

FOURTH AMENDMENT  
TO  
PROJECT LOAN AND GRANT AGREEMENT  
BETWEEN  
THE SULTANATE OF OMAN  
AND  
THE UNITED STATES OF AMERICA  
FOR  
WATER RESOURCES DEVELOPMENT PROJECT

DATE: 30<sup>th</sup> September 1990

Loan and Grant Agreements

FM/LMD (if Loan)  
FM/PAFD  
FM/CAD  
GC/ANE  
ANE/Desk  
ANE/TR Officer  
ANE/PD Officer & File  
PPC/CDIE/DI ✓

original with PAC

PROJECT LOAN AND GRANT  
FOURTH AMENDMENT

Dated:

BETWEEN

The Sultanate of Oman

AND

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

WHEREAS on September 27, 1986 the Sultanate of Oman and the United States of America, acting through A.I.D. ("Parties") entered into a Project Loan Agreement whereby A.I.D. agreed to lend to the Sultanate of Oman Fourteen Million Five Hundred and Fifty-Six Thousand United States Dollars (\$14,556,000) to finance foreign exchange and local currency costs of goods and services required for the Project; and

WHEREAS on September 14, 1987 the Parties amended said Agreement to provide an additional Nine Million Nine Hundred and Thirty-Five Thousand United States Dollars (\$9,935,000) for the purposes set out in the Loan Agreement and Amendment No. 1; and

WHEREAS on September 12, 1988 the Parties amended the said Agreement to provide an additional Eight Million United States Dollars (\$8,000,000) for the purposes set out in the Loan Agreement as amended; and

WHEREAS on May 1, 1989 the Parties amended the said Agreement to expand the Agreement to include a grant element, and to provide an additional Ten Million United States Dollars (\$10,000,000) for the purposes set out in the Loan Agreement as amended; and

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WHEREAS, the Parties now wish to amend the Loan and Grant Agreement, as amended, for the purpose set out below;

NOW THEREFORE, the Parties hereby agree as follows:

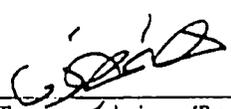
1. Annex 1, Detailed Project Description: Delete Annex 1, as amended, and substitute therefor the attached "Amended Annex 1, Detailed Project Description".

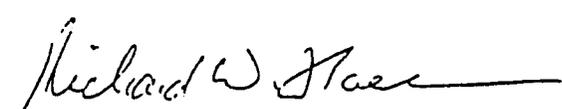
IN WITNESS WHEREOF, the Sultanate of Oman and the United States of America, each acting through its duly authorized representatives, have caused this Fourth Amendment to be signed in their names and delivered as of the day and year first above written.

FOR THE SULTANATE OF OMAN

FOR THE UNITED STATES OF AMERICA

\_\_\_\_\_  
Qais bin Abdul Munim al-Zawawi  
Deputy Prime Minister for  
Financial and Economic Affairs

  
\_\_\_\_\_  
Haitham bin Tareq bin Taimur  
al-Said  
Undersecretary for Political  
Affairs  
Ministry of Foreign Affairs  
Co-Chairman, OAJC

  
\_\_\_\_\_  
Richard W. Boehm  
U.S. Ambassador  
American Embassy  
Co-Chairman, OAJC

\_\_\_\_\_  
Hamoud bin Ibrahim bin Soomar  
Undersecretary for Financial  
Affairs

\_\_\_\_\_  
Hamoud bin Hilal al-Habsi  
Undersecretary for Economic  
Managing Director, OAJC

\_\_\_\_\_  
Duncan R. Miller  
A.I.D. Representative  
OAJC

## REVISED ANNEX 1

### DETAILED PROJECT DESCRIPTION

#### A. Background

The Water Resources Development Project is a sector project for water resources development and utilization. The Project addresses Oman's goal of providing a safe and reliable supply of water sufficient to meet the needs of the people and planned development. The loan-financed portion of the Project will improve the water and wastewater system, in Salalah and the water system in Muscat, the two largest urban areas in Oman. The grant-funded portion of the Project will be used to develop water and wastewater masterplans for Salalah and a water masterplan for Muscat as well as other activities to strengthen the capacity for planning and managing water resources. This revised description of project activities replaces earlier descriptions of loan and grant funded project activities.

#### B. Description of Loan-Funded Project Activities

##### 1. Muscat

##### a) Muscat Water System Improvements

Improvements to the Muscat water system which are included in the Third Five-Year Plan will be designed and constructed. The improvements will increase the supply of water available to the system, and strengthen and expand water transmission and storage capacity.

