Mr. Suman Prasad Sharma  
Secretary  
Ministry of Finance  
Government of Nepal  
Singha Durbar  
Kathmandu, Nepal  

August 13, 2015

Dear Mr. Sharma:

Re: Nepal: Rural Water Supply and Sanitation Improvement Project  
IDA Credit No. 5446-NP; IDA Grant No. H945-NP  
Amendment to the Financing 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; 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 your office with Reference No. IECCD/MoUD/ WB/150/071-72 dated July 8, 2015 requesting amendments to the Financing Agreement and reallocation of funds among Categories.

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

1. The word “and” at the end of Part 1(b) of Schedule 1 to the Financing Agreement is deleted; and the period (“.”) at the end of Part 1(c) is deleted and replaced with a semicolon (“;”) and thereafter the word “and” is added.

2. A new Part 1(d) is added to Schedule 1 of the Financing Agreement to read as follows:

“(d) early recovery and rehabilitation of water supply, sanitation, and hygiene services in the Affected Districts to improve health and hygiene and prevent spread of waterborne diseases.”

3. Section I.B.1 of Schedule 2 to the Financing Agreement is amended to read as follows (emphasis added):

“1. To facilitate the carrying out of the Project Implementing Entity’s Respective Parts of the Project, the Recipient shall make the proceeds of the Financing allocated from time to time to Categories (1), (2), (3), (4) and (9) available to the Project Implementing Entity under a subsidiary grant agreement between the Recipient and the Project Implementing Entity, with terms and conditions satisfactory to the Association (“Subsidiary Grant Agreement”).”
4. The table in Section IV.A.2 of Schedule 2 to the Financing Agreement is replaced in its entirety with the table set forth in the attachment to this letter of amendment.

5. The following new definitions are added to the Appendix in the relevant alphabetical order to read as follows