

PD-ABI-280

2742

CONFORMED COPY

A.I.D. Loan Number 383-T-039

A.I.D. Project Number: 383-0103

AMENDMENT NUMBER FIVE

TO THE

PROJECT LOAN AND GRANT AGREEMENT

BETWEEN

THE UNITED STATES OF AMERICA

AND

THE DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA

FOR

MAHAWELI DOWNSTREAM SUPPORT

Date: April 30, 1993

A.I.D. Project Number 383-0103

**PROJECT LOAN AND GRANT AGREEMENT AMENDMENT**

AMENDMENT NUMBER 5, dated April 30, 1993, between the UNITED STATES OF AMERICA, acting through the Agency for International Development ("A.I.D."), and the DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA ("Borrower/Grantee"):

WHEREAS, the Borrower/Grantee and A.I.D. entered into a Mahaweli Downstream Support Project Loan and Grant Agreement, dated August 28, 1987, as amended by Amendment No. 1 of September 23, 1987, Amendment No. 2 of June 6, 1988, Amendment No. 3 of January 20, 1989, and Amendment No. 4 of September 18, 1991, ("Agreement"); and

WHEREAS, the Borrower/Grantee and A.I.D. (the "Parties") desire to further amend the Agreement to revise the Project activities because of civil strife and to accordingly decrease the A.I.D. contribution and the Borrower/Grantee Resources to the Project;

NOW THEREFORE, the "Parties" hereby agree that the Agreement shall be amended to read as follows:

1. Section 3.1 entitled "The Loan" is amended by deleting the words and number "Six Million and Twenty Four Thousand United States ("U.S.") Dollars (\$6,024,000)" and substituting therefor the words and number "Three Million Eight Hundred and Thirty One Thousand Two Hundred and Ninety Four United States ("U.S.") Dollars (\$3,831,294)".

2. Section 3.2 entitled "The Grant" is amended by deleting the words and number "Four Million Nine Hundred and Seventy Six Thousand United States ("U.S.") Dollars (\$4,976,000)" and substituting therefor the words and number "One Million Seven Hundred and Forty Eight Thousand Seven Hundred and Fifty Seven United States ("U.S.") Dollars (\$1,748,757)".

3. Section 3.3 entitled "Borrower/Grantee Resources for the Project" is amended by deleting the number US\$20,100,000 and substituting therefor the number US\$7,500,000.

4. The Amplified Project Description (Annex 1 to the Agreement) is deleted in its entirety and replaced by the Revised Amplified Project Description in Annex 1 hereto.

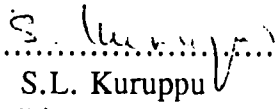
5. The Project Financial Plan, Attachment 1 of Annex 1 of the Agreement, as previously revised, is deleted in its entirety and Annex 1, Attachment 1 hereto is substituted therefor.


Except as amended herein, the Agreement between the Borrower/Grantee and A.I.D. remains in full force and effect.

IN WITNESS WHEREOF, the DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA and the UNITED STATES OF AMERICA, each acting through its respective duly authorized representative, have caused this Amendment to be signed in their names and delivered as of the day and date first above written.

GOVERNMENT OF THE DEMOCRATIC  
SOCIALIST REPUBLIC OF SRI LANKA

GOVERNMENT OF THE  
UNITED STATES OF AMERICA

By:..........  
Name: S.L. Kuruppu  
Title: Director  
External Resources Department  
Ministry of Finance

By:..........  
Name: Richard M. Brown  
Title: Director

## Mahaweli Downstream Support Amplified Project Description

### A. Project Goal and Purpose

The goal of the Project is to obtain the maximum possible economic benefits from the land and water resources available to settler families on the left bank of System B.

The purpose of the Project is to complete the construction of the tertiary irrigation system (distribution, field, and drainage canals), roads, and settlements, primarily in Zone 4A, but also in other zones on the left bank of System B should critical infrastructure gaps be identified.

