focuses on developing skills in planning, designing and conducting training for ECD teachers and teacher assistants according to the week-long short-term training package. In addition, it will include sessions on conducting parental awareness and parenting education programs. The eligibility criteria for applicants to the TOT program will include, *inter alia*, minimum educational qualifications (bachelor's degree) and sector experience. The selection of candidates will be done on a competitive basis. Details on the eligibility and selection criteria for TOT trainees will be provided in the OM. The TOT module will be developed by OUSL in consultation with the government's National Institute of

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<sup>31</sup> Among other things, the trainer's manual will detail the training content, training schedule, lengths of sessions, and training logistics. It will also provide practical guidance on training modality (e.g., residential vs. non-residential; intermittent vs. continuous) and preferred months of the year for conducting the sessions.

<sup>32</sup> During the development of the training modules for teachers as well as trainers, OUSL will closely interact with and obtain expert inputs from individuals and organizations engaged in the

Education (NIE). Both OUSL and NIE will be responsible for delivering the TOT program. During the development and implementation of the training module for trainers, OUSL and NIE will also closely interact with and obtain inputs from organizations with practical experience and expertise in specialized areas such care for children with special needs, health and nutrition, and child protection. Apart from a general TOT for ECD teacher trainers, the Project will also support specialized TOTs that focus on children with special needs<sup>33</sup>.

23. *Other related activities:* To reinforce the skills emphasized in the short-term training program through peer-to-peer learning, the Project will provide support for organizing periodic interaction programs among teachers. Given that children's smooth transition from pre- to primary school depends partly on the primary school teachers' understanding of child development principles, the Project will also support short orientation programs on holistic child development for primary school teachers and head teachers. These programs will be organized and conducted by ECCD officers in coordination with the Ministry of Education at the Provincial level.

#### Center-based health and nutrition support

24. The Project will also support efforts to improve knowledge of early childhood health and care practices among both teachers and parents. For teachers, the Project will support the development and implementation of health sub-modules as part of ECD teacher training programs. Parental awareness programs supported by the Project will also include modules aimed at increasing parental awareness of best practices in the health and care of young children.

#### **Subcomponent 1.2: Expanding equitable access to ECD services (estimated cost US\$ 7.0 million)**

25. Both demand side and supply side interventions will be used to make ECD more accessible to all, and to increase the enrollment of children in the 3-5 year old age group.

#### Demand side interventions

26. *Parental awareness and interaction programs:* Parental awareness programs are one group of activities currently being carried out each year by SMCA. However, the scale of these activities is small, program manuals do not exist, and program content is not well defined. As a result, the quality and intensity of these programs vary widely across time and locations. The Project will support the development of standardized program modules as well as the regular delivery of these programs across the country. Targeted towards parents of children in the 0-5 year age group<sup>34</sup>, these programs will include awareness campaigns for enhancing parents' understanding of holistic childhood development and making them familiar with available opportunities for enrolling their children in ECD centers, interaction programs for guided

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<sup>33</sup> This type of training could be offered by organizations like the Chitra Lane School for the Special Child, which have expertise in the working with children with special needs. Such organization could also provide inputs into the general training modules for both trainers and teachers.

<sup>34</sup> While the overall Project primarily focuses on children in the 3-5 year age group, the parental awareness and interaction interventions cater to parents of 0-5 year old children.

parental experience, and parent education programs to enhance parenting practices and behaviors<sup>35</sup>.

27. The awareness campaigns will include the use of local print media, radio and television to reach out to families and communities in their homes, as well as the use of workshops and group meetings to bring families together for presentations and discussions on early childhood development. Interaction programs for guided parental experience will include modeling sessions conducted by trained agents where parents and children participate in a sequence of activities selected depending on the age of the child and his or her development needs and are highly recommended for those children with some developmental delay. Those sessions could be held at home or in group settings of same age children using a learning-by-doing teaching approach. Parent education programs will be provided mainly in group settings through workshops conducted by trained agents based on peer-learning strategies, combining delivery of basic content and dialogue with parental experience sharing.

28. Standardized modules and relevant teaching-learning material, including resource materials for parents, for these programs will be developed centrally by expert agencies or organizations contracted by SMCA. The programs will be organized and delivered at the divisional level by ECCD officers with the support of resource persons and other key stakeholders, including non-governmental and private organizations working on ECD. To enhance the effectiveness of these programs, the ECCD officers will also coordinate program delivery with local health and nutrition campaigns targeting mothers and children.

29. *Special support for poor students channeled through ECD centers:* The Project will provide tuition fee (cash allowance) grants to fee-levying state- and non-state-run ECD centers for providing fee waivers to 3-5 year old children from poor households. Beneficiaries will be selected by individual ECD centers and parents' committees, with concurrence from the ECCD officer, primarily on the basis of their household economic status. The ECD centers will submit a list of students receiving this benefit to the ECCD officer as acknowledgement of receipt of funds. Priority will be given to poor children with special needs. This intervention will be implemented after unserved and underserved areas have been identified through the ECD center mapping exercise discussed below. Around 25,000 children are expected to benefit from fee waiver support over the project period.

30. The fee-waiver support will be channeled to the students through participating ECD centers. Each of these centers will receive a total of Rs. 3000 per month from either the PMU or the DSO to support poor students.<sup>36</sup> Full tuition fee waivers equivalent in amount to the funds received must be provided to the selected beneficiary children. As in the case of facility improvement grants, centers charging tuition fees above a pre-specified maximum amount<sup>37</sup> will not be eligible to apply for fee waiver support. Similarly, eligible centers must have a track record of having been in operation for at least two years at the time of application. Other eligibility criteria for ECD centers, and guidelines for the selection of beneficiary children and funds utilization, will be detailed in the OM.

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<sup>35</sup> Such programs will also include issues related to child protection, child rights, child health and nutrition, early warnings on developmental problems, and approaches to learning for children with special needs.

<sup>36</sup> Each beneficiary center will, therefore, award at least five fee waivers to students.

<sup>37</sup> The same maximum amount used in the case of facility improvement grants.

31. Funds will be provided to each participating ECD center by the PMU or the DSO in four installments spread out over the academic year, and will be conditional on the centers' submitting evidence of regular attendance of the beneficiary children. Each participating center will be required to submit to the ECD officer basic profiles of individual fee-waiver recipients at the beginning of the academic year and attendance records of these children at the end of each quarter.

32. The Project will also support the provision of transportation to nearby ECD centers for children living in orphanages. The amount to be provided will be recommended to DivSO by the ECCD officer in consultation with the relevant Child Probation officer. The ECCD officer overseeing the ECD centers near the orphanages will coordinate with the orphanages to arrange for transport facilities. The PMU will transfer these funds directly (or through the DSOs) to the orphanages on the recommendation of the DivSOs. Details will be documented in the OM.

#### Supply side interventions

33. *Establishment and extension of facilities in unserved and underserved areas:* The Project will support the establishment of new ECD facilities in unserved areas to enhance equitable access to ECD services. Unserved and underserved areas, and gaps in ECD provision, will be identified through a comprehensive mapping of ECD facilities and distribution of the 0-5 year old population. This information, along with poverty mapping data, will be used to prioritize poor, unserved areas for the construction of new facilities.

34. It is expected that the mapping exercise will be completed by SMCA by April 2016. The exact locations for new project supported centers will be determined on the basis of the mapping data and requests from the different districts. Government-owned land for the construction of these facilities will be identified and provided by PCs and local government authorities. Project support can also be used to convert existing government-owned structures to ECD centers. In such cases, the Project will provide funds to renovate these structures in accordance with SMCA's minimum standards for new ECD facilities. The responsibility for managing all newly constructed ECD centers, including financing teacher salaries, will lie with the PCs or the local government authorities. The teachers in these centers will be eligible for teacher training support under the Project.

35. In underserved areas identified through the mapping exercise, the Project will support the extension of existing state-run ECD centers to expand enrollment. The selection of beneficiary centers in these areas will be done jointly by the SMCA district and divisional officers, PCs and local government authorities. The extension work will be undertaken by the DSOs.

36. Basic furnishing, equipment and teaching-learning materials for new project supported centers will be provided by SMCA through the DSOs. In total, the Project will support the construction or extension of around 45 ECD centers across the country, excluding centers in the Plantation sector.

**Subcomponent 1.3: Improving the quality of ECD services in the Plantation sector (estimated cost US\$ 10.0 million)**

37. The plantation sector, with its distinct, historically marginalized, resident worker population<sup>38</sup> needs special support to enhance the quality of ECD services. Unlike in the rest of the country where SMCA plays the lead role in overseeing ECD related activities, social development programs including those targeted towards young children in the Plantation sector are implemented by the Plantation Human Development Trust (PHDT), a tripartite organization consisting of GoSL, Regional Plantation Companies and Plantation Trade Unions. Furthermore, as many of the mothers of young children in the Plantation community are engaged as Plantation workers, the centers in the Plantations serve as both childcare facilities and ECD centers. Hence, project support for the Plantation sector through PHDT is categorized as a separate subcomponent of the Project. Funds will be provided to PHDT by SMCA through an Implementation Agreement to implement Project supported interventions in this sector. In order to effectively oversee the Project activities undertaken by PHDT, representatives of MoPID will be appointed in the PSC and the PMU.

38. The Project's focus within the Plantation sector is on improving the quality of ECD services provided by the ECD centers. More specifically, the activities supported include: (i) upgrading of old, poor quality ECD centers; (ii) refurbishment of existing ECD center facilities; (iii) training of ECD teachers<sup>39</sup>; and (iv) parental awareness/parenting education programs. All project supported activities will be managed by PHDT.

39. Given the difficult terrain of the Plantations, the construction and locations of many of the old centers pose health hazards to the children. Furthermore, despite the need for daycare, some of these centers do not have the required infrastructure to adequately serve this purpose. Hence, according to the estimates made by PHDT, there is a need for the reconstruction or extension of around 140 centers in the Plantations. The Project will support PHDT to meet this need. The salaries of staff in these centers will be paid by the plantation estates, and center services will be provided free of charge to plantation families. As the tentative locations and land for these prospective centers has already been identified<sup>40</sup>, most of the project supported new center construction work in Plantations will be carried out during the first two years of the Project.

40. Both short-term training and certificate/diploma programs for ECD teachers will be organized and delivered by PHDT with the assistance of resource persons. The Project will provide scholarship support to around 50 ECD teachers to participate in the nationally recognized Diploma Program offered by PHDT. Similarly, it will support the short-term training<sup>41</sup> of around 1000 ECD teachers, and the delivery of parental awareness/parenting education programs to Plantation community members.

***Component 2: Project Management, and Monitoring and Evaluation (M&E) (estimated cost US\$ 5.0 million)***

41. This component finances different inputs, including technical assistance in specific areas, to support the project management team in achieving the project targets. It also supports the Project's monitoring and evaluation activities.

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<sup>38</sup> The approximately 1 million people who reside in the Plantations are mainly descendants of Indian Tamil workers.

<sup>39</sup> These teachers are known as Child Development Officers in the Plantations.

<sup>40</sup> The exact locations will be finalized during the early implementation stage.

