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A.I.D. Loan Number 383-T-029 A

Project Number 383-0078

AMENDMENT NUMBER ONE
TO
LOAN AGREEMENT
BETWEEN THE
DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA
AND THE
UNITED STATES OF AMERICA
FOR
MAHAWELI SECTOR SUPPORT

Dated: March 26, 1982

AMENDMENT NUMBER ONE
TO
LOAN AGREEMENT
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Dated: March 26, 1982

BETWEEN

The Democratic Socialist Republic of Sri Lanka ("Cooperating Country")

AND

The United States of America, acting through the Agency for International Development ("A.I.D.").

WHEREAS, the Cooperating Country and A.I.D. entered into a Loan Agreement for the Mahaweli Sector Support Program, dated May 29, 1981, and

WHEREAS, the parties now desire to increase the amount of the Loan, provide for use of the increased Loan in the furtherance of the Program, and make certain modifications in the Loan Agreement,

NOW THEREFORE, the Cooperating Country and A.I.D. hereby amend the Loan Agreement as follows:

1. Article 3: Financing

SECTION 3.1. The Loan. Delete the words "not to exceed Eighteen Million, Eight Hundred Thousand United States ("U.S.") dollars (\$18,800,000) ("Loan")" and substitute in lieu thereof the words "an amount not to exceed Thirty-three Million, Eight Hundred Thousand United States ("U.S.") dollars (\$33,800,000) ("Loan")".

SECTION 3.3. Program Assistance Completion Date. Delete paragraphs (a) and (b) in their entirety and substitute the following:

(a) The "Program Assistance Completion Date" (PACD), which is June 30, 1984, or such other date as the Parties may agree to in writing, is the date by which the parties estimate that the specific Mahaweli Program activities supported by the Loan will have been implemented as contemplated in this Agreement.

(b) Except as A.I.D. may otherwise agree in writing, A.I.D. will not issue or approve documentation which would authorize disbursement of the Loan in support of implementation of any Mahaweli Program activities subsequent to the PACD.

2. Article 5: Conditions Precedent to Disbursement

Add the following new Section 5.4.:

SECTION 5.4. First Disbursement under Amendment Number One

(a) Prior to the first disbursement under Amendment Number One to this Agreement, or to the issuance by A.I.D. of documentation pursuant to which disbursement thereunder will be made, the Cooperating Country will, except as the Parties may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D., an opinion of counsel acceptable to A.I.D. that the said Amendment Number One has been duly authorized and/or ratified by, and executed on behalf of, the Cooperating Country, and that it and the Agreement as thereby amended constitute valid and legally binding obligations of the Cooperating Country in accordance with all of their terms.

(b) If the condition specified in this Section has not been met within ninety (90) days from the date of Amendment Number One, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may terminate this Agreement, as amended, by written notice to the Cooperating Country. A.I.D. will promptly notify the Cooperating Country when it has determined that the condition precedent specified in this Section has been met.

3. Article 7: Disbursement

Delete the title of Article 7, and Sections 7.1 and 7.2 in their entirety, and substitute the following:

Article 7: Annual Programming and Disbursements

SECTION 7.1. Annual Programming

(a) The specific Program activities to be supported under the Loan in each calendar year, the levels of local currency expenditures to be budgeted for the selected activities by the Cooperating Country, and the physical outputs targeted thereby to be achieved, as well as the levels of local currency support to be provided under the Loan for the selected activities will be agreed upon by the Parties annually, and finalized, if possible, prior to the beginning of each fiscal year of the Cooperating Country. Except for the physical outputs targeted to be achieved, the results of the annual programming by the Parties will be set forth in an annual tabular supplement to Annex 1 to this Agreement. In accordance with Section 2.1 and Annex 2, Article A, the annual tabular supplements and any changes to them or to the program for any year may be formalized by Program Implementation Letters agreed upon by the Parties, without formal amendment of this Agreement.

(b) Local currency support of the selected Program activities will be provided under the Loan in accordance with the levels of support agreed upon, in accordance with paragraph (a) above, and on a reimbursement basis based on actual local currency expenditures made by the Cooperating Country for the selected activities during quarterly or other agreed periods of the Cooperating Country's fiscal year.

(c) A.I.D. will in no event be obligated to lend to the Cooperating Country, to make disbursements under the Loan, or to provide local currency support for the Program in an aggregate amount greater than the amount of the Loan stated in Section 3.1

SECTION 7.2. Disbursements

(a) After satisfaction of conditions precedent in Article 5, as applicable, the Cooperating Country may obtain disbursements under the Loan, in the form described in paragraph (b) below, for local currency support for the Program as agreed upon in accordance with Section 7.1 above by submitting requests therefor to A.I.D., together with necessary supporting documentation as prescribed in Program Implementation Letters.

(b) Disbursements will be made under the Loan by A.I.D.'s causing to be issued by a U.S. bank in favor of the Central Bank or other designee of the Cooperating Country an Unrestricted Special Letter of Credit ("USLC"), or an amendment thereto, in an amount of U.S. dollars equivalent to the amount of local currency support financeable under the Loan, based on the levels of support agreed upon under Section 7.1.

(c) Except as A.I.D. may otherwise agree in writing, the U.S. dollars made available in the Unrestricted Special Letter of Credit may be utilized only for procurement of goods or services from the United States, under appropriate procedures to be described in Program Implementation Letters.