The loan will finance the engineering services required to prepare detailed plans and designs, prepare construction tender documents, assist in the selection of construction contractors, supervise construction, and construction activities. Components of the water system improvements eligible for financing under the loan are:

(i) Design and construction of additional water storage facilities at the Ghubrah Desalination plant; and,

(ii) Design and installation of pipelines and related pumping facilities required to strengthen and increase the capacity of the water transmission network connecting the Ghubrah Desalination plant to various parts of Muscat's water system.

The Government of Oman, acting through the Ministry of Electricity and Water (MEW) will finance the major procurement costs of the improvements to the water system. The Government of Oman will assign personnel to oversee the work of the engineering consultant and assist the consultant in carrying out project activities.

## 2. Salalah

### a. Salalah Water and Wastewater Improvements

Improvements to the Salalah wastewater system which are included in the Third Five-Year Plan will be designed and constructed. The improvements will reduce or eliminate the pollution of key groundwater resources from the uncontrolled dumping of sewerage. Other priority improvements of the water and wastewater systems which are identified during the preparation of the Salalah Water and Wastewater Masterplan are eligible for financing by the Project with prior A.I.D. approval.

Loan funds will be used to finance the engineering services required to prepare detailed plans and designs, for the water and wastewater improvements, preparation of construction tender documents, supervision of construction and the actual construction. The Government of Oman, acting through the Office of the Wali of Dhofar will implement improvements in the Salalah water and wastewater systems. The Government of Oman will provide office space for engineering consultants, assign personnel to oversee and manage the work of the engineering consultants and construction contractors. The Government of Oman is also expected to share the costs of or co-finance improvements in the Salalah water and wastewater systems.

## C. Description of Grant-Funded Project Activities

### 1. Water Masterplan for Muscat.

This activity will be implemented by the Ministry of Electricity and Water. Consultants will be employed to prepare a master plan for the environmentally sound and socially acceptable, long-term development of water facilities for Muscat at the least overall cost. The plan will integrate water facilities to minimize construction costs.

In addition to planning for the physical development of the Muscat water system, the masterplan will also study and recommend a program for strengthening the institutions which are responsible for the operation and maintenance of the physical systems. This element of the study will include a detailed assessment of the financial aspects such as recurrent costs, tariffs and accounting systems. The study

will recommend alternative organizational arrangements, tariff schedules and training programs as appropriate with the conclusions of the study.

Grant funds will be used to finance the technical services required to prepare the masterplan and associated studies. The Government of Oman will provide office space for the consultants and assign personnel to oversee the work and to assist the consultant, as required, to conduct the study.

## 2. Water and Wastewater Masterplan for Salalah.

This component will be implemented by the Office of the Wali of Dhofar through the Dhofar Municipality. Consultants will be employed to prepare a masterplan for the environmentally sound and socially acceptable, long-term development of water and sewerage facilities for Salalah at the least overall cost. The plan will integrate water and wastewater facilities to minimize construction costs and permit the maximum reuse of treated wastewater. An environmental evaluation will be conducted as part of the Masterplan.

In addition to planning for the physical development of the Salalah water and wastewater systems, the masterplan will also study and recommend a program for strengthening the institutions which are responsible for the operation and maintenance of the the physical systems. This element of the study will include a detailed assessment of the financial aspects such as recurrent costs, tariffs and accounting systems. The study will recommend alternative organizational arrangements, tariff schedules and training programs as appropriate with the conclusions of the study.

Grant funds will be used to finance the technical services required to prepare the masterplan and associated studies. The Government of Oman will provide office space for the consultants and assign personnel to oversee the work and to assist the consultant, as required, to conduct the study.

## 3. Coastal Zone Protection/Regulation Study

Grant funds will be used to finance a study for the protection of the coastal zones of the Sultanate of Oman and to prepare a data base on coastal areas and activities. Subsequently, draft policy recommendations will be prepared for the future protection of these fragile zones. This component will be implemented by the Ministry of Environment (MOE). U.S. consultants will prepare the studies and regulations. The MOE will provide office space for the consultants and assign personnel to oversee the work and assist the consultant, as required, to conduct the study.

#### 4. Planning and Management Support

In recognition of increasingly severe problems in the management of Oman's scarce water resources, the Government established the Ministry of Water Resources (MWR) in October 1989. The MWR is charged with overall management of national water resources, requiring coordination with sectorial, regional and municipal authorities. Other key institutions include the Ministry of Electricity and Water, the Diwan for the Royal Court and the Dhofar Regional and Municipality Authorities. There is an immediate need for the improvement of resource management capabilities, including data collection, modeling and demand analyses, and upgrading of analytical capabilities.