<sup>41</sup> PHDT will develop a standardized week-long short-term training program targeted specifically at ECD teachers in the Plantation sector.

42. *Project management:* The Project will finance incremental costs associated with project management, salaries of PMU staff, consulting services, transportation, equipment, training of ECD administrators, and other administrative expenses incurred during project implementation. As the Project will entail a significant increase in the responsibilities of SMCA, the capacity building of staff at all levels of the ministry's administrative structure is essential for effective Project implementation. The Project will support the development and implementation of a comprehensive capacity development plan for government units and staff, including relevant staff from the PCs, engaged in implementing ECD activities.

43. Within the framework of this plan, the Project will support the development of a short-term training module for field level staff (e.g., district and divisional level officers) as well as specialized modules for staff working at the Provincial and Central levels. These modules will cover a broad range of topics, including administration, planning, budgeting, procurement, financial management, ECD domain knowledge and computer literacy. In the case of the module for field staff, the content will also include training on organizing and managing ECD teachers training programs and parental awareness/parenting education programs. Around 350 government staff will receive this type of training during the project period. The training will be designed and delivered by an agency with experience in delivering training to government staff. In addition, around 100 officers working on ECD will be supported to pursue further studies leading to ECD diplomas and higher degrees. The capacity development of government units will also involve the provision of necessary equipment, transportation facilities, and technical support in different areas at the central, provincial, district and divisional levels.

44. The Project will provide support for technical assistance to the project management team and implementation units in a number of areas including, *inter alia*, institutional analysis, preparation of guidelines, development of information systems, monitoring and evaluation, planning, communication, procurement, financial management and social and environmental safeguards, as necessary. It will finance the design and implementation of a comprehensive mapping exercise to identify the locations of existing ECD centers and areas that are unserved or underserved to support the implementation of activities under subcomponent 1.2. It will also support other technical assistance necessary for the smooth implementation of the Project such as assessment studies, surveys, independent audits of grant expenditures and evaluations.

45. *M&E and results framework:* The Project will support the development and implementation of a robust and comprehensive ECD monitoring and evaluation system for ensuring compliance with quality assurance standards and providing constructive feedback to ECD centers. The Project will develop and systematically utilize a comprehensive electronic management information system (MIS) as an integral part of the M&E system. The MIS will allow decentralized entry of data on ECD centers, teachers and children, and regular updating of monitoring information. Project progress will be tracked through a set of key performance and intermediate results indicators reflecting the PDO. A results framework with annual targets for these indicators is included in Annex 1 above.

### **Annex 3: Implementation Arrangements**

#### **Sri Lanka: Early Childhood Development Project (P151916)**

##### **Project Institutional and Implementation Arrangements**

1. The overall responsibility for the implementation of the Project will lie with SMCA, with the participation of other relevant ministries (Plantation Infrastructure Development, Local Government, Health and Education), the Provincial Councils and PHDT. SMCA is a state ministry under the Ministry of Policy Planning, Economic Affairs, Child, Youth and Cultural Affairs (MPPEACYCA). The oversight of the Project will be carried out by a Project Steering Committee (PSC).

2. *Project coordination:* The PSC, chaired by the Secretary of SMCA, will be established by October 1, 2015 and will oversee management of the Project. It will review progress, approve annual work plans and budgets, take timely policy and practice decisions and endorse project implementation. The PSC will have representatives from all implementing agencies and relevant ministries. The SMCA Additional Secretary Development will act as the PSC Secretary (see Figure A3.1). The responsibilities of the PSC will be to:

- Review implementation progress, including submission of the required reports to the Bank on a timely basis;
- Approve annual work plans and budgets for the Project, including those from the different implementing agencies;
- Take timely decisions relating to policy and implementation matters;
- Ensure timely budget releases and disbursement of funds;
- Ensure that agreed targets and timelines for Project activities are met and advise on remedial actions in case the targets are not met or are unlikely to be met;
- Monitor and approve project reports;
- Ensure compliance with fiduciary oversight arrangements; and
- Address any other matter affecting project implementation.

3. *Project implementation:* The focal person for the Project will be the Secretary of SMCA. The Children's Secretariat (CS) within SMCA will be responsible for project implementation. It will be supported by a dedicated project management unit (PMU) that will also carry out the financial management and procurement functions for the Project, while the finance and procurement units under the Additional Secretary Administration will handle the day to day financial and procurement activities of SMCA. The PMU will be responsible for financial management. Procurement and M&E activities under the project. In addition, the PMU will also be responsible for consolidating all progress and financial reports to be submitted to SMCA and the Bank. The Director of the CS will report to the Additional Secretary Development and work closely with the PMU to oversee project activities. In addition, MoPID will appoint a representative in the PMU to oversee Project activities in the Plantation sector and report to MoPID and the PMU on the work carried out by PHDT. The CS and the PMU will be adequately staffed to effectively implement the Project. The Project will make resources

available to SMCA to finance additional technical staff as and when required to implement the Project. Detailed job descriptions of all positions in the PMU will be provided in the OM.

4. The CS, with the support of the PMU, will be responsible for the following tasks:
  - Implementing activities directly related to the Project, including overseeing activities undertaken by all implementing units;
  - Managing the project account;
  - Reviewing the annual activity plans and PPs, and coordinating with the implementing units;
  - Consolidating and preparing reports necessary to document the use of IDA funds and implementation progress and results;
  - Coordinating external audit arrangements to meet the audit covenants of the project;
  - Monitoring and advising the procurement staff in SMCA as well as participating agencies;
  - Coordinating monitoring and evaluation activities, updating the results framework, and maintaining/updating the Project MIS;
  - Communicating to key stakeholders the nature, progress and outcomes of the Project;
  - Procuring and making arrangements for the distribution of teaching learning materials;
  - Managing scholarship support for certificate and diploma programs, including the selection of candidates and disbursement of scholarship funds;
  - Managing activities related to the development/revision of the curriculum framework, standards, teaching-learning materials; and short-term training modules;
  - Providing guidance to district and divisional level entities engaged in project implementation; and
  - Liaising with Development Partners (DPs) to ensure that all project activities are well coordinated.
  
5. The following entities will be involved in implementing various activities under the Project: (i) PCs; (ii) DSOs; (iii) DivSOs; (iv) PHDT (through MoPID); and (v) ECD centers.
  
6. PCs: The responsibilities of the PC under the Project will be as follows:
  - Assist SMCA in the selection of sites for the establishment of new ECD facilities based on a mapping exercise to be carried out. New ECD centers will be built by the respective DSOs once a commitment has been obtained from the PCs or the Local Government Authorities that they will take responsibility for hiring the required ECD teachers and maintaining the facility;
  - Identify ECD resource centers to be refurbished and coordinate with SMCA/DSOs to have the facilities refurbished and equipped as necessary;
  - Coordinate with SMCA in providing parent/teacher awareness programs, nutrition and health programs and other ECD activities in their respective provinces; and
  - Coordinate with SMCA in harmonizing and strengthening the ECD center registration process.

7. DSOs: The DSO, with the assistance of the District Coordinator (SMCA staff) located in the DSO, will coordinate with the DivSOs to do the following:
- Review applications for facility improvement grants from ECD centers under its purview to verify (including through field visits) whether the centers meet the eligibility criteria to receive grants;
  - Approve the ECD center applications that meet the eligibility criteria, and submit them to the PMU for funding;
  - Supervise the implementation of the facility improvement grants;
  - Review and approve progress and financial reports submitted by the ECD centers<sup>42</sup> for release of follow up tranches and release the funds or submit the reports to the PMU for release of funds;
  - Once the project grant supported work at a particular ECD is completed, visit the ECD center to verify that the work has been completed as per the application;
  - Build new ECD facilities based on the mapping exercise and hand them over to the PCs or the Local Authorities, whoever has committed to operate the facility;
  - Upgrade and equip existing facilities identified as resource centers by the PCs/Local Government Authorities and approved by the SMCA and hand them over to the PCs/Local Government;
  - Distribute teaching/learning materials to ECD centers in their respective Districts. The materials will be purchased by the PMU and delivered to the DSO's; and
  - Follow up on the attendance of ECD center students receiving tuition fee support
8. DivSOs: The DivSO, with the assistance of the SMCA ECCD officer (located in that office, will undertake the following activities:
- Inform all ECD centers under its purview about the availability of the facility improvement grant program and the tuition fee support program;
  - Determine the eligibility of the ECD centers in the division and submit the list of eligible ECD centers to the DSO;
  - Once the list is approved by the DSO, inform the eligible ECDs about the application procedure;
  - Collect completed applications, verify that they are properly filled out, and submit them to the DSO;
  - Visit supported ECD centers on a monthly basis to supervise progress and monitor center activities, provide feedback to the centers, document implementation progress and enter monitoring data in the project MIS;
  - Collect progress and financial reports, review for accuracy and submit to the DSO;
  - Once project grant supported work is completed at an ECD center, review the work completed against the original application, and ensure all reports have been submitted to the DSO;
  - Organize and coordinate all short-term training programs, awareness programs, and interaction programs in the division;
  - Annually collect basic data on all ECD centers in the division and enter them in the project MIS; and

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<sup>42</sup> Doing field visits as necessary for this purpose.

- Liaise with the DSO and the PMU.

9. PHDT: PHDT will undertake the following activities under the supervision of MoPID, based on the work program agreed with SMCA:

- Upgrade old, poor quality ECD centers in un-served and underserved areas of the plantation sector;
- Refurbish existing ECD centers;
- Conduct parent/teacher awareness programs;
- Conduct teacher training programs (both standardized short-term training and diploma programs);
- Visit supported ECD centers on a monthly basis to supervise progress and monitor center activities, provide feedback to the centers, document implementation progress and enter monitoring data in the project MIS;
- Annually collect basic data on all ECD centers in the Plantations under its purview and enter them in the project MIS;
- Maintain regular communication with the PMU and MoPID, provide them with regular updates on project progress, and submit to them monthly expenditure reports and quarterly progress reports; and
- Conduct child development assessments.

