



19 January 2017

Dr. R. H. S. Samaratinga  
Ministry of Finance  
The Secretariat  
Lotus Road,  
Colombo 01, Sri Lanka.

Dear Dr. Samaratinga:

Subject: **Loan No. 3431-SRI(SF): Local Government Enhancement  
Sector Project – Additional Financing  
Amendment to Loan Agreement**

1. We refer to the Loan Agreement dated 2 November 2016 between Democratic Socialist Republic of Sri Lanka (“Borrower”) and Asian Development Bank (“ADB”) for the captioned project (“Loan Agreement”). All capitalized terms used but not defined herein shall have the meaning given thereto in the Loan Agreement, unless the context requires otherwise.

2. On 29 November 2016, the Board of Directors of ADB approved the option to select a loan liability currency (which will also be the loan repayment currency) that is available under ADB’s LIBOR-based lending facility and is a currency in the SDR basket, subject to confirmation of availability of such currency by ADB. This option is available for (a) concessional loans for which formal loan negotiations are completed on or after 1 January 2017; and (b) concessional loans for which formal loan negotiations were completed prior to 1 January 2017 but which are not yet effective up until 30 June 2017.

3. 20 December 2016, discussions were held between ADB, Sri Lanka and the Borrower, during which the Borrower expressed its interest to select Dollars (in place of SDR) On 20 December 2016, discussions were held between ADB, Sri Lanka and the Borrower, during which the Borrower expressed its interest to select Dollars (in place of SDR) as the Loan liability currency. To give effect to the Borrower’s exercise of the option, ADB proposes that the Loan Agreement be amended as follows:

(a) Section 2.01 shall be deleted and replaced by:

“ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of sixty million Dollar (\$60,000,000).”;

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(b) The amortization schedule in Schedule 2 shall be deleted and replaced by the amortization schedule set out in Attachment 1 hereto; and

(c) The allocation and withdrawal of Loan proceeds table in the attachment to Schedule 3 shall be deleted and replaced by the table set out in Attachment 2 hereto.

4. Relatedly, the Special Operations Loan Regulations (2006), which are incorporated by reference into the Loan Agreement, are amended as follows:

(a) Section 3.01 shall be deleted and replaced by the following:

**“Loan Account.** The principal amount of the Loan, as denominated in accordance with Section 4.01, shall be credited to the Loan Account and may be withdrawn therefrom in accordance with the provisions of the Loan Agreement and these Regulations.”;

(b) Section 4.01 shall be deleted and replaced by the following:

**“Denomination of the Loan.** The Loan shall be denominated in the particular currency specified in the Loan Agreement.”;

(c) Section 4.02 shall be deleted and replaced by the following:

**“Currency of Withdrawal.** Withdrawals from the Loan Account shall be made in the particular currency specified in the Loan Agreement.”; and

(d) Section 4.03 shall be deleted and replaced by the following:

**“Currency of Payment of Principal.** The principal of the Loan shall be expressed and repayable in the particular currency specified in the Loan Agreement. The Borrower shall repay the amount withdrawn from the Loan Account in accordance with the Loan Agreement.”

5. Save and except to the extent set out above, the Loan Agreement remains unchanged.

6. Pursuant to ADB’s Public Communications Policy on disclosure and exchange of information, the amendments to the Loan Agreement will be posted on ADB’s website within 2 weeks from the date that the amendments become effective.

7. Please indicate the Borrower's concurrence to the amendments set out in paragraphs 3 and 4 of this letter agreement 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,



Hun Kim  
Director General  
South Asia Department

- 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: 2017/02/20

**DR R. H. S. SAMARATUNGA**  
Secretary  
Ministry of Finance  
Colombo 01  
Sri Lanka.

cc: Mr. S. R. Attygalle  
Deputy Secretary to the Treasury

Mr. R. M. P. Rathnayake  
Director General  
Department of External Resources  
Ministry of National Policies and Economic Affairs

**SCHEDULE 2**  
**AMORTIZATION SCHEDULE**

<u>Payment Due</u>	<u>Payment of Principal</u> (expressed in USD)
15 November 2021	1,500,000
15 May 2022	1,500,000
15 November 2022	1,500,000
15 May 2023	1,500,000
15 November 2023	1,500,000
15 May 2024	1,500,000
15 November 2024	1,500,000
15 May 2025	1,500,000
15 November 2025	1,500,000
15 May 2026	1,500,000
15 November 2026	1,500,000
15 May 2027	1,500,000
15 November 2027	1,500,000
15 May 2028	1,500,000
15 November 2028	1,500,000
15 May 2029	1,500,000
15 November 2029	1,500,000
15 May 2030	1,500,000
15 November 2030	1,500,000
15 May 2031	1,500,000
15 November 2031	1,500,000
15 May 2032	1,500,000
15 November 2032	1,500,000
15 May 2033	1,500,000
15 November 2033	1,500,000
15 May 2034	1,500,000
15 November 2034	1,500,000
15 May 2035	1,500,000
15 November 2035	1,500,000
15 May 2036	1,500,000
15 November 2036	1,500,000
15 May 2037	1,500,000
15 November 2037	1,500,000
15 May 2038	1,500,000
15 November 2038	1,500,000
15 May 2039	1,500,000
15 November 2039	1,500,000
15 May 2040	1,500,000
15 November 2040	1,500,000
15 May 2041	<u>1,500,000</u>
<b>TOTAL</b>	<b>60,000,000</b>

TABLE

<b>ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS</b> <b>(Local Government Enhancement Sector Project – Additional Financing)</b>			
<b>Number</b>	<b>Item</b>	<b>Total Amount Allocated for ADB Financing (\$)</b>	<b>Basis for Withdrawal from Loan Account</b>
1	Civil Works and Equipment	48,250,000	87% of total expenditure claimed
2	Consulting Services	4,000,000	85% of total expenditure claimed
3	Capacity Building	660,000	100% of total expenditure claimed
4	Incremental Recurrent Costs	3,600,000	100% of total expenditure claimed
5	Interest Charge	2,490,000	100% of amount due
6	Unallocated	1,000,000	
	<b>TOTAL</b>	<b>60,000,000</b>	

Source: Asian Development Bank estimates.