

15 December 2017

Dr. R.H.S. Samaratunga
Secretary
Ministry of Finance and Mass Media
Colombo 1
Sri Lanka

Dear Dr. Samaratunga:

**Subject: Loan Nos. 2710-SRI/2711-SRI (SF): Jaffna and Kilinochchi Water Supply
 and Sanitation Project
 –Amendment to Loan Agreements**

1. We refer to the Ordinary Operations Loan Agreement between the Democratic Socialist Republic of Sri Lanka (“Borrower”) and Asian Development Bank (“ADB”) dated 8 February 2011 (“Initial Ordinary Operations Loan Agreement”), and the Special Operations Loan Agreement between the Borrower and ADB dated 8 February 2011 (“Initial Special Operations Loan Agreement”, together with the Initial Ordinary Operations Loan Agreement, “Loan Agreements”), for the Jaffna and Kilinochchi Water Supply and Sanitation Project (“Project”). All capitalized terms used but not defined herein shall have the meaning given thereto in the Initial Special Operations Loan Agreement, unless the context requires otherwise.

2. We also refer to the ADB Letter Agreement entitled “Amendments to Loan Agreements (Special Operations), Financing Agreements (Special Operations) and Technical Assistance Agreements (Special Operations)” dated 3 October 2016 and countersigned by the Borrower on 7 November 2016 (“Letter Agreement”). The Letter Agreement sets forth certain changes to the terminology used in the Initial Special Operations Loan Agreement given the designation of loans from ADB’s Special Funds resources as concessional loans from ADB’s ordinary capital resources effective 1 January 2017, as described in paragraph 2(d)(x) and Appendix 4 of the Letter Agreement.

3. Further to the restructuring of the Project, ADB approved, on 28 November 2017, two loans for financing the Jaffna and Kilinochchi Water Supply Project (“Overall Project”), as described in Schedule 1 to the Ordinary Operations Loan Agreement between the Borrower and ADB dated 15 December 2017 (“Ordinary Operations Loan Agreement”). The Overall Project includes additional financing for the Project, as described as Component A in paragraph 2 of Schedule 1 to the Ordinary Operations Loan Agreement, and is financed by loans under the Ordinary Operations Loan Agreement, and the Ordinary Operations (Concessional) Loan Agreement between the Borrower and ADB dated 15 December 2017. The remainder of the Overall Project, as described in subparagraphs 1(a)(ii), 1(a)(iii) and 1(b) of Schedule 1 to the Ordinary Operations Loan Agreement, is financed from the existing loans under the Loan Agreements. To give effect to the Overall Project, the changes to the Loan Agreements are set forth in Attachments 1 and 2, respectively.

4. Save and except to the extent set out above and Attachments 1 and 2, the Loan Agreements remain unchanged.

5. Pursuant to ADB's Public Communications Policy on disclosure and exchange of information, the amendments to the Loan Agreements will be posted on ADB's website within 2 weeks from the date that the amendments become effective, after removing any information that falls within the PCP exceptions as specified by the Borrower

6. Please indicate the Borrower's concurrence to the amendments set out in paragraph 3 of this letter agreement and Attachments 1 and 2 and to the terms of this letter agreement by countersigning each of the two original of this letter agreement in the space indicated below. Please retain one signed original of this letter agreement for your records and return the other to ADB. The proposed amendments shall take effect on the date of receipt by ADB of a signed original of this letter agreement.

Yours sincerely,



Sri Widowati
Country Director
Sri Lanka Resident Mission

A. Accepted and agreed.

B. Confirmed that the amendments to the Loan Agreement do not contain information falling within the PCP exceptions.

For and on behalf of 
DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA

Name: _____

Designation: _____

Date: 2017/12/15

DR. R. H. S. SAMARATUNGA
Secretary
Ministry of Finance and Mass Media
Colombo 01,
Sri Lanka.

cc: Deputy Secretary to the Treasury
Director General, External Resources Department

Initial Ordinary Operations Loan Agreement

To give effect to the Overall Project, ADB proposes that the Initial Ordinary Operations Loan Agreement be amended as follows:

- (a) Recital (A) shall be deleted and replaced by:

“the Borrower has applied to ADB for the purposes of the Project, as described in subparagraphs 1(a)(ii), 1(a)(iii) and 1(b) of Schedule 1 to the Ordinary Operations Loan Agreement for the Jaffna and Kilinochchi Water Supply Project between the Borrower and ADB dated 15 December 2017 (“New Ordinary Operations Loan Agreement”);”;

- (b) Recital (C) shall be deleted and replaced by:

“the MCPWS and the NWSDB will carry out the portion of the Project described in subparagraphs 1(a)(ii) and 1(a)(iii) of Schedule 1 to the New Ordinary Operations Loan Agreement, and the MLGPC and the NPC will carry out the portion of the Project described in subparagraph 1(b) of Schedule 1 to the New Ordinary Operations Loan Agreement, and for these purposes, the Borrower will make available to the MCPWS and the NWSDB the proceeds of the loan provided under the Special Operations Loan Agreement and to the MLGPC and the NPC the proceeds of the Loan provided for herein upon terms and conditions satisfactory to ADB; and”;