It is anticipated that, at the end of the Project, all of the downstream infrastructure will be in place in Zone 4A of System B to produce diversified crops under irrigation, market the crops, and meet the economic and social needs of the local population. In addition, critical infrastructure needs will have been met in other zones on the left bank of System B.

The activities to be carried out under the Project are the following:

1. Final design of the irrigation system and revision of the Land Use Plan in Zone 4A. Detailed topographical surveys will be carried out to correct deficiencies in farm-level irrigation observed in other zones of System B. Also, detailed land use planning will be carried out to 1) determine the optimal use of soil resources in the Project area, 2) maximize the use of irrigated land for crops that could be more remunerative than rice, and 3) take account of an increase in the size of the homestead from .2 hectare to .4 hectare. Project funds are provided to finance short-term technical assistance to work with MECA and the Survey Department on design and planning of a revised land use plan.

2. Construction of the tertiary irrigation system. This activity will consist of approximately 63 km of distribution canals (D canals), 138 km of field channels (F channels), and 184 km of turnout drains leading to natural waterways. In addition jungle will be cleared and land will be levelled for approximately 2625 hectares of gross irrigated area which will be blocked out in to approximately 2000 one-hectare farm plots. The detailed surveys and further land use planning mentioned above is not likely to result in major changes in the location or design of the D canals. However, there could be significant changes in the field and drainage channels from the MECA plans prepared in 1980, when system B was seen primarily as a paddy production area. Zone 4A has a large floodplain area (approximately 900 hectares) which will be subject to frequent inundation. The Project provides funds to test alternative approaches to this complex problem and to finance improvements where technically and economically feasible. The first stage will be to revise the Land Use Plan (LUP), complete the detailed topographical survey, and prepare a final layout for field channels and drainage canals, total irrigated area, and location of settlements.

3. Road Construction. The Project will construct approximately 30 km of paved market roads and 92 km, of unpaved hamlet road. The system of market and hamlet roads will provide access from the settlement areas to the trunk roads.

4. Construction of the settlement areas. Plans for the settlement of Zone 4A include one area center, one village center, and 9 hamlets. These settlements represent the appropriate distribution of commercial, social and administrative services to meet the needs of the proposed population of the zone. The public and administrative buildings to be constructed by the Project include MEA and MECA staff housing, MEA block and unit service centers, cooperative centers, primary schools and health clinics. In addition, approximately 8 village water storage tanks will be either constructed or rehabilitated.

5. Settlement Implementation. The settlement phase of the project involves the selection of settler families, transportation to the zone, construction of houses, wells and latrines, and on-farm development. It is anticipated that the construction of downstream infrastructure and settlement of farm families will be phased by block with approximately 500 families settled the first year, approximately 800 the second, and approximately 700 the third. The GSL will provide, at a minimum, the following assistance to each newly-settled farm family, in cash or kind:

House construction assistance:	Rs.1,750
Tools and implements:	Rs. 350
Drinking water well construction:	Rs.2,750
Latrine construction:	Rs. 400
Planting materials for homestead plot:	Rs. 500
Assistance to paddy plot development:	Rs.2,500

#### B. Administrative Arrangements

The Ministry of Mahaweli Development (MMD) has overall responsibility for the Project. Responsibility for implementation lies with the Mahaweli Authority of Sri Lanka (MASL) through its two agencies, the Mahaweli Engineering and Construction Agency (MECA) and the Mahaweli Economic Agency (MEA).

MASL has specific responsibility for coordination and monitoring of project activities. Coordination is carried out through two inter-agency committees: a Steering Committee at the policy level, and a Coordinating Committee at the working level. The key actions to be coordinated initially are the preparation of the LUP and the detailed topographic survey, which will be carried out by divisions of the Ministry of Lands and Land Development (MLLD).

The general monitoring of the Project for MASL is the responsibility of the Planning and Monitoring Unit (PMU). It is anticipated that MEA will monitor the on-farm development activities funded by the GSL.

