Mr. Bhupendra Aryal  
Executive Director  
Rural Water Supply and Sanitation Fund Development Board  
Shiva Marg, Maharajgunj  
Kathmandu, Nepal  

Dear Mr. Aryal:

Re: Nepal: Rural Water Supply and Sanitation Improvement Project  
IDA Credit No. 5446-NP; IDA Grant No. 1945-NP  
Amendment to the Project Agreement

We refer to: (i) the Financing Agreement (the “Financing Agreement”) between Nepal (the “Recipient”) and the International Development Association (the “Association”) dated July 11, 2014, as amended; and (ii) the Project Agreement of the same date (the “Project Agreement”) between the Association and the Rural Water Supply and Sanitation Fund Development Board (the “Project Implementing Entity”) for the Rural Water Supply and Sanitation Improvement Project (the “Project”).

We also refer to the letter from the Ministry of Finance with Reference No. IECD/MoUD/WB/150/071-72 dated July 8, 2015 requesting amendments to the Project and reallocation of funds among Categories.

We are pleased to inform you that, after due consideration, the Association accedes to the request and proposes to amend the Project Agreement as follows:

1. A new Part G shall be added in Section 1 of the Schedule to the Project Agreement to read as follows:

   "G. Schemes under Part 1(d) of the Project.

   1. For the purposes of development of Schemes under Part 1(d) of the Project, and only after the adoption by the Recipient of an updated Project Operations Manual in form and substance satisfactory to the Association, the Project Implementing Entity shall (a) select Schemes and Support Organizations in accordance with eligibility criteria satisfactory to the Association; and (b) review, at the end of the Implementation Phase of each Batch, the adequacy of such eligibility criteria and shall, if necessary, revise such criteria in a manner satisfactory to the Association to accomplish the purposes of the Project.

   2. The Project Implementing Entity shall enter into arrangements with each Support Organization and WSUG under terms and conditions, satisfactory to the Association, including, inter alia, the following:

      (a) in respect of each Batch, the Project Implementing Entity shall enter into (i) a Scheme development phase agreement with an eligible Support Organization; and (ii) a Scheme implementation phase tripartite agreement with the appropriate Support Organization and WSUG;
(b) each agreement shall include (i) a clear definition of the role and responsibilities of each party thereto; and (ii) an undertaking by the benefiting communities to provide, in cash or in kind, sufficient resources for the operations and maintenance of their respective Schemes;

(c) each Support Organization shall maintain separate accounts in respect of each Scheme being carried out by such Support Organization under the Project in accordance with the Project Operations Manual, and shall furnish such accounts to the Project Implementing Entity prior to each payment under the agreement; and

(d) the Project Implementing Entity shall not make any payment to a Support Organization until the accounts referred to in the preceding subparagraph have been found satisfactory by the Project Implementing Entity.”

Except as specifically amended in this letter of amendment, all other provisions of the Project Agreement shall remain unchanged and in full force and effect.

The Association will disclose this letter of amendment and related information in accordance with the Association’s Policy on Access to Information. By entering into this letter of amendment, the Recipient consents to such disclosure.

Please confirm your agreement to the foregoing on behalf of the Project Implementing Entity by countersigning and dating the corresponding form of confirmation set forth below, and returning one fully countersigned original of this letter to us. The above amendment to the Project Agreement shall become effective as of the date of this letter upon receipt by the Association of: (a) a duly countersigned original of this letter by the authorized representative of the Project Implementing Entity; and (b) a duly countersigned original of the letter of the same date by the authorized representative of the Recipient amending the Financing Agreement.

Sincerely,

INTERNATIONAL DEVELOPMENT ASSOCIATION

Johannes Zutt
Country Director

AGREED:
RURAL WATER SUPPLY AND SANITATION FUND DEVELOPMENT BOARD

By: Bhupependra prasad Aryal
Name: Bhupependra prasad Aryal
Title: Executive Director
Date: August 13, 2015