4. Annex I. Amplified Program Description.

Delete Table 1, Allocation of Rupees for 1981, and substitute the attached Table 1 (Revised), Allocation of Rupees for 1981. Table 1 (Revised) incorporates agreed revisions in the annual program for 1981.

Add a new Table 2, Allocation of Rupees for 1982, which is hereto attached. Table 2 sets forth the agreed annual program for 1982.

5. Annex II. Standard Program Agreement Provisions Annex.

SECTION B.3(a): Delete "resources financed under the Assistance" and substitute in lieu thereof "resources financed under Mahaweli budget items or activities supported by the Assistance".

SECTIONS B.3(b), B.7, C.1(b), and C.1(d): Delete "goods or services financed under the Assistance" and substitute in lieu thereof "goods or services financed under Mahaweli budget items or activities supported by the Assistance".

SECTION B.5(b): Delete "reimbursement of local costs incurred" and substitute in lieu thereof "reimbursement of local currency support".

SECTION B.5(c): Delete "goods and services financed by such Party" and substitute in lieu thereof "goods and services financed under Mahaweli budget items or activities supported by the Assistance".

SECTION C.1(a): Delete "or which was for goods or services" and substitute in lieu thereof "or which was made in support of any Mahaweli budget item or activity under which there was financed any goods or services".

SECTION C.1(b): Delete "for such goods or services" and substitute in lieu thereof "made in support of such Mahaweli budget items or activities".

SECTION C.1(d): Delete "cost of goods and services required for the Program" and substitute in lieu thereof "support of Mahaweli budget items or activities agreed upon by the Parties".

SECTION D.2(3): Delete "under the Assistance" and substitute in lieu thereof "under Unrestricted Special Letters of Credit".

6. The modifications made by this Amendment to Sections 3.3, 7.1, and 7.2, to Table 1 of Annex I, and to Annex II of the Loan Agreement shall be considered effective from the date of the original Loan.

IN WITNESS WHEREOF, the Democratic Socialist Republic of Sri Lanka and the United States of America, each acting through its duly authorized representative, have caused this Amendment Number One to be signed in their names and delivered as of the day and year first above written.

THE DEMOCRATIC SOCIALIST
REPUBLIC OF SRI LANKA

UNITED STATES OF AMERICA

By: C. Chinnappa
Name: Chandirapal Channugam
Title: Acting Secretary
Ministry of Finance & Planning

By: John H. Reed
Name: John H. Reed
Title: American Ambassador

TABLE 1 (Revised)

MAHAWELI SECTOR SUPPORT
ALLOCATION OF RUPEES FOR 1981

BUDGET FOR 1981
(Rupees Millions)

MAJOR ACTIVITY	TOTAL	FOREIGN DONOR	COOPERATING COUNTRY	PORTION OF COOPERATING COUNTRY ALLOCATED TO LOAN ^{1/}
1. System H (Market roads, social and agricultural infrastructure, on-farm development, settlement and settler services, irrigation system)	354	115.5	238.5	29
2. Minipe Anicut and Trans-basin Canal Complex (for work associated with the RB Transbasin Canal from Minipe Anicut to Ratkinda Reservoir)	335	165	170	91
3. System B (land development, construction of roads, tank improvement, surveys and services, building construction, and irrigation system)	90	25	65	19
4. System C (irrigation works, building construction, services and maintenance)	180	92	88	54
5. Relocation of families affected by Headworks	37	-	37	1
6. Total	996	397.5	598.5	194

^{1/} In support only of expenditures from June 1, 1981 - December 31, 1981. See also footnote 2 on Table 2.

TABLE 2

**MAHAWELI SECTOR SUPPORT
ALLOCATION OF RUPEES FOR 1982**

BUDGET FOR 1982
(Rupees Millions)

MAJOR ACTIVITY	TOTAL	FOREIGN DONOR	COOPERATING COUNTRY	PORTION OF COOPERATING COUNTRY ALLOCATED TO LOAN
1. System H (Irrigation infrastructure, roads and bridges, drainage, social infrastructure including water and power, buildings, on farm development, settlement services and support, reforestation, and maintenance)	299	120	179	99.5
2. System B (Social infrastructure, market roads, irrigation works, buildings, surveys, land development, tank bed clearance, experimental farm, and settler services for Zones 1 and 5)	509	370	139	91.5
3. System C (Irrigation channel and reservoir work and buildings in Zones 2 and 3)	448	393	55	17
4. System G (Irrigation and road development, project buildings and workshop, land clearing, settler support)	36	12	24	17
5. Minipe Anicut/Transbasin Canal Complex (for work associated with the RB transbasin canal from Minipe Anicut to Ratkinda Reservoir)	324.5	207	117.5	88
6. Sub-total	1616.5	1102	514.5	313
7. Unallocated ^{1/}				189
8. Total				502 ^{2/}

^{1/} The amount unallocated may subsequently be allocated to the major activities in Table 2 or to additional major activities by mutual agreement of the parties effected by jointly agreed-upon Implementation Letters.

^{2/} Should disbursement from the loan in support of expenditures for major activities eligible in 1981 and 1982 not equal the amount available in the loan, any portion of the loan not so disbursed shall remain available for disbursement in support of major activities eligible in 1983.