Mr. Shanta Raj Subedi  
Secretary  
Ministry of Finance  
Kathmandu  
Nepal  

Re: Credit Number 4902-NP  
Grant Number H660-NP  
Nepal-India Electricity Transmission and Trade Project  
Amendment to the Financing Agreement  

Dear Mr. Subedi:

We refer to the Financing Agreement between Nepal (the Recipient) and the International Development Association (the Association), dated July 15, 2011, for the Nepal-India Electricity Transmission and Trade Project (the Project). We also refer to the Government of Nepal’s request dated December 13, 2012 for an Additional Financing for the Project and the Association’s agreement therefor. In order to reflect that understanding and the consequential changes emanating therefrom, we propose to amend the Financing Agreement as follows:

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

All other provisions in the Financing 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

[Signature]
Authorized Representative
Nepal

CONFIRMED AND AGREED
NEPAL

[Signature]
Date:
SCHEDULE 1
Project Description

The objectives of the Project are to: (a) establish cross-border transmission capacity of about 1000 MW to facilitate electricity trade between India and the Recipient; and (b) increase the supply of electricity in the territory of the Recipient by the sustainable import of at least 100 MW of electricity.

The Project, which constitutes a component of the Regional Program, consists of the following parts:

PART A: Civil Works and Installation

1. Muzaffarpur-Sursand Transmission Line: Design, construction and operation of an approximately 90 km, 400 kV double circuit transmission line between Muzaffarpur and Sursand in India.

2. Dhalkebar-Bhittamod 400 kV Transmission Line: Design, construction and operation of an approximately 40 km, 400 kV double circuit transmission line between Bhittamod and Dhalkebar in the territory of the Recipient.

PART B: Civil Works and Installation


2. Synchronization of Operation of the Power Grids: Installation, within the territory of the Recipient, of properly tuned power system stabilizers in the major power generating stations, together with other requisite measures, in order to properly synchronize the power system of India with that of the Recipient.

3. (a) Construction of two 220 kV transmission lines between Hetauda-Bharatpur and Bharatpur-Bardaghat, and associated sub-stations.

   (b) Provision of conductors for the Hetauda-Dhalkebar-Duhabi transmission line.

   (c) Acquisition, installation, commissioning and operation maintenance of a system integrator for an integrated financial management information system.

PART C: Technical Advisory Services to NEA

1. Provision of technical advisory services, through an Owner’s Engineer, to NEA to assist it in overseeing the implementation of Part B of the Project.

2. Provision of technical advisory services to NEA for the preparation of a transmission system master plan within the territory of the Recipient, together with additional cross-border interconnections.
3. Provision of technical advisory services to: (i) NEA to strengthen the institutional capacity of its transmission business, including, inter alia, to increase cross-border transmission links; and (ii) the Recipient's Ministry of Energy and NEA to develop understanding of the concepts of benefit-sharing in export-oriented hydroelectric projects, and to strengthen their institutional capability to oversee the Project and further the regional power trade agenda from the Recipient's perspective.