Dear Mr. Regmi:

Re: Nepal: Kali Gandaki A Hydropower Plant Rehabilitation Project IDA Credit No. 5246-NP
Partial Cancellation of Credit Proceeds and Amendment to the Financing Agreement

We refer to the Financing Agreement between Nepal (the “Recipient”) and the International Development Association (the “Association”) for the Kali Gandaki A Hydropower Plant Rehabilitation Project (the “Project”) dated September 11, 2013 (the “Financing Agreement”).

We also refer to your letter dated February 16, 2016 requesting certain amendments to the Financing Agreement in accordance with the understandings reached during the mid-term review mission from August 23 to August 31, 2015 and recorded in the related aide-memoire dated October 7, 2015.

We are pleased to inform you that, after due consideration, the Association:

(i) pursuant to Section 6.03(b) of the General Conditions, hereby cancels, after consultation with the Recipient, the amount of five million three hundred ninety seven thousand four hundred Special Drawing Rights (SDR 5,397,400) from the Credit Account as of March 28, 2016;

(ii) hereby replaces the withdrawal schedule that indicates the amounts allocated to each of the categories set forth in the table in paragraph 2 of Section IV of Schedule 2 to the Financing Agreement as indicated in the Annex to this letter, which schedule now reflects the amount of Credit proceeds cancelled herewith; and

(iii) proposes to amend the Financing Agreement as follows:

1. Parts C of the Project in Schedule 1 (Project Description) to the Financing Agreement is amended to read as follows:

   **Part C: Technical Assistance**

   C1. Provision of technical advisory services to the Project Implementing Entity to assist it in overseeing the Project, including preparation of detailed technical designs and preparation of the Dam Safety Plan.

   C2. Provision of support for the implementation of the Environmental Management Plan and the Social Action Plan, including the Vulnerable Community Development Plan, and in the monitoring and evaluation of such implementation, including necessary technical advisory services.
C3. Provision of training to staff of the Project Implementing Entity to enhance its capacity in asset management, sediment management, safeguard implementation, and operations and maintenance of specialized fields of electro-mechanical equipment and safety instruments.

C4. Carrying out works, as needed, to manage sediments affecting the long term sustainability of the Project, including channel restoration and flood management in the Seti Beni area.

2. Section I.A.1(a) of Schedule 2 to the Financing Agreement is amended to read as follows:

“(a) an amount equivalent to SDR 12,802,600 shall be provided as a subsidiary credit (the “Subsidiary Credit”) for the purpose of procuring, in accordance with the provisions of Section III of the Schedule to the Project Agreement, goods, works and services required for the Project;”

Except as specifically amended in this letter of amendment, all other provisions of the Financing 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 Recipient by countersigning and dating the corresponding form of confirmation set forth below, and returning one fully countersigned original of this letter to us. Upon receipt by the Association of the original of this letter of amendment countersigned by you, the amendments to the Financing Agreement proposed under sub-paragraph (iii) above will become effective as of the date of the countersignature.

Sincerely,

INTERNATIONAL DEVELOPMENT ASSOCIATION

[Signature]

Lakoya Kamata
Acting Country Director

AGREED:

NEPAL

By: [Signature]

Name: Lok Darshan Regmi

Title: Secretary

Date: March 30, 2016
Nepal
IDA Credit No. 5246-NP
Revised Withdrawal Schedule

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, consultants' services, Training and Workshops under Parts A, B and C of the Project</td>
<td>12,802,600</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Contingency for Emergency Response under Part D of the Project</td>
<td>0</td>
<td>100%</td>
</tr>
<tr>
<td>SUBTOTAL</td>
<td>12,802,600</td>
<td></td>
</tr>
<tr>
<td>Amount cancelled as of March 28, 2016</td>
<td>5,397,400</td>
<td></td>
</tr>
<tr>
<td>ORIGINAL AMOUNT</td>
<td>18,200,000</td>
<td></td>
</tr>
</tbody>
</table>