Technical assistance to assist the Institutions in these activities will be provided through direct contracts by A.I.D. to facilitate rapid implementation of key activities. Specific tasks to be financed include technical assistance for: data management (well inventory and database/computer systems); water quality and training (laboratory upgrading and training); surface water data collection (hydrometeorology and wadi gauging, drainage basin characteristics, representative basins, and aflaj flows); groundwater data collection and management (wadi throughflows, recharge, and salinity transects); water management (galleries/radial collector wells, small basin management, regional assessments, and amenity horticulture); and, technology development. Follow on assistance may be provided to the MWR and other institutions for the procurement of goods and services related to the implementation of consultant recommendations for improved resource management capabilities. Such follow-on assistance may include hydrological gauging equipment, imagery, laboratory equipment, and computer hardware/software.

#### 5. Training

The restructuring of water resource responsibilities culminating in the creation of the Ministry of Water Resources has resulted in increased demand for specialized technicians and professionals in water resource fields. The expansion of the Ministry of Water Resources has additionally created a need for upgrading of the Ministry's staff to cope with the added complexity and sophistication inherent in their new responsibilities, which is partly addressed in the Planning and Management Support activities. As part of the overall planning and management support activities a training plan for the Ministry of Water Resources will be developed to structure the required human resource development activities.

In support of these efforts to create a cadre of specialized water resource technicians and professionals, assistance will be provided for training. Training assistance is envisaged for newly recruited and existing staff for MWR and other

entities involved in water resources. Assistance may be provided for academic training at the Associate, Bachelors, and Masters level, offshore and onshore short term technical training by equipment suppliers, training institutions, or a training contractor, conferences, seminars, or other appropriate training activities. Assistance may be provided in the form of tuition and maintenance for offshore programs, trainers and training materials for onshore programs, fees and travel expenses for conferences and seminars, curriculum development, or training equipment.

#### D. Financial Plan

Set forth below is a revised financial plan based on estimates prepared by the Omani-American Joint Commission and Government of Oman consultants.

The amount shown for the Government of Oman's contribution to the cost of the preparation of masterplans and the improvements in the Salalah water and wastewater systems are largely "in-kind" costs covered in the Omani Government's Annual Development Budget. The balance of the Government of Oman's contribution is the minimum estimated amount which the Government will invest in the planned expansion of the Ghubrah Desalination plant and other water system improvements in the Muscat area during the course of the current Third Five-Year Plan period and in the Fourth Five-Year Plan. (1991-1995).

The amounts shown for the U.S. contribution to each activity represent the total planned U.S. contribution to that activity. The planned allocation of funds may be changed at a later date by mutual agreement without the formal amendment of this agreement.

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TABLE I  
WATER RESOURCES DEVELOPMENT  
272-0104  
REVISED BUDGET  
(\$ Million)

Item	U.S.		Revised Budget	Oman	TOTAL
	Cumulative (Through Amend- ment No. 3)	Increase/ (Decrease			
Loans:					
Muscat Water					
Improvements	15.4	-	15.4	111.6	127.0
Masterplan	4.0	(4.0)	-0-	0.0	0.0
Salalah Water and Waste Water					
Masterplans	3.0	(3.0)	-0-	0.0	0.0
Construction	10.0	7.0	17.0	0.7	17.7
Subtotal (Loan)	32.4	-0-	32.4	112.3	144.7
Grant Funds: (1)					
Muscat Masterplan	-	-	1.0	0.4	1.4
Salalah Masterplans	-	-	3.0	0.3	3.3
Coastal Zone	-	-	1.5		1.5
Plan/Mgt Support	-	-	3.0		3.0
Training	-	-	1.5		1.5
Subtotal (Grant)	10.0	-	10.0	0.7	10.7
TOTALS	42.4	-0-	42.4	113.0	155.4

(1) GovOman support to the individual grant subactivities includes in-kind professional staff, office space, salaries and travel of participants, logistics and administrative support.

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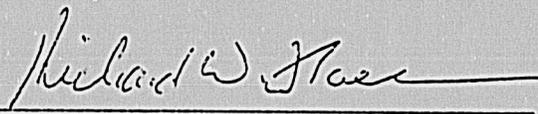
FOR THE UNITED STATES OF AMERICA



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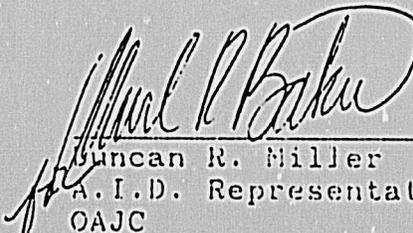


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