10. ECD Centers: The responsibilities of any ECD center receiving project support are as follows:<sup>43</sup>

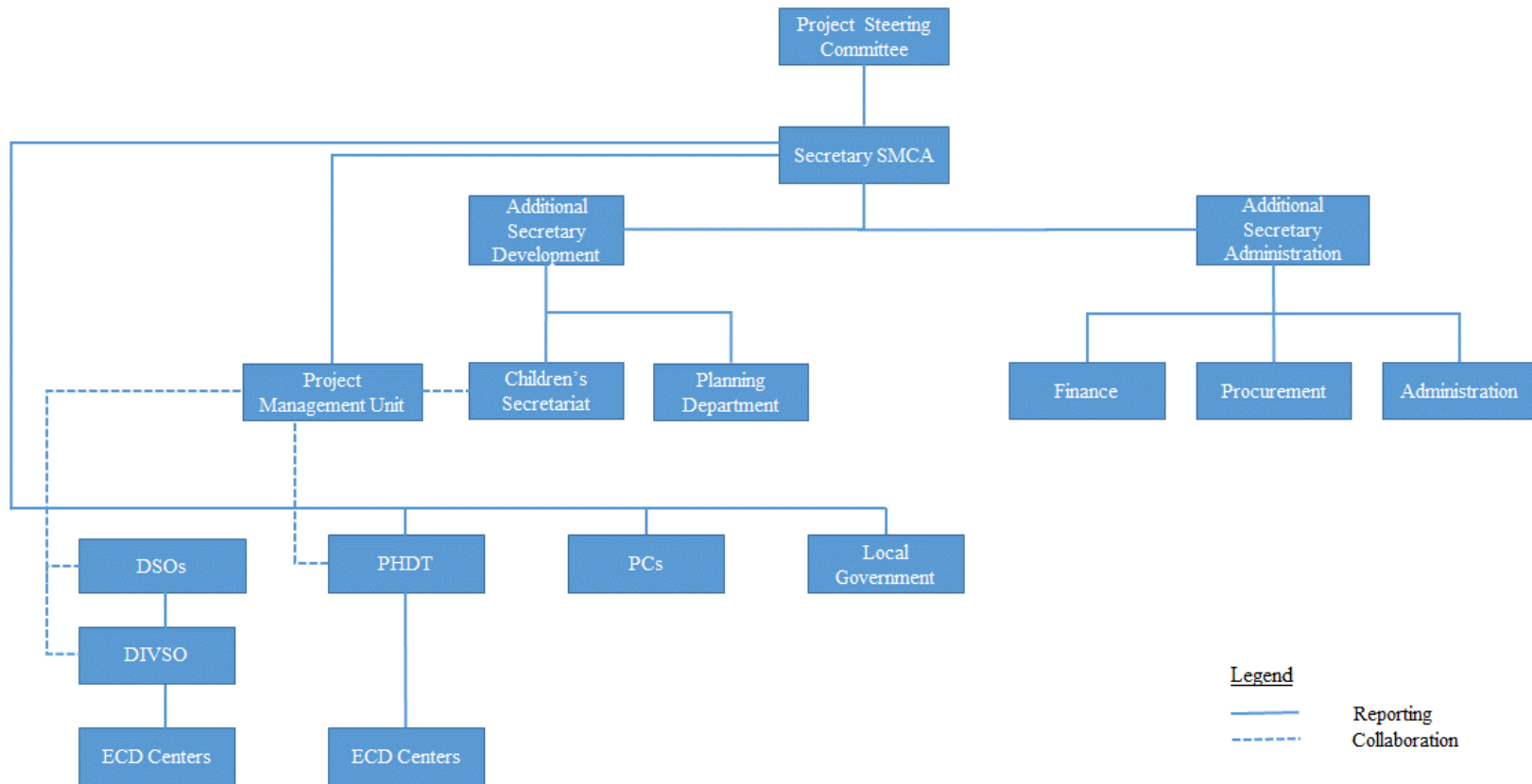
- Establish a Parents Committee to participate under the Project;
- Open a bank account at a local bank in the name of the ECD center and designate the signatories to operate the account. The signature of a teacher and a representative of the Parents Committee will be required for withdrawal of funds;
- Prepare the application for the facility improvement grant and tuition fee support<sup>44</sup> jointly with the Parents Committee and submit it to the DivSO via the ECD officer;
- Commence work once the first tranche of project support is deposited in the ECD centers bank account;
- Maintain proper records of the expenditures incurred in line with the activities indicated in the application;
- Submit the required progress and financial reports, and student attendance records to the ECCD officer for release of further tranches; and
- Upon completion of all the activities, submit a final report to the DSO.

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<sup>43</sup> Responsibilities and modalities related to the grants scheme will be further clarified in the OM.

<sup>44</sup> All fee levying ECD centers who are eligible for the facility improvement grant are automatically be entitled to the tuition fee support program

**Figure A3.1: SMCA Organizational Structure for Project Implementation**



## **Financial Management, Disbursements and Procurement**

### ***A. Financial Management***

11. The primary responsibility for FM will rest with the PMU. The PMU FM responsibilities will include: (i) ensuring compliance with all financial covenants in the legal agreement; (ii) managing funds in an efficient, effective and transparent manner; (iii) obtaining funds from the Bank and handling all WB disbursement related activities, (iv) furnishing financial reports to the Bank; (v) managing and coordinating internal and external audits (vi) forwarding project audit reports to the Bank; (vii) coordinating and monitoring FM activities undertaken by PHDT and other relevant agencies ( DSOs and DivSOs) involved in the Project; and (vi) responding to any other FM related requests from the Bank team.

12. The FM unit of the PMU will be headed by a dedicated and experienced/qualified Finance Manager - who will preferably have prior experience handling FM activities in World Bank/donor financed projects and exposure to the Community Driven Development (CDD) approach. The Finance Manager will be assisted by two or three full time, dedicated FM support staff. This unit will work under the overall guidance and direction of the chief accountant of SMCA to ensure that the FM activities are implemented to the satisfaction of GoSL and the World Bank. It is agreed that these dedicated PMU FM staff will be assigned/recruited by October 1, 2015.

13. The Finance Manager will be responsible for all day-to-day FM activities, including project budgeting, disbursement planning and forecasting, operating the Project's Designated Account (DA) including claiming replenishments, disbursement of project funds, making project payments, transferring funds to relevant agencies, maintaining books and records for project financial transactions, submitting quarterly project interim financial reports to the Bank, preparing annual project financial statements and interacting with project internal/external auditors on the audit process, audit issues and their follow up.

14. The DSOs and DivSOs will support the PMU in carrying out FM functions, including handling and managing project funds, at the district and divisional levels. Each DSO and DivSO will manage Project activities within its district in collaboration with the ECCD officers/district coordinators attached to SMCA. The PMU will transfer funds to the DSOs on a periodic basis, and each DSO will manage payments related to activities relevant to the district. The DSOs will also be responsible for managing the project funds in the bank account, maintaining books of accounts and records, reporting back to the PMU on expenditures incurred, and providing information for project internal and external audit.

15. As the DivSOs can implement activities within applicable thresholds in the regular country system, some project activities may be handled by DivSOs as well. In such cases, the PMU will transfer funds to DSOs, and DSOs in turn will transfer funds to DivSOs who will maintain bank accounts, books of accounts and relevant accounting records, and report the incurred expenditures to the DSO. However, for Bank purposes, the DSO will be considered the reporting

and accounting center, while DivSOs will also maintain adequate accounting records and FM arrangements as relevant.

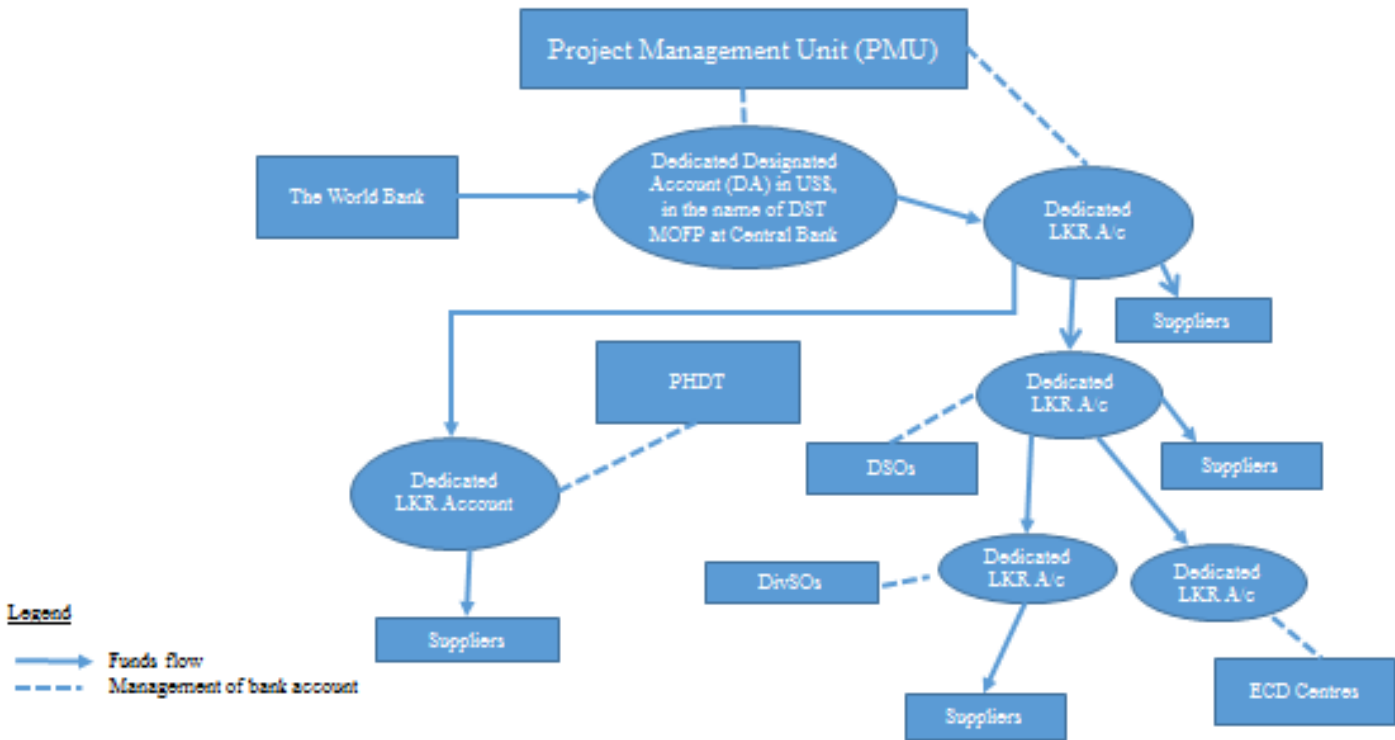
16. A sample of DSOs and DivSOs was covered by the FM assessment undertaken during project preparation. It was observed that the DSOs and DivSOs currently have adequate staff for their routine work. However, to ensure that they are able to carry out the additional tasks related to the Project, funds will be provided by the PMU to hire additional full time/part time contract staff for the DSOs and DivSOs as necessary. If required, the Project can also provide resources to implement additional capacity/staff strengthening measures for the DSOs/DivSOs.

17. PHDT will be responsible for all FM activities related to subcomponent 1.3. An FM assessment of PHDT concluded that this agency has the required capacity, including suitably qualified and experienced FM staff who has previously handled donor financed operations. The PMU will transfer funds to PHDT on a periodic basis (e.g., monthly) and PHDT will manage payments related to this subcomponent. PHDT will also be responsible for maintaining books of accounts, periodically reporting back to the PMU and MoPID on expenditures incurred, and providing information required for internal and external audits.

18. The Project will have a Designated Account (DA), denominated in United States Dollars (USD), at the Central Bank of Sri Lanka (CBSL). The DA will be operated and managed by the PMU. The disbursements will be report based. Quarterly consolidated Interim Unaudited Financial Reports (IUFs) will be submitted to the Bank by the PMU within 45 days of the end of each quarter. The Bank will advance funds to the DA in adequate amounts to meet project expenditures for a period of 6 months, as forecasted in the quarterly IUFs. Withdrawal Applications (WAs) will be prepared by the PMU and replenishments to the DA will be based on the IUFs approved by the Bank. The formats for the IUFs, designed in accordance with the guidelines issued by the Bank, were agreed during Negotiations.

