Mr. Rameshore Prasad Khanal  
Secretary of Finance  
Ministry of Finance  
Kathmandu  
Nepal

Re: GRANT No. H367- NP  
( Emergency Peace Support Project)  
Amendments to the Financing Agreement

Dear Mr. Khanal:

We refer to the Financing Agreement between Nepal (the Recipient) and the International Development Association (the Association), dated August 26, 2008 (the Agreement) for the Emergency Peace Support Project (the Project). We also refer to the letter from your Ministry dated 28 December 2009, requesting the Association to amend the Agreement.

We are pleased to inform you that the Association agrees with the request and accordingly the Agreement is hereby amended as follows:

1. The Description of the Project, Schedule 1 to the Agreement is amended to read as reflected in Attachment 1 to this letter.

2. Section I.A of Schedule 2 to the Agreement is amended to read as follows:

“A. Peace Commission (PC)

The Recipient shall ensure that responsibilities for high level oversight of the implementation of Project activities are vested in the NPTF Secretariat until the formation of the Peace Commission.”

3. Section I.B of Schedule 2 to the Agreement is amended to read as follows:

“B. Project Management Team (PMT)

1. The Recipient shall maintain the Project Management Team (PMT) with functions and key professionals with skills, qualifications, experience and terms of reference satisfactory to the Association, including: (i) Project Coordinator (Joint Secretary of the Reconstruction and Rehabilitation Division of MOPR); (ii) representatives from other Divisions and Sections of MOPR – Conflict Analysis and Policy Formulation Division, Peace Structure Division and Planning and Monitoring Section; (iii) Director of the Peace Fund Secretariat for NPTF; (iv) Accounts Officer; and (v) Procurement Officer.”

4. Section I.C of Schedule 2 to the Agreement is amended to read as follows:
“Benefit Payments under Part 2 of the Project

The Recipient shall ensure that: (i) the identification and verification of Beneficiaries, transfers of benefit payments to such Beneficiaries, monitoring and evaluation of such transfers, and related activities under Part 2 of the Project shall be implemented in accordance with the principles, criteria, procedures and other provisions set forth in the Benefit Payment Operational Guidelines for said Part of the Project, also in a manner consistent with the Citizen Relief, Compensation and Financial Support Working Guidelines; and (ii) no action is taken which would prevent or interfere with such implementation.”

5. Section I.D of Schedule 2 to the Agreement is amended to read as follows:

“Rehabilitation Support under Part 1 of the Project

The Recipient shall ensure that: (i) the rehabilitation support activities under Part 1 of the Project are implemented in accordance with the provisions of the Rehabilitation Support Operational Guidelines; and (ii) no action is taken which would prevent or interfere with such implementation.”

6. Section I.E of Schedule 2 to the Agreement is amended to read as follows:

“Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines and the Governance and Accountability Action Plan.”

7. Section II. A of Schedule 2 to the Agreement is amended to read as follows:

“A. Project Reports

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators agreed with the Association. Each Project Report shall cover the period of a Fiscal Year trimester, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.

2. The performance indicators referred to above in sub-paragraph (1) consist of the following:

(a) at least 95% of identified eligible families of the deceased and widows receive cash payments following the Benefit Payments Operational Guidelines; (b) at least 90% of the eligible conflict-affected widows, orphans, those disabled in the conflict, families of those killed in the conflict, families of the disappeared, Internally Displaced Persons (IDPs), and those abducted during the conflict who seek skills and employability rehabilitation services in the targeted districts receive them according to the Rehabilitation Support Operational Guidelines; (c) at least 90% of surveyed Beneficiaries are satisfied with the MOPR benefit delivery process (cash payments and rehabilitation services); (d) summary payment information to families of the deceased and
widows is available on the MOPR website and district disclosure boards and updated quarterly; and (e) an MOPR grievance mechanism is operational.”

8. The Table of Categories of Disbursement in Section IV, Schedule 2 to the Agreement is amended to read as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Financing Allocated (Expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (Inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Rehabilitation support under Part 1 of the Project</td>
<td>8,800,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Benefit payments under Part 2 of the Project</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Benefit payments to survivor families of those killed in the conflict</td>
<td>17,200,000</td>
<td>100%</td>
</tr>
<tr>
<td>(b) Benefit payments to widows of those killed in the conflict</td>
<td>2,250,000</td>
<td></td>
</tr>
<tr>
<td>(3) Goods, consultants’ services, training, workshops under Part 3 of the Project, and Operating Costs under Parts 1, 2 and 3 of the Project</td>
<td>2,720,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Unallocated</td>
<td>330,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>31,300,000</td>
<td></td>
</tr>
</tbody>
</table>

9. Paragraph 1 in Section IV. B of Schedule 2 to the Agreement is amended to read as follows:

“...

(b) under Category (1) unless the Recipient has adopted the Rehabilitation Support Operational Guidelines satisfactory to the Association.

(c) under Category (2) unless: (i) the Recipient has adopted the Benefit Payment Operational Guidelines satisfactory to the Association; (ii) executed a memorandum of understanding with each of the Rastriya Banijya Bank, the Nepal Bank Limited, and the Nepal Rastra Bank, as applicable, setting forth implementation and internal control arrangements for benefit payments under Part 2 of the Project satisfactory to the Association; and (iii) the Peace Commission, or any other alternative mechanism
satisfactory to the Association, has endorsed the information provided by MOPR on benefit payments to survivor families of those killed in the conflict and widows of those killed in the conflict.”

