Mr. Rameshore Prasad Khanal  
Secretary  
Ministry of Finance  
Government of Nepal  
Singha Durbar  
Kathmandu, Nepal  

NEPAL:  
IDF Grant for Strengthening Institutional Capacity of the Public Procurement Monitoring Office (IDF Grant No. TF092561)  
Amendments to Grant Agreement and Cancellation of Grant Funds  

Dear Mr. Khanal:  

We refer to the Grant Agreement dated October 1, 2008 between the International Bank for Reconstruction and Development ("World Bank") and Nepal ("Recipient") (the "Grant Agreement"), extending a grant in an amount not to exceed four hundred eighty thousand and seven hundred United States Dollars (US$480,700) ("Grant") for the above-mentioned Project (the Project).  

We also refer to our discussions during the World Bank mission on August 3-5, 2010 to restructure this Project and to make certain amendments to the Grant Agreement and to cancel the unutilized Grant funds.  

In light of the foregoing, we are pleased to inform you that after due consideration, the World Bank has agreed to amend the Grant Agreement, as follows:  

1. Article III, Section 3.01, category reallocation table is hereby revised as shown in the attachment and the amount of US$415,700 (one hundred forty five thousand and seven hundred only) is cancelled as of November 24, 2010.  

2. Annex, Article II, Section 2.01 is hereby revised to reflect the following new Project activities and deleting the original Parts A, B and C:  

   (i) Review existing e-submission system, emerging it into a fully fledged e-procurement system and prepare an action plan on rolling the system across other agencies.  

   (ii) Strengthen the capacity of selected procuring entities and/or procurement officials of the Recipient in conducting procurement, including, inter alia, developing a national training strategy and related program, conducting training needs assessment, curricula development, and provision of relevant trainings.  

   (iii) Strengthen the capacity of PPMMO and relevant government officials to monitor and analyze procurement outcomes and to provide sound procurement advice, inclusion, inter alia, provision of specialized training and workshops in procurement reform and good procurement practices, providing and/or upgrading PPMMO training facilities, publishing procurement bulletins.
(iv) Review OECD/DAC procurement indicators, carry out a pilot assessment of selected indicators, and develop benchmarks for national procurement performance.

3. Annex, Article II, Section 2.03(b) is hereby revised as follows:

(i) A detailed report describing the technical and systemic improvements needed to be made to the e-submission system developed by the Department of Roads into a robust and full-fledged procurement system is prepared,
(ii) Long term training strategy prepared,
(iii) Linkage with Nepal Administrative Staff College to implement the training strategy established,
(iv) A pool of twenty (20) trainers to act as resource persons is available
(v) Training needs assessment conducted,
(vi) Training curricula for different target audiences in Government prepared, and
(vii) Appropriate OECD-DAC indicators selected and assessed.

Except as expressly set forth in this amendment letter, all other provisions of the Grant Agreement shall remain in full force and effect.

Please confirm your agreement to the amendments set out above by signing the form of confirmation set forth below, and returning to the World Bank one fully executed original of this amendment letter at your earliest convenience. Upon receipt by the World Bank of the countersigned original, this amendment shall become effective as of the date of the countersignature by the Recipient. It is the World Bank’s policy to make publicly available the Grant Agreement and any information related thereto, including this amendment. By confirming below, the Recipient consents to disclosure of this amendment letter after it has become effective.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

/s/ Christine Kimes

Christine Kimes
Acting Country Director for Nepal
South Asia Region

AGREED:
NEPAL
BY: /s/ L. S. Shanker
Title: Joint Secretary
Date: February 2, 2011
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods</td>
<td>45,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Consultants' Services</td>
<td>190,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Training and workshops</td>
<td>100,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>335,000</td>
<td></td>
</tr>
<tr>
<td>Cancellation as of November 24, 2010</td>
<td>145,700</td>
<td></td>
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<tr>
<td>Original IDF Grant Amount</td>
<td>480,700</td>
<td></td>
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