19. The PMU will open a separate dedicated LKR account to make payments for eligible project expenditures. Similarly, PHDT and the DSOs/DivSOs (where applicable) will open separate dedicated LKR accounts for making payments related to their respective activities under the Project. However, PHDT and DSOs will report back to the PMU, on a monthly basis, the expenditures incurred by them. If required, DivSOs will report back to DSOs the expenses incurred under the Project on a monthly basis, and this information will be consolidated at the DSO level to be submitted to the PMU. PHDT and DSOs/DivSOs will process payments, maintain accounting records and relevant supporting documentation related to their respective components, and share information with the PMU as relevant. Exchange losses arising due to the transfer from the DA to the LKR accounts will not be considered eligible expenditures and will not be absorbed by the IDA credit. The Project's funds flow mechanism is shown in Figure A3.2 below.

**Figure A3.2: Funds Flow Mechanism**



20. IDA credit proceeds will be used to finance eligible expenditures necessary to meet the development objectives of the Project with due attention to considerations of economy and efficiency in accordance with the provisions of the Financing Agreement. If the Bank determines that credit funds have been used to finance ineligible expenditures, the amounts used for such expenditures should be refunded to the Bank by GoSL.

21. It was agreed between the Bank and SMCA that all funds transfers would be between bank accounts and that no cash transfers will be done. Project related detailed payment procedures, including the responsibilities of each of the staff members, will be described in the FM Manual, which will be a part of the OM.

22. Under subcomponent 1.1, the Project will transfer grants to eligible ECD centers through the PMU/DSO adopting a CDD approach. These grants will be directly transferred by the PMU/DSO to ECD centers in two/three instalments at pre-determined amounts/percentages. Each ECD center receiving the grant will maintain and submit a utilization certificate on the sources and

uses of funds in a simplified format. After the release of the second instalment, the actual expenditure incurred in prior instalments, as reported by ECD centers in the utilization certificate through the ECCD officers and District coordinators (through the DivSO/DSO), will be treated as expenditure by the PMU for World Bank disbursement purposes. This will also be coupled with a due process of reviewing evidence on physical progress and milestones achieved as verified by the ECCD officers/district coordinators and a technical team where required, in order to obtain reasonable assurance of the utilization of funds. Internal verifications as well as independent third party audits will be embedded in this process as other alternate assurance mechanisms. It is expected that the grant related activities will be completed within the first four years of the Project. The scope and the timing of the audits will be outlined in the OM. Funds unutilized by the ECD centers will be refunded to the World Bank through the DSO/PMU prior to the closure of the Project. In the Financing Agreement, these grants are classified and reflected as ECD grants which are financed 100% for World Bank purposes.

23. For the purposes of financial management, ECD centers will be required to follow simplified rules, procedures and guidelines. Each ECD center qualifying to receive a grant must have a dedicated bank account to receive Project funds and must maintain simple accounting records related to the funds received and expenditures incurred that will include basic supporting documentation and utilization certificates. PMU staff, along with DSOs and DivSOs will have adequate monitoring mechanisms to monitor the use of these grants by the ECD centers to ensure that the funds are used for the intended purposes. The ECCD officers, District coordinators, DSOs and DivSOs, as relevant, will assist the PMU in managing the entire coordination process of the ECD grants. The FM manual will document procedures to manage the entire coordination process of the ECD grants. The OM will include details related to the management of these ECD grants, including aspects such as eligibility criteria, funds flow mechanisms, accounting, record keeping and reporting, and other relevant FM arrangements. A draft OM was shared by SMCA before Negotiations, and the final OM will be ready by October 1, 2015.

24. Under sub-component 1.2, eligible ECD centers will also receive Rs. 3000 per month as fee waiver support from the PMU/DSO. The fee waiver support will be implemented by transferring the required amounts from the PMU/DSO to the respective ECD bank accounts at pre-determined intervals after verifying the eligibility of the beneficiary ECD centers. Details of this arrangement will also be included in the OM. For World Bank disbursement purposes, transfers from the PMU/DSO to the ECD centers on account of fee waivers will be considered eligible expenditures and the actual utilization of this amount by ECD centers will not be tracked as these will be considered as tuition fees. Other than for fee waiver support, for all other expenditures, IDA disbursements will be based on actual expenditures.

25. In the event that grants to ECD centers and fee waiver support are transmitted through DSOs/DivSOs, the Financing Agreement for the Project includes a disbursement condition applicable to Categories (2) & (3), which will ensure that no disbursements shall take place until the Project has established adequate implementation arrangements, flow of funds, financial management and procurement system, in form and substance satisfactory to the World Bank as set forth in the OM.

26. *Accounting policies and procedures:* All funds for the Project will be routed through the PMU, which will be responsible for funding all project expenditures and accounting for them, and for reporting on the overall financial and physical progress of the Project. Hence the PMU will coordinate and closely interact with the accounting staff of PHDT and staff assigned at DSOs for all FM related matters. DSOs in turn will coordinate with DivSOs on all FM related matters.

27. The accounting practices of the PMU and DSOs/DivSOs will be governed by the GoSL Financial Regulations and relevant circulars. The PMU and where applicable DSOs/DivSOs will maintain accounts on the cash basis of accounting and will also comply with the government finance regulations and applicable circulars. Bank accounts will be reconciled on a monthly basis, and trial balances and financial statements will be prepared on a monthly basis to facilitate monitoring of the progress of the project. PHDT in its normal course of business will maintain the accrual basis of accounting. However, for project purposes, they will submit information on actual expenditures incurred to PMU on the cash basis of accounting so that the PMU can readily consolidate financial information.

28. It is agreed that a customized accounting system will be used by the PMU for project accounting and financial management purposes. A comprehensive system will be established that will assist the PMU in managing the accounting and information requirements connecting the DSOs. It is proposed that the accounting system will be procured and installed at the PMU and be operational by December 31, 2015.

29. *Internal audit:* In addition to the annual financial statement audit, the Project will be subjected to internal audits. These internal audits will be carried out by the internal auditors attached to SMCA. An audit committee appointed by the Secretary of SMCA will review the findings on a periodic basis. The internal auditors will assess whether the funds have been disbursed on a timely basis and used effectively and efficiently for the intended purposes. The internal audit will also examine the physical and qualitative aspects of the assets constructed, procured or disbursed under the project including the grants and tuition fees. This will provide further assurance on the legitimacy and the eligibility of the payments made from the credit proceeds.

30. The project internal audit report will be addressed to the Secretary of SMCA with a copy to the Project Director (PD) to initiate necessary follow up actions as required. The PMU will share the internal audit reports with the Bank within 60 days of end of each audit period.

31. *External audit:* The annual financial statements of the Project will be prepared by the PMU and audited by the Auditor General of Sri Lanka. This is the supreme audit institution of the country and ensures full transparency and provides reasonable assurance to all the stakeholders on the use of project funds. The external audit will cover project activities carried out by all Project agencies and all payments made from the various project accounts. The external audits will be conducted every fiscal year and will be submitted within 6 months of the end of the fiscal year. These external auditing arrangements will be agreed with the Auditor General's Department of Sri Lanka. The PMU is responsible for the timely submission of the annual audited financial statements to the Bank.

32. *Audit reports:* The following audit report will be monitored in the Bank’s Audit Reports Compliance System in PRIMA. According to the Bank’s Access to Information Policy, the audit reports received by the Bank for the Project will be disclosed in the Bank’s external Website for public access.

<b>1. Implementing Agency</b>	<b>2. Audit Report</b>	<b>3. Auditor</b>	<b>4. Date</b>
PMU	Project Annual Financial Statements	Auditor General	June 30 each year

33. *Financial covenants:* The Financial covenants are: (i) audited annual project financial statements to be submitted to the Bank no later than six months of the following fiscal year; and (ii) consolidated project IUFs to be submitted to IDA no later than 45 days following the end of the reporting quarter.

***Disbursement Categories***

34. IDA will finance 100 percent of eligible expenditures including taxes for goods, works, non-consulting services, consulting services, training and workshops, tuition fees, incremental operating costs for all components of the Project.

35. The proceeds of the IDA credit will be disbursed against eligible expenditures in the following categories:

<b>Category</b>	<b>Amount of the Financing Allocated (expressed in SDR)</b>	<b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b>
(1) Goods, works, non-consulting services, consultants’ services, Tuition Fees, and Training under Part 1 of the Project	[11,200,000]	100%
(2) Grants under Part 1(a)(ii) of the Project	[19,050,000]	100%
(3) Tuition Fees under Part 1 (b) (ii) of the Project	[1,800,000]	100%

(4) Goods, - non-consulting services, consultants' services, Incremental Operating Costs, and Training under Part 2 of the Project	[3,550,000]	100%
Total	[35,600,000]	

36. Incremental operating costs include the normal expenditures of the Project such as reasonable costs of goods and services required for the day-to-day implementation of the Project, including maintenance of vehicles and equipment, fuel, office supplies, utilities, consumables, office rental and maintenance, staff and consultant travel and subsistence, bank charges, advertising expenses, travel of contract staff, per diems, accommodation, and salaries of contracted staff, but excluding salaries of officials of the Recipient's civil service.

37. Retroactive financing in the amount of US\$500,000 for category (4) will be eligible to be reimbursed once the Project becomes Effective. These funds will be utilized to hire PMU staff and consultant services, purchase goods and equipment, and carry out awareness campaigns. All goods and services purchased under retroactive financing will be subject to Bank procurement rules and procedures. In addition, no disbursement will be made under Categories 2 and 3 until SMCA has established adequate implementation arrangements, flow of funds, financial management and procurement systems satisfactory to IDA.

## ***B. Procurement Management Assessment***

### ***Country Procurement Environment***

38. Public procurement in Sri Lanka is governed by the Procurement Guidelines of 2006 (as amended), supplemented by a procurement manual and standard bidding documents. Procurement of consultancy services is regulated by the Guidelines on the Selection and Employment of Consultants dated August 2007. The Guidelines, manuals, and standard bidding documents constitute the comprehensive public procurement regulatory framework. They include a menu of procurement methods, specify the contents of bidding documents and evaluation criteria, and adequately respond to the procurement needs of different entities. The Guidelines apply to all national procuring entities and provincial entities using national budget funds. Procurement is decentralized to entities both at the central and provincial levels. The Bank's country procurement assessment in 2011 revealed certain areas for improvement, including updating of the National Procurement Guidelines. The Government has recently confirmed that the Guidelines are being updated and a procurement monitoring system will soon be in place.