- (c) Section 3.01 shall be deleted and replaced by:

“The Borrower shall make the proceeds of the Loan available to the NWSDB, under a subsidiary loan agreement, upon terms and conditions satisfactory to ADB, and shall cause the NWSDB to apply such proceeds to the financing of expenditures on the portion of the Project described in subparagraphs 1(a)(ii) and 1(a)(iii) of Schedule 1 to the Ordinary Operations Loan Agreement and the NWSDB Project Agreement.”;

- (d) Section 3.05 shall be deleted and replaced by:

“The Loan Closing Date for the purposes of Section 9.02 of the Loan Regulations shall be 31 December 2020 or such other date as may from time to time be agreed between the Borrower and ADB.”;

- (e) Section 6.01 shall be deleted and replaced by:

“Each of the Secretary of the Ministry of Finance and Mass Media, the Deputy Secretary to the Treasury and the Director General of the Department of External Resources of the Guarantor is designated as representative of the Borrower for the purposes of Section 12.02 of the Loan Regulations.”.

Initial Special Operations Loan Agreement

To give effect to the Overall Project, ADB proposes that the Initial Special Operations Loan Agreement be amended as follows:

- (a) Recital (A) shall be deleted and replaced by:

“the Borrower has applied to ADB for the purposes of the Project, as described in subparagraphs 1(a)(ii), 1(a)(iii) and 1(b) of Schedule 1 to the Ordinary Operations Loan Agreement for the Jaffna and Kilinochchi Water Supply Project between the Borrower and ADB dated 15 December 2017 (“New Ordinary Operations Loan Agreement”);”;

- (b) Recital (C) shall be deleted and replaced by:

“the MCPWS and the NWSDB will carry out the portion of the Project described in subparagraphs 1(a)(ii) and 1(a)(iii) of Schedule 1 to the New Ordinary Operations Loan Agreement, and the MLGPC and the NPC will carry out the portion of the Project described in subparagraph 1(b) of Schedule 1 to the New Ordinary Operations Loan Agreement, and for these purposes, the Borrower will make available to the MLGPC and NPC the proceeds of the loan provided under the Ordinary Operations Loan Agreement and to the MCPWS and the NWSDB the proceeds of the Loan provided for herein upon terms and conditions satisfactory to ADB; and”;

- (c) Sections 1.02(a), (b), (c) and (d) shall be deleted.

- (d) Section 1.02(s) shall be deleted and replaced by:

“MCPWS” means the Ministry of City Planning and Water Supply of the Borrower, or any successor thereto acceptable to ADB;

- (e) Section 1.02(ff) shall be deleted and replaced by:

““Project Executing Agencies” or “EAs” means, for the purposes and within the meaning of the Loan Regulations, the MCPWS, which is responsible for the carrying out of the portion of the Project described in subparagraphs 1(a)(ii) and 1(a)(iii) of Schedule 1 to the New Ordinary Operations Loan Agreement, and the MLGPC, which is responsible for the carrying out of the portion of the Project described in subparagraph 1(b) of Schedule 1 to the New Ordinary Operations Loan Agreement;”

- (f) Section 1.02(hh) shall be deleted and replaced by:

““Implementing Agencies” or “IAs” means, the NWSDB, which is responsible for implementing the portion of the Project described in subparagraphs 1(a)(ii) and 1(a)(iii) of Schedule 1 to the New Ordinary Operations Loan Agreement, and the NPC, which is responsible for implementing the portion of the Project described in subparagraph 1(b) of Schedule 1 to the New Ordinary Operations Loan Agreement;”

- (g) Section 3.01 shall be deleted and replaced by:

“(a) The Borrower shall make a portion of the proceeds of the Loan available to the NWSDB, under a subsidiary loan agreement, upon terms and conditions satisfactory to ADB, and shall cause the NWSDB to apply such proceeds to the financing of expenditures on the portion of the Project described in subparagraphs 1(a)(ii) and 1(a)(iii) of Schedule 1 to the New Ordinary Operations Loan Agreement and the NWSDB Project Agreement.

(b) The Borrower shall make the proceeds of the Loan available to the NPC as a grant and shall cause the NPC to apply such proceeds to the financing of expenditures on the portion of the Project described in subparagraph 1(b) of Schedule 1 to the New Ordinary Operations Loan Agreement and the NPC Project Agreement.”;

- (h) Section 3.05 shall be deleted and replaced by:

“The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 31 December 2020 or such other date as may from time to time be agreed between the Borrower and ADB.”;

- (i) Section 6.01 shall be deleted and replaced by:

“Each of the Secretary of the Ministry of Finance and Mass Media, the Deputy Secretary to the Treasury and the Director General of the Department of External Resources of the Guarantor is designated as representative of the Borrower for the purposes of Section 11.02 of the Loan Regulations.”;

- (j) Schedule 1, paragraphs 1 to 3, shall be deleted;

- (k) Schedule 1, paragraph 4, shall be deleted and replaced by:

“The Project is expected to be completed by 30 June 2020”;

- (l) Schedule 5, paragraph 15 shall be deleted.