MECA is the key agency in the implementation of the Project, responsible for the investigation, design, and construction of downstream development. MECA will manage the contracts for downstream development. It is estimated that about 25 percent of the construction will be performed under small contracts. The contract management and quality control capacities of MECA will be strengthened by providing: 1) an expatriate irrigation engineer for two and one-half years, 2) three locally-hired engineers for the life of the project, and 3) in-country and overseas training for MECA staff in construction management and technical aspects of irrigation engineering, especially related to drainage and flood control.

MEA will take over the settlement and administrative infrastructure from MECA after the completion of construction and will be responsible for operation and maintenance of the system as well as all activities connected with settlement and settler welfare.

One long-term advisor will provide irrigation engineer services related to drainage trails, flood control experiments, training of MECA engineers and local contractors, and the supervision of local-hire engineering short-term technical assistance. The advisor will be assisted by three local engineers who will be primarily responsible for overseeing AID-financed construction but will also participate in training and experiments under his supervision. Short-term technical assistance is provided to carry out special studies, including the revised LUP, and address special problems related to drainage, flood control, and irrigation facilities.

Annual construction and policy workplans will be submitted to USAID by MASL for review and approval. The construction workplan will provide details of each subproject, including location, size, components, specifications, cost standards, total cost, and implementation schedules. An implementation schedule for the policy initiatives will be the basis for the policy work plan.

The detailed surveys and topographic maps required for the Revised Land Use Plan and the Field Canal Blocking Out Plan must be completed prior to the approval of the first annual construction workplan. The review of subsequent workplans will include a review of progress on both AID-financed and GSL-financed activities in the previous year's workplans, including construction activities and policy initiatives.

The implementation of the construction workplan will be monitored in the field by locally-hired MDS engineers under the supervision of the expatriate irrigation engineer. It is anticipated that final inspection and certification of the satisfactory completion of each subproject will be performed jointly by MECA, MEA, and MDS engineers, and a USAID engineer.

The Project provides for two evaluations. It is anticipated that the first will occur at the end of two years and will address design as well as implementation issues. Activities requiring special attention will include drainage, flood control, and issues related to soils, water management, and crop diversification. The evaluation will focus on the outcome of experimental and pilot activities, since at the end of two years, settlers will not yet have begun production. Implementation issues will also be addressed, including the timing and adequacy of survey work, and contract management, the transfers of infrastructure from MECA to MEA.

The second evaluation will take place at the end of the Project and will address the same issues as the mid-term evaluation. The emphasis, however, will shift to actual on-farm impact. In addition, the final evaluation will assess the impact of the revised Land Use Plan, including cropping patterns, farmer incomes, and the effect of larger homesteads.

### C. Financial Plan

1. USAID. USAID funds are provided for technical assistance (both expatriate and locally-hired), commodities, and construction.

USAID funds are also provided to finance training abroad for MECA professional staff, and miscellaneous support costs of in-country training for MECA construction supervisors and local contractors, as well as vehicles and equipment needed for increased MECA, MEA, and PMU activities related to the MDS project.

Finally, USAID funds will finance approximately three-fourths of the costs of the tertiary irrigation system, including D canals and field channels; drainage canals and flood control measures; as well as the market and village roads.

### 2. Government of Sri Lanka

The project inputs to be financed by the GSL consist of approximately one-fourth of the tertiary irrigation system, drainage, floodplain measures, and roads; and all costs of land clearing, on-farm development, settlements, and social and administrative infrastructure. The GSL will also finance the engineering and administrative costs associated with the construction activities, settlement assistance as described above, the local salaries of support staff, in-country training, office space and housing for the technical assistance contractor's staff.

3. An illustrative financial plan is included as Attachment 1 to this Annex. The Financial Plan is subject to change by the representatives named in Section 9.3 of the Agreement, without formal amendment of the Agreement, provided that such changes do not cause (1) A.I.D.'s contribution to exceed the amount specified in the text of the Agreement, or (2) the Borrower/Grantee's contribution to be less than the amount specified in the text of the Agreement. Loan funds cannot be used to finance any part of the line items shown as being