### ***Assessment of the Agencies' Capacities to Implement Procurement***

39. In its comprehensive review of SMCA and its implementing agencies, the fiduciary team of the World Bank identified the main procurement issues and risks that might affect the Project. Areas identified as contributing to procurement risks are: (a) limited experience of procurement staff and their lack of knowledge; (b) limited experience in selecting consultants; (c) lack of a system for regularly monitoring procurement performance and compliance; (d) limited experience in dealing with complaints and fraud and corruption issues; and (e) limited or no experience in managing procurement and contracts. The proposed action plan includes: (i) putting in place an effective capacity building plan for SMCA and its agencies; and (ii) drafting a Procurement Manual or including a procurement chapter in the OM. Since one of the key interventions of the Project Facility Improvement Grants to ECD centers will be implemented using a community driven development (CDD) approach, the OM will also have a section providing guidelines for CDD based procurement. There is also a need to ensure that: (i) adequate design and supervision arrangements are in place before undertaking any works procurements; (ii) assigning additional dedicated procurement staff to SMCA and other project-implementing agencies; (iii) designing an effective independent complaint-handling system; (iv) establishing a procurement M&E system in all relevant agencies; (v) setting standard functional specifications for commonly used goods; (vi) introducing a procurement compliance audit system; (vii) strengthening contract administration systems of SMCA and its implementing agencies; and (viii) setting up a project-specific website that covers all the project implementing agencies (PIAs).

40. *Procurement risks and mitigating measures:* Due to the combination of the above identified areas for attention, overall procurement risk is considered *High*. The main risk lies with the limited procurement capacity and the need to ensure public access to project-specific information. Mitigating measures include: (i) a centralized procurement office staffed with dedicated specialists in the PMU; (ii) procurement workshops and clinics to deal with project-specific needs; (iii) project management workshops highlighting integration, interdependence, and the need for M&E to add significant value across the board; (iv) designing an M&E system, progress reporting, and EMIS capacity building; (v) workshops addressing contract management; and (vi) information-sharing systems, such as the project-specific website.

### ***Procurement Arrangements***

41. All works, goods, consulting services and non-consulting services under the Project will be procured in *accordance* with the World Bank's "*Guidelines: Procurement of Goods, Works, and Non-consulting Services under IBRD Loans and IDA Credits and Grants for World Bank Borrowers*" (dated January 2011 revised July 2014), and "*Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers*" (dated January 2011 revised July 2014).

42. The following methods will be applicable for all works, goods and non-consulting services to be procured under the Project, consistent with the Bank's Procurement Guidelines:

- a. International Competitive Bidding (ICB);
- b. National Competitive Bidding (NCB);
- c. Shopping (S);
- d. Framework Agreements;

- e. Community Participation in Procurement; and
- f. Direct Contracting

43. *Procurement conducted under National Competitive Bidding (NCB)*: To ensure economy, efficiency, transparency and consistency with the Procurement Guidelines, all goods, works, and non-consultant services procured under the NCB method will be subject to the following requirements:

- a. Only the model NCB bidding documents agreed with the Bank shall be used for bidding.
- b. Invitations for bids will be advertised in at least one widely circulated national daily newspaper, and bidding documents will be made available at least 21 days before, and issued up to, the deadline for submission of bids.
- c. Qualification criteria will be stated in the bidding documents, and if a registration process is required, a foreign firm declared as the lowest evaluated responsive bidder shall be given a reasonable time for registering, without let or hindrance.
- d. Bids will be opened in public in one location, immediately after the deadline for the submission of bids, as stipulated in the bidding document (the bidding document will indicate the date, time, and place of bid opening).
- e. Except in cases of *force majeure* or exceptional situations beyond the control of the implementing agency, extension of bid validity will not be allowed.
- f. Bids will not be rejected merely on the basis of comparison with an official estimate.
- g. Except with the prior concurrence of the Bank, there will be no negotiation of price with bidders, even with the lowest evaluated bidder;
- h. A bid security will apply only to the specific bid, and a contractor's performance security will apply only to the specific contract for which they are furnished.
- i. Bids will not be invited on the basis of percentage premium or discount over the estimated cost, unless agreed with the Bank.

44. *Selection of consultants*: Consultant services required will include: expertise in M&E, financial management, procurement, and specialized fields, training, and environmental and social sciences. Short lists of consultants for services estimated to cost less than US\$ 300,000 equivalent per contract may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

45. The following methods will apply for selection of consultants, consistent with the relevant sections of the Bank's Consultant Guidelines:

- a. Quality- and Cost- Based Selection (QCBS);
- b. Quality-Based Selection (QBS);
- c. Least Cost Selection (LCS);
- d. Selected under Fixed Budget (FBS);
- e. Selection based on Consultants' Qualifications (CQS): for services estimated to cost less than US\$ 200,000 equivalent per contract, in accordance with the provisions of paragraph 3.7 of the Consultant Guidelines;
- f. The procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants;

- g. Selection of Particular Types of Consultants - UN Agencies; and
- h. Single Source Selection

46. The Bank’s standard request for proposal (SRFP) document will be used for all consultant services. The document may be customized, as appropriate, for small value assignments (less than US\$300,000).

47. *Composition of procurement committees and TEC:* The appointment of procurement committees and TECs will follow government procedures.

48. *Procurement information and documentation:* Procurement information will be reported as follows: (i) complete procurement documentation for each contract, including bidding documents, *advertisements*, bids received, bid evaluations, letters of acceptance, contract agreements, securities, complaints (if any) and their resolution and related correspondence will be maintained by the implementing agency in an orderly manner, readily available for audit; (ii) contract award information will be promptly recorded and contract rosters as agreed will be maintained; and (iii) each PIA will submit semi-annual reports with (a) revised cost estimates, where applicable, for each contract; (b) status of on-going procurements, including a comparison of originally planned and actual dates of the procurement actions, preparation of bidding documents, advertising, bidding, evaluation, contract award and completion time for each contract; and (c) updated PPs, including any revisions in dates, for procurement actions.

***Frequency of Procurement Supervision***

49. The Bank will monitor the procurement performance on a sample basis. The capacity assessment of the implementing agencies recommended semi-annual implementation support missions to review procurement actions on a sample basis.

50. One or more dedicated procurement staff members or consultants will be assigned to procurement monitoring, reporting, training, and guidance. Semi-annual procurement progress reports to be provided to the World Bank will include status updates, procurement monitoring reports and analysis of agreed intermediate outcome indicators. The SMCA and its agencies will develop an effective monitoring mechanism during the first six months of the Project.

**Table A3.5. Thresholds for procurement methods and prior review for the procurement to be carried out under the project**

<b>Expenditure Category</b>	<b>Contract Value (Threshold)</b>	<b>Procurement Method</b>	<b>Contracts/Processes Subject to Prior Review (each PE)</b>
Works	≥ US\$ 10,000,000	ICB	All contracts
	< US\$ 10,000,000	NCB	<ul style="list-style-type: none"> <li>• First contract; and</li> <li>• subsequently all contracts over US\$ 500,000 equivalent</li> </ul>
	≤ US\$ 50,000	Shopping	<ul style="list-style-type: none"> <li>• First contract; and</li> <li>• subsequently None</li> </ul>

<b>Expenditure Category</b>	<b>Contract Value (Threshold)</b>	<b>Procurement Method</b>	<b>Contracts/Processes Subject to Prior Review (each PE)</b>
	≤ US\$ 40,000	Community Participation in Procurement	<ul style="list-style-type: none"> <li>• First contract; and</li> <li>• subsequently None</li> </ul>
Goods and non-Consulting Services	≥ US\$ 1,000,000	ICB and Framework Agreements	All contracts
	< US\$ 1,000,000	NCB and Framework Agreements	<ul style="list-style-type: none"> <li>• First contract; and</li> <li>• subsequently all contracts over US\$ 500,000 equivalent</li> </ul>
	≤ US\$ 50,000	Shopping	<ul style="list-style-type: none"> <li>• None</li> </ul>
	≤ US\$ 20,000	Community Participation in Procurement	<ul style="list-style-type: none"> <li>• First contract; and</li> <li>• subsequently None</li> </ul>
Consultant Services (firms)	> US\$ 500,000	All competitive methods; advertise internationally	<ul style="list-style-type: none"> <li>• All contracts</li> </ul>
	≤ US\$ 500,000	All competitive methods; advertise locally	<ul style="list-style-type: none"> <li>• All contracts over US\$ 200,000 equivalent</li> </ul>
	< US\$ 200,000	CQS	
		Selection of Particular Types of Consultants - UN Agencies	<ul style="list-style-type: none"> <li>• All contracts</li> </ul>
Individual Consultants		IC (Section V of Consultant Guidelines)	<ul style="list-style-type: none"> <li>• First contract; and</li> <li>• Subsequently all contracts over US\$ 100,000 equivalent</li> </ul>

51. *Proposed 18-month procurement plan:* The SMCA will maintain and update the PP for the Project, which will provide the basis for the procurement methods and prior review requirements. It will also be available in the project database and in the Bank's external website. The PP will be updated in agreement with SMCA biannually or as required to reflect actual project needs and improvements in institutional capacity.

52. *Community driven development (CDD):* Community participation in procurement is expected for the CDD. There might be large number of small value contracts for goods and both non-consulting and small works scattered in remote areas. The OM shall describe in sufficient detail all procurement arrangements, methods and procedures including the roles, the responsibilities and the extent of participation of the community in general (including in certain circumstances community tender committees as may be needed), simplified steps for all applicable methods of procurement, provisions for any technical or other assistance required by the community, payment procedures and procedures for maintenance of records, simplified forms of contracts to

be used, roles and oversight functions of the implementing agency, etc. A simplified PP for the CDD interventions shall be developed by the PE and agreed with the Bank prior to its implementation.

### *C. Environmental and Social (including safeguards)*

#### *Environment*

53. In compliance with the Bank's safeguards requirement, GoSL has prepared a comprehensive Environmental Management Framework (EMF) which will serve as the guiding document for undertaking safeguards due diligence for all physical interventions funded under the Project. All new construction, rehabilitation, renovation and/or physical upgrading interventions undertaken with project funds will be implemented in accordance with the EMF. The EMF defines the framework for planning, implementation and monitoring of environmental management measures required to ensure that potential adverse environmental impacts from the project activities are eliminated, offset, or reduced to an acceptable level. At the same time, it is expected that the framework will help the Project enhance environmental benefits from the project interventions. The EMF has been built on relevant existing national policies, legislation, regulations and guidelines and on World Bank safeguard policy requirements.

54. Implementation of environmental safeguards requirements will adhere to the following steps which are aligned with activity planning, design, and implementation steps of each physical intervention: preliminary environmental information gathering and analysis of potential impacts, preparation of environmental assessments and/or environmental management plan (EMP), environmental clearances where required, inclusion of environmental specifications and site specific EMP in bid documents and subsequent compliance monitoring by SMCA.

55. SMCA will be responsible for ensuring that the EMF is followed by all relevant implementing units, including the PHDT. To support the implementation of the EMF during project implementation, an environmental officer will be included in the PMU. This officer will also be responsible for liaising with and reporting to the Bank on safeguards issues. The PHDT will be responsible for the implementation of the EMF for all sub-projects managed by them and report on implementation to SMCA. The project management team in the PHDT will also include an environmental officer who will be responsible for following ensuring compliance with the EMF and interacting with the environmental officer in the PMU.

#### *Social*

56. The Project expects to expand/reconstruct or build some new ECD centers to expand access to ECD services among all types of communities, including plantations workers, marginalized groups and people living in rural areas. While only government land would be used for new infrastructure facilities, there might be cases where the acquired land is temporarily occupied by people or is under some encumbrances. Hence, the Project has been identified as a category B project and OP 4.12 (involuntary resettlement) has been triggered as a precautionary measure. However, except in such cases, it is unlikely that project activities will have any significant adverse social impacts.