10. Paragraph 1(d) in Section IV.B of Schedule 2 to the Agreement is hereby deleted.

11. The Closing Date specified in Section IV. B.2 of Schedule 2 is amended to read June 30, 2012.

12. Paragraph 3 in the Appendix to the Agreement is amended to read as follows:

“3. “Beneficiary” means a person eligible to receive a benefit payment or rehabilitation support services under Parts 1 or Part 2 of the Project.”

13. Paragraph 4 in the Appendix to the Agreement is amended to read as follows:

“4. “Benefit Payment Operational Guidelines” means the Benefit Payment Operational Guidelines to be adopted by the Recipient and referred to in Sections I and IV of Schedule 2 to this Agreement, setting out, inter alia, details of principles, guidelines, criteria, procedures, timetables and other institutional and implementation arrangements for the identification and verification of Beneficiaries, transfers of payments to such Beneficiaries, monitoring and evaluation of such transfers, and other activities under Part 2 of the Project, as the same may be amended from time to time with the agreement of the Association.”

14. Paragraph 7 in the Appendix to the Agreement is amended to read as follows:


15. Paragraph 10 in the Appendix to the Agreement is hereby deleted, and the paragraphs following this paragraph 10 are renumbered accordingly.

16. Paragraph 12 in the Appendix to the Agreement is hereby deleted, and the paragraphs following this paragraph 12 are renumbered accordingly.

17. Paragraph 14 in the Appendix to the Agreement is amended to read as follows:

“14. “NPTF Secretariat” means the Secretariat of the Nepal Peace Trust Fund, established by the Recipient within the Ministry of Peace and Reconstruction to coordinate the operation and support of the NPTF funds and activities.”

18. Paragraph 21 in the Appendix to the Agreement is amended to read as follows:

“21. “Rehabilitation Support” means expenditures incurred on account of services in the area of training or social service provision and on account of such other support for the rehabilitation of conflict-affected populations, as agreed between the Recipient and the Association, and provided by non-governmental agencies or other specialized institutions to the Recipient’s various departments and agencies.”
19. Paragraph 22 in the Appendix to the Agreement is amended to read as follows:

“22. “Rehabilitation Support Operational Guidelines” means the Rehabilitation Support Operational Guidelines to be adopted by the Recipient and referred to in Sections I and IV of Schedule 2 to this Agreement, setting out, inter alia, details of principles, guidelines, criteria, procedures, timetables and other institutional and implementation arrangements for the economic rehabilitation support activities under Part 1 of the Project, as the same may be amended from time to time with the agreement of the Association.”

20. The following paragraph 23 is added to the Appendix to the Agreement:

“23 “Governance and Accountability Action Plan” means the plan, dated April 20, 2010, prepared and adopted by the Recipient, and referred to Section I.E of Schedule 2 to the Agreement.”

All other provisions in the Agreement shall continue to remain in full force and effect.

Please confirm your agreement to the foregoing by duly signing and dating the form of confirmation below and returning one original to us for our records. These amendments shall become effective upon your countersignature.

Very Truly Yours,
INTERNATIONAL DEVELOPMENT ASSOCIATION

/s/ Susan G. Goldmark
Country Director
Nepal

CONFIRMED AND AGREED
NEPAL

/s/ Rameshore Prasad Khanal
Authorized Representative

Date: 17 June, 2010

Title: Secretary
SCHEDULE 1

Project Description

The objective of the Project is to contribute to the peace process by providing interim cash transfers and services to eligible conflict-affected groups and by increasing transparency and accountability in the delivery of these benefits.

The Project consists of the following parts:

Part 1: Rehabilitation Support to Conflict-Affected Families and Individuals

A. Assist in the design of the service packages to conflict-affected groups (including people disabled in the conflict, internally displaced people, families of persons who have disappeared, families of those killed as a result of the conflict, those abducted in conflict, children orphaned as a result of the conflict, and widows of the conflict) to include needs identification, psycho-social and health and nutrition counseling, occupational consultations, skills training, formal education scholarships, microfinance and job placement; and

B. Support a phased rollout in select districts of skills development and employability services, including occupational consultations, education and skills training and job placement.

Part 2: Cash Benefits to Families and Widows of Those Killed as a Result of the Conflict

Provision of one-time benefit payments to (i) eligible survivor families of people killed as a result of the conflict, as part of the Recipient’s transitional social safety net program; (ii) payments to eligible families of additionally identified individuals killed in the conflict; and (iii) payment to widows of those killed as a result of the conflict.


A. Provision of capacity building activities and technical assistance to MOPR to enable it to effectively perform its core functions, including its oversight role on payments to Beneficiaries and families of deceased and its coordination role in peace process support.

B. Support to PMT for core project implementation tasks, including procurement and financial management, and monitoring and evaluation of project interventions through surveys and other assessment tools.

C. Provision of technical assistance, training and operational support to other participants and stakeholders in the peace process as needed, including the Peace
Commission, Local Peace Committees, and other institutions and groups associated with the peace process.