57. The Project will cover the entire country and will not include interventions targeted at specific communities, social groups or geographical regions. OP 4.10 ( Indigenous People) is not triggered for the following reasons: (a) as the national population census does not show any presence of the IP population in the country or in specific localities, there are no administrative data/figures that can be used for targeting IPs; (b) the Project services are targeted at individuals rather than at communities and are therefore accessible to everyone regardless of their ethnic or cultural backgrounds; and (c) the project interventions do not specifically target IPs as a group.

58. A Social Impact Management Framework (SIMF) has been prepared to ensure proper due diligence in assessing potential social risks associated with the project interventions and to avoid/minimize adverse social impacts. The social safeguards management process suggested in the SIMF includes broad guidelines outlining mitigations measures, processes, institutional arrangements, procedures, tools and instruments that need to be adopted by the Project. This framework ensures that any potential infrastructure development under the Project is systematically assessed through social screening and the necessary safeguards policy requirements (both national and World Bank) are followed to mitigate adverse social impacts. In addition, the SIMF outlines both national and World Bank standards to be adhered to during the implementation of physical interventions. The SIMF was disclosed by SMCA by April 5, 2015 and was published in the Bank's Infoshop on April 16, 2015.

59. The project staff, including key staff of SMCA and PHDT, require exposure to and training on the Bank's social safeguards policies and procedures for systematic monitoring and implementation of safeguards management work. The SIMF includes a capacity building program aimed at strengthening the capacity of the implementing agencies to effectively implement social safeguards and gender mainstreaming activities in the field.

### Gender and Citizen Engagement

60. Available data suggest that the Project's interventions would benefit both boys and girls equally. The parental awareness/parenting education programs under the Project are expected to reach out to women in particular. Nevertheless, the OM will provide guidelines for ensuring gender equity, especially when the interventions involve the selection of individuals for support. The Project's M&E unit will also be responsible for collecting gender-disaggregated data and tracking project progress.

61. The Project's citizen engagement process has several components. At the community level, stakeholder consultations with parents, ECD teachers and the government staff responsible for ECD service provisions will be carried out. These community consultations will be conducted through workshops aimed at identifying ECD implementing challenges, obtaining stakeholder participation, and creating a sense of ownership for project supported activities. At the project management level, an independent social audit will be conducted by engaging a CSO/ NGO or neutral agency such as a University. The results of the social audit will provide feedback to the project steering committee for decision making. At the national level, all stakeholders, including parents, teachers and community members will have the opportunity to make complaints, if any, related to the Project through a Grievance Redress Service of the Bank.

### ***D. Monitoring and Evaluation***

62. Annex 1 provides the critical set of results indicators that will be tracked by the Project. SMCA will collect, compile, and report data related these indicators and prepare quarterly progress reports of outcomes and results to monitor project progress.

63. The CS, with support from dedicated staff in the PMU, will be responsible for the M&E activities of the Project. The M&E staff in the PMU will work closely with the M&E related unit of SMCA and SMCA staff at the district and divisional levels. The SMCA district coordinators and divisional ECCD officers will be the frontline staff in the M&E system, and will monitor project activities at the field level, collect relevant monitoring data and feed into the project MIS, and provide feedback to ECD centers. The project MIS will be an integral part of the M&E system, and will allow decentralized entry of data on ECD centers, teachers and children, and regular updating of monitoring information.

64. The PMU, in coordination with the CS will prepare semi-annual progress reports, and semi-annual reviews of sector performance will be carried out jointly by SMCA, MOF, and the Bank. As necessary, the CS will also commission studies, evaluations and surveys of different dimensions of the ECD sector in Sri Lanka, and disseminate the findings.

#### **E. Role of Partners (if applicable)**

65. The Bank is in close consultation with other DPs and I/NGOs working in the area of early childhood development. In particular, the Bank expects to collaborate with UNICEF during the implementation phase. SMCA will also explore possible collaboration with other development partners.

## Annex 4: Economic and Financial Analysis

### Sri Lanka: Early Childhood Development Project (P151916)

#### A. Background

1. The ECD sector in Sri Lanka is at an initial phase of development. According to Census 2012, 0.55 million children (50.7 percent) between the ages of 3 and 5 years attend ECD centers. Another 24.8 percent of the children in this age-group are already enrolled in Grade 1 in primary schools. ECD services in Sri Lanka are primarily provided by non-state operators, including private providers, I/NGOs, and religious organizations. Table A4.1 below presents some basic statistics on the ECD sector in Sri Lanka.

**Table A4.1: Basic Statistics on the ECD sector in Sri Lanka, 2012**

Provinces	Enrolment (3-5 years)	Number of ECD centers	Centers run by private sector	Non-profit making centers	Teachers	Female teachers	Teachers without training
Western	108521	3130	2630	144	6575	6575	443
Central	43248	2350	2125	87	2629	2626	670
Eastern	59906	1765	1179	789	3694	3692	1948
Southern	67187	2040	1331	0	4196	4195	75
Northern	48086	1595	152	1288	2851	2851	320
North Central	32299	1268	15	1268	2096	2096	1168
North Western	45342	1944	478	1323	3086	3085	391
Uva	34015	1431	955	910	1994	1974	396
Sabaragamuwa	37013	1500	1334	589	2220	2215	169
<b>Sri Lanka</b>	<b>475617</b>	<b>17023</b>	<b>10199</b>	<b>6398</b>	<b>29341</b>	<b>29309</b>	<b>5580</b>

*Note:* The data is based on information provided by MOE for the year 2012.

#### Benefits of Early Childhood Development Services

2. The developmental impacts of ECD services can be broadly categorized into three groups: (i) equalizing learning and earning opportunities for individuals from diverse backgrounds, (ii) maximizing returns to investment and accelerating human capital accumulation, and (iii) preparing children for formal schooling.

3. Participation in an ECD program leads to equitable cognitive development and subsequent learning. Studies have consistently documented evidence of significant association between socio-economic status and cognitive development<sup>45</sup>. Since 85 percent of brain development

<sup>45</sup> Hackman, D. A., and M. J. Farah. 2009. "Socioeconomic Status and the Developing Brain." *Trends in Cognitive Science* 13 (2): 65–73; Siddiqi, A., Irwin, L.G. & Hertzman, C. (2007). *The Total Environment Assessment Model*

occurs by the time a child is five years old<sup>46</sup> and the early cognitive gaps widen as children get older, the provision of high quality ECD can be effective in compensating for poor cognitive development for economically disadvantaged children. Provision of ECD programs has been shown to increase the average level of education attained<sup>47</sup> (Nadeau et al, 2010; Vegas et al 2010). Decreased gaps in cognitive levels and schooling attainment ensure equitable learning across children from various economic and social backgrounds.

4. The increase in cognitive ability and school attainment for youths from disadvantaged families leads to improvement in earnings. Studies show that the marginal increase in earnings due to one standard deviation (SD) change in cognitive ability ranges from 0.17 - 0.22 SD.<sup>48</sup> There is also strong correlation between educational attainment and improvement in earnings. On average, children from disadvantaged families in particular who go through one year of pre-school experience nearly 12.5 percent increase in earnings later (World Bank, 2001), with the greatest increase for those who were initially the most disadvantaged.<sup>49</sup> Cost-benefit analysis of ECD interventions in Indonesia showed that the children from poorest expenditure quintile accrue about 1.5 times more benefits than those from the middle expenditure quintile (World Bank, 2006). ECD interventions in general enhance equity and serve as cost efficient methods of raising economic output for the society as whole.

5. ECD interventions have been shown to have high benefit-to-cost ratios as well as high returns to investment. The benefit-cost ratio for three long-term American preschool programs, namely the Michigan Perry Preschool, Chicago Child Parent Center (CPC) and Carolina Abecedarian were 16.14, 7.14 and 3.78 respectively. Early interventions also have higher economic returns per dollar invested than interventions at any other stage in life<sup>50</sup> (see Figure A4.1). Estimates of annual rates of return for high quality ECD programs range from 7 percent to 16 percent.<sup>51</sup> Likewise, ECD interventions yield a higher rate of return than formal schooling and job training.<sup>52</sup> ECD is a very cost efficient approach to accumulating quality human capital.

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of Early Child Development. Evidence Report for the Commission on Social Determinants of Health, World Health Organization.

<sup>46</sup> Shonkoff, J.P. & Phillips, D.A. (Eds.) (2000), *From neurons to neighborhoods: the science of early childhood development*

<sup>47</sup> (a) Vegas Emiliana and Santibanez Lucretia (2010), *The Promise of Early Childhood in Latin America and the Caribbean*, the World Bank; (b). Naudeau, Sophie, Sebastian Martinez, Patrick Premand, and Deon Filmer. 2011. "Cognitive Development among Young Children in Low-Income Countries." In *No Small Matter – The Impact of Poverty, Shocks, and Human Capital Investments in Early Childhood Development*, ed. H. Alderman. Washington, DC: World Bank.

<sup>48</sup> Patrinos and Psacharopoulos, 2011, *Education: Past, present and future global challenges*, Policy Research Working Paper Series 5616, The World Bank.

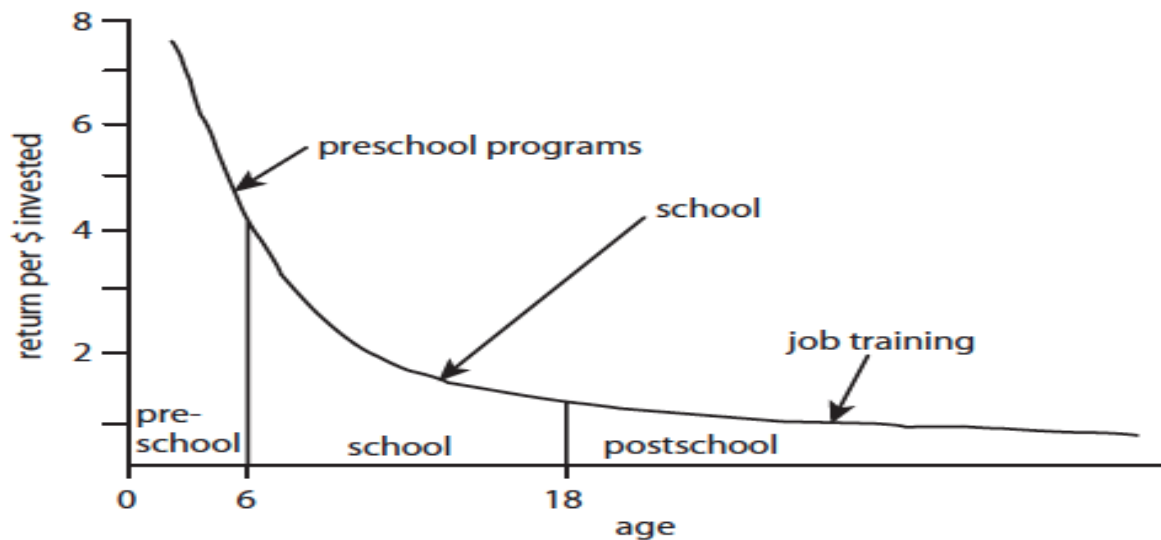
<sup>49</sup> Heckman James and D. Masterov (2007), *The Productivity Argument in Investing in Young Children*, Manuscript.

<sup>50</sup> Naudeau, Sophie, Sebastian Martinez, Patrick Premand, and Deon Filmer. 2011. "Cognitive Development among Young Children in Low-Income Countries." In *No Small Matter – The Impact of Poverty, Shocks, and Human Capital Investments in Early Childhood Development*, ed. H. Alderman. Washington, DC: World Bank.

<sup>51</sup> (Nadeau et al. 2011), *ibid*

<sup>52</sup> Carneiro, Pedro and Heckman, James J. (2003). "Human Capital Policy," in *Inequality in America: What Role for Human Capital Policies?* James J. Heckman, Alan B. Krueger and Benjamin M. Friedman, editors. Cambridge, MA: MIT Press.

**Figure A4.1: Rate of Return to human development- investment across all ages**



Source : Cameiro and Heckman 2003

6. ECD exposure can boost school readiness and educational outcomes. School readiness is a concept which goes beyond academics and should be viewed as adequately developed cognitive, physical, socio-economic and numerical domains to learn and be successful in school. Various early childhood development programs, particularly early education and pre-literacy programs, nutrition interventions, and parenting skills and knowledge training programs have direct implications for improving school readiness. The results of these interventions are higher school completion rates, enrolment rates, retention and improved performance in school readiness assessments<sup>53</sup>. Evidence from OECD countries participating in the 2009 Program for International Student Assessment (PISA) shows that students who had participated in ECD programs for one year or more scored 33 points higher than their counterparts who had not participated in such programs, after accounting for socio-economic factors. Programs such as the High/Scope Perry Preschool Program in the United States show that ECD can also improve grade retention. Participants in the program had higher rates of high school completion than their counterparts in the control group<sup>54</sup>. Because ECD has a role in improving both access to and quality of education, it can ultimately improve the pace of human capital formation in society as a whole.

### **Rationale for public investment**

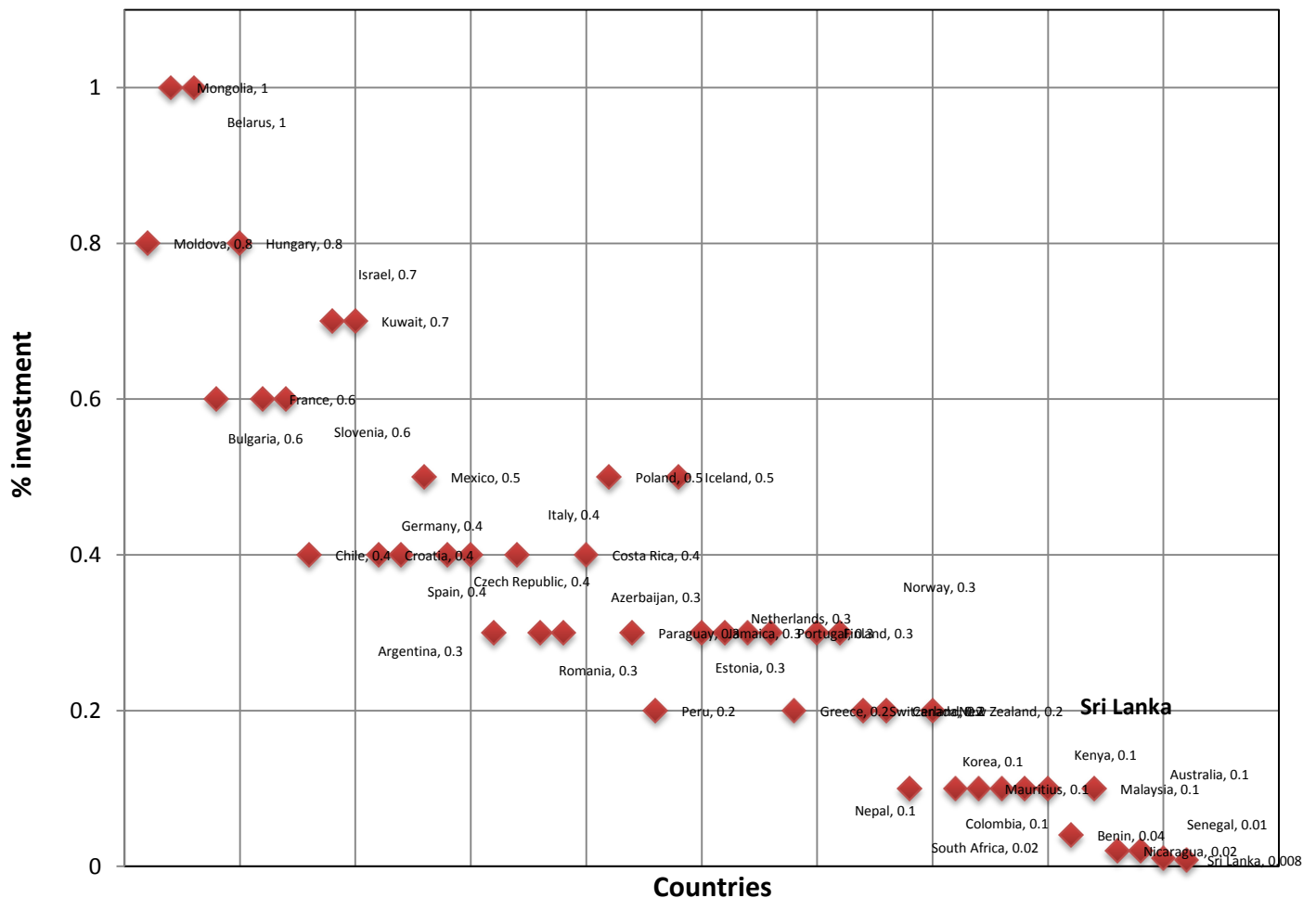
7. Public expenditure on ECD services for the 3-5 age group in Sri Lanka is very low, and is limited in its ability to address the growing demands of increasing access and improving quality in this sector. The average share of ECD budget for the last five fiscal periods has been increasing marginally but has remained below 0.0001 percent of the Gross Domestic Product (GDP). This is the lowest spending in South Asia and about 2.6 Standard Deviation less than the average for all countries (see Figure A4.2). The result of this paucity of public support for ECD is that the utilization of ECD services places a significant financial burden on poor households.

<sup>53</sup> (Nadeau et al. 2011). *ibid.*

<sup>54</sup> (Nadeau et al. 2011). *ibid.*

According to the Household Income and Expenditure Survey (HIES) 2012, 61 percent of children between the ages of 3 and 5 belonging to the bottom quintile, are not enrolled in ECD centers. On the quality side, quality-enhancing measures like improvement of facilities, curriculum reform, and teacher management and development continue to be largely unaddressed, despite being prioritized in policy. Increased public spending in ECD is a must for closing existing gaps in access and for responding to future needs of scaling up services.

**Figure A4.2: Public Expenditure on Preschool Education**



Source: Naudeau, 2010

8. Public financing is a necessary vehicle for rectifying market failures, which result from asymmetric or inadequate information. Parents might not possess adequate knowledge to make informed decisions on whether or not to send children to ECD centers. In the absence of the knowledge on the merits of early childhood education, parents will not see value in making investment in the ECD. Sometimes the parents do not have the ability to identify quality ECD facilities. The willingness to pay for ECD services depends on the economic status of the family. In a country where 83 percent of the existing ECD centers levy fees, ensuring equitable access requires support from the government for fee subsidies and activities aimed at raising mass awareness on the importance of investing in ECD.

9. In Sri Lanka, non-government agencies are the major providers of ECD services. These providers, however, do not reach all children, especially those who live in poor and otherwise disadvantaged geographic locations and are from disadvantaged families. Furthermore, centers catering to the poorer segments of society have only rudimentary facilities and are unable to offer good quality services. Public financing is required to correct this market failure and ensure equitable access to quality ECD services in Sri Lanka.

### **Value added of Bank's support**

10. The value added of the Bank's involvement in Sri Lanka's ECD sector comes from its global and local technical and operational experience in ECD, health, nutrition, education, and knowledge-based project design. The Bank recently completed a study of Sri Lanka's ECD sector using primary data collected from ECD centers as well as administrative and HIES data. The Bank task team has drawn upon the findings of this study to provide inputs into the design of this Project. Some of the key findings that have informed the design include:

- The key issues of concern are poor quality and limited (and inequitable) access to ECD services. Income and location are key determinants of access;
- On average, ECD centers are resource constrained and are inadequate in terms of infrastructure, teaching learning materials, classroom arrangements, and teacher qualifications;
- Children have a good understanding of simple concepts and patterns; however, their performance in areas requiring higher order skills is weak;
- Awareness among parents of the importance of holistic child development is limited, and most households view ECD classes as preparation for primary school; and
- The level of public financing of ECD in Sri Lanka is among the lowest in the world.

11. Given its rich technical and operational experience and strong working relationship with both with the government and development partners, the World Bank is also uniquely positioned to offer strong implementation support to the Project.

### ***B. Economic Analysis***

12. The proposed Project is the least cost alternative to achieving the PDO results. Cost effectiveness of the Project was compared with two feasible alternative designs, applicable to the policy and institutional framework of Sri Lanka, which have the potential to achieve the development objectives. In the first alternative, an integrated approach combining both education and nutrition aspect through the provision of a nutritious day meal was considered. This is in line with the GoSL's commitment to providing comprehensive early childhood care. The net present value (NPV<sup>55</sup>) of the implementation cost associated with the integrated project is US\$ 67.5 million in 2015 real terms. The second alternative included the cost of private investment in construction, and renovation of facilities for enhancing accessibility to the ECD centers. The NPV of the associated implementation cost for this model was estimated US\$ 74.7 million. On

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<sup>55</sup> NPV is calculated using  $NPV = \sum_{i=1}^n \frac{values_i}{(1+rate)^i}$

the other hand, the NPV of the proposed project cost along with future accrued costs is only US\$ 56.3 million, making it the least cost approach to achieving the PDO.

#### Analysis details

13. A cost effectiveness analysis was carried out over cost benefit analysis because many of the expected benefits of the Project are not easily quantifiable and there is a lack of appropriate data. Three alternatives which are reasonable and probable within the Sri Lanka context and in principle can achieve the PDO were considered for the analysis. It has been assumed that all three alternatives will cater to the same number of beneficiaries, keeping potential variations in quality of the facilities and services, as well as other components minimal in comparison to the proposed project. The core assumptions made in this analysis are as follows:

- a. Financial and economic
  - Real income growth rate is 6.1 percent annually
  - Public and private spending on education increases annually at the above growth rate
  - The discount rate is 8 percent
  - Prices are in 2015 real terms
  - Average monthly private expenditure in education in 2012 is SLR 1430
  - The depreciation rate for newly constructed facilities is 5 percent
- b. Loan repayment
  - An IDA interest rate of 1.25 percent, principal repayment rate of 3.3 percent for years 6-15 and 6.7 percent for years 16-25, and service charge of 0.75 percent will be levied.
- c. Education system
  - ECD centers have average center size of 50 students
  - The student teacher ratio will remain at 20:1 until the end of the project
  - 90 percent of students who enter grade 1 have some form of exposure to ECD education
  - There will be insignificant change in enrolment rate in class 1 due to the intervention
  - Average number of years spent by a student in Sri Lanka in schools is 14 years

14. The first model for delivering the PDO is an integrated design focusing on education and nutrition aspects of ECD. The primary variation in this design from the proposed Project is that the children from underserved areas will be provided with nutritious day meal in place of fee subsidies. All other project components remain the same. As both fees subsidies and school feeding have proven effects on enrolment, this model makes the assumption that provision of nutritious meals for selected schools in underserved areas produces lower bound effect on enrollment comparable to the effects of fees subsidies. The NPV of costs associated with the integrated design is US\$ 67.5 million in 2015 real terms<sup>56</sup>.

15. The second model is a mixed financing model, where public resources are leveraged with private funds to scale up the scope and size of their operation. A mixed financing model is useful for cutting down current as well as future fiscal burden to the government while also tapping into the relatively high level of private engagement in ECD service delivery in Sri Lanka. In this model, private operators will be responsible for financing the construction of ECD centers, and

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<sup>56</sup> The calculation was based on 40 years' time frame.

improving physical facilities including play areas and sanitation. The government has a rather limited role and is focused only on quality management, training of ECD teachers and teaching assistants, providing scholarship support and conducting awareness and interaction programs. Sensitivity analysis shows that the cost per new construction of the facilities in this model is almost twice that in the other two alternatives as it includes the cost of purchasing the land as well. The NPV of all accrued costs in this model is US\$ 70.0 million. This is the most costly alternative and would be the least preferable also from the perspective of financial sustainability.

16. The third model is the proposed Project, which focuses on a center-based delivery of ECD services to children. The NPV of cost associated with implementation of the proposed Project is US\$ 56.3 million in 2015 real terms, making it the least cost alternative. It includes the project cost, interest and service charge paid to the World Bank, and future liability to the government and the families resulting from increased school attainment of one year. A sensitivity analysis of the project cost NPV under varying increased school attainment and discount rate is presented in Table A4.2 below:

**Table A4.2: Sensitivity Analysis of NPV (under different discount rate and time)**

<b>Increased school attainment (in average)</b>	<b>NPV at 5% discount rate (US\$ million)</b>	<b>NPV at 8% discount rate (US\$ million)</b>	<b>NPV at 10% discount rate (US\$ million)</b>
<b>0.5 years</b>	61.6	50.1	44.6
<b>1 years</b>	72.0	56.3	48.9
<b>2 years</b>	92.9	68.7	57.8

### ***C. Fiscal and Financial Sustainability Analysis***

17. Public investment in ECD in Sri Lanka is the lowest among all middle and high-income countries. GoSL budget allocated to ECD was SLR 18.9 million in 2012, SLR 28.9 million in 2013, SLR 22.0 million in 2014 and SLR 40.0 million in 2015 (MOF, 2015) . This is less than 0.004 percent of the GDP for all years. Although the allocation has been increasing, it is still extremely low compared to the average public spending on pre-primary education in middle and high-income countries, which is about 1.75 percent of the GDP<sup>57</sup>.

18. At the end of the fifth year, approximately 1 billion SLR will be required to meet the recurrent expenditure for the sixth year. The cost will increase further in the following years. After the 15<sup>th</sup> year, GoSL will be required to allocate SLR 180 million annually for five years to cater to increased school attainment resulting from the intervention. Given the current expenditure pattern, fiscal sustainability of the Project can be viewed as a challenge.

19. However, GoSL has shown commitment to increasing investment in ECD. The government has recognized the importance of ECD and is committed to raising support in the sector. As proposed in budget speech 2015, GoSL will supply schools with ECD materials, provide monthly allowance of SLR 2500 and credit facility of SLR 10000 per teacher, provide teacher

<sup>57</sup> World Development Indicators 2013, The World Bank

training. It will also prioritize establishing pre-schools close to every primary school in areas where no pre-school facilities are presently available. SLR 300 million has been set aside in 2015 to support this initiative.

***D. Institutional Capacity and Risk Analysis***

20. Overall, there is a suitable environment for the proper operation of the Project. Though not acquainted with World Bank financed projects in the past, SMCA, has a system that can facilitate expansion, monitoring and improvement of ECD services. From the perspective of Economic Analysis, the cost implication of implementing partner risk is low.

21. Procurement can be an issue of concern. As a major portion of the Bank funding is directed to improving physical facilities and construction, poor procurement arrangement could have substantial cost implications for the Project. This is a major risk and should be mitigated to the extent possible by establishing a well-functioning procurement unit, capacity building of the procurement team, and provision of frequent technical support.

## Annex 5: Implementation Support Plan

### Sri Lanka: Early Childhood Development Project (P151916)

1. The strategy for implementation support has been formulated based on the nature of the Project and its risk profile. It aims to make implementation support to the client more flexible and efficient, and mitigate the risks identified in the SORT.
2. The supervision strategy consists of mechanisms that will enhance support to the Government and timely and effective monitoring. The supervision thus comprises (a) joint review missions; (b) regular technical meetings and field visits by the Bank between formal review missions; (c) SMCA reporting based on the internal monitoring system; (d) independent third-party evaluation where relevant; and (e) internal audit and FM reporting.
3. **Review missions:** The Bank, together with SMCA, will formally review project progress semi-annually in May/June and November/December, with more frequent missions expected at least in the first year of the Project. The November/December mission will assess implementation of the Project and critical interventions. These joint review missions will be complemented by visits from Bank Country Office staff and technical consultants, and continuous communication and follow-up between missions. The scope of supervision will also include monitoring SMCA compliance with stipulated FM, procurement, and environmental and social safeguards guidelines. Missions will review progress and any issues related to M&E and compliance with safeguards. One month before each joint implementation review mission, SMCA will give the World Bank a comprehensive progress report on project activities and an updated plan and budget.
4. In addition to the review missions, other support missions will be carried out especially during the first year, to help accelerate implementation. During those missions, field visits will assess reform outcomes and take corrective actions for national and institutional improvements. The Bank team will also participate in SMCA consultations with project stakeholders (e.g., PCs, PHDT, etc.). To ensure high-quality supervision, the Bank team will comprise not only early childhood development and implementation specialists but also specialists in FM, procurement, safeguards, and governance and anticorruption, with the team composition for each mission determined based on supervision requirements at that time.
  - *Procurement:* Support for procurement management will focus on effective implementation in line with the Bank's procurement guidelines. The following activities will be carried out by procurement staff in the Bank Country Office: (a) training as needed for staff of SMCA and its agencies on Bank Procurement Guidelines; (b) review of procurement documents prepared by SMCA; and (c) monitoring progress against the PP.
  - *Financial management:* Comprehensive review missions will be conducted at least twice a year. The missions will review the Project's FM system, starting with accounting, reporting, and internal controls, but also covering a random sample of subprojects. The Bank team will also work with SMCA to help improve coordination between departments and agencies on FM and reporting.

- *Environmental and social safeguards:* Each mission will review the implementation of project activities at sites where physical interventions such as the upgrading of infrastructure of ECD centers have been undertaken, and where preparation and implementation of action plans have been undertaken.
- *Other issues:* Sector level risks will be addressed at the portfolio level through policy dialogue with SMCA. However, as sector risks are closely related to government financial viability, the team will monitor them closely throughout project implementation.

## **Implementation Support Plan**

5. Most of the Bank team members will be based in the Sri Lanka Country Office and other country offices in the region to ensure timely, efficient, and effective support to the client. Formal supervision and field visits will be semiannual, with more frequent technical support missions during the first year of the Project. Detailed inputs from the Bank team would comprise:

- *Technical inputs:* Technical inputs are required to review preparation of proposals and bids to ensure fair competition through proper specifications and fair assessment of the technical aspects of bids. During commissioning, technical supervision is required to ensure that contractual obligations are met. The team's implementation specialist will conduct semiannual site visits throughout the life of the Project.
- *Fiduciary requirements and inputs:* Before the Project becomes effective, training will be provided to SMCA staff by the Bank's FM and procurement specialists based in the Country Office. The team will also help SMCA and its agencies to identify capacity-building needs in FM and procurement management. Support missions, including procurement and FM reviews, will be semiannual. Procurement and FM support will also be provided to the client as required.
- *Safeguards:* An orientation program on safeguard policies and the implications of safeguard instruments was conducted for key SMCA and PHDT staff during preparation of the project EMF and SIMF. The assigned Safeguard Officers are based in Colombo and can provide technical support at any stage of the Project. The Bank will monitor compliance with the EMF and SIMF standards during implementation support missions, and technical guidance will be provided accordingly.
- *Operation:* An Operations Officer, based in the Country Office, will provide day to day supervision of all operational aspects, as well as coordination with the client and among Bank team members.

6. The main implementation support is summarized in Tables A5.1 and A5.2 below.

**Table A5.1: Staff Level of Effort for Project Implementation Support**

<b>Time</b>	<b>Focus</b>	<b>Annual Resource Estimate</b>	<b>Partner Role</b>
First 12 months	Technical support	ECD Specialist 6 SWs Implementation Specialist 8 SWs Economist/ M&E Specialist 6 SWs	NA
	FM training and supervision	FM Specialist 8 SWs	
	Social monitoring & reporting	Social Development Specialist 1 SW	
	Institutional arrangement and project supervision coordination	Operations Officer 20 SWs	
	Team leadership	Task Team Leader 24 SWs	
12-60 months	Technical and Operational support	ECD Specialist 8 SWs Implementation Specialist 8 SWs Economist/ M&E Specialist 6 SWs Operations Officer 8 SWs	`
	Social monitoring & reporting	Social Development Specialist 1 SW	
	Financial management disbursement and reporting	Financial Management Specialist 4 SWs	
	Procurement management	Procurement Specialist 2 SWs	
	Environmental safeguards monitoring and reporting	Environmental Specialist 1 SW	
	Team leadership	Task Team Leader 12 SWs	

SW =Staff-Week

**Table A5.2: Staff Skill Mix Required**

<b>Skills Needed</b>	<b>Number of Staff Weeks</b>	<b>Number of Trips</b>	<b>Comments</b>
Operations Officer	20 SWs annually	Field trips (FT) as required.	Country office based
Economist / M &E Specialist	6 SWs annually	Two	Region based
ECD Specialist	6 SWs annually	Two	HQ based
Implementation Specialist	8 SW annually	FT as required.	HQ based
Procurement Specialist	4 SWs annually	FT as required.	Country office based
Social Development Specialist	1 SWs annually	FT as required.	Country office based
Environmental Specialist	1 SWs annually	FT as required.	Country office based
FM Specialist	8 SWs annually	FT as required.	Country office based
Task Team Leader	24 SWs 1 <sup>st</sup> year; 12 SWs annually following years	Four (annually)	Region based

\*SW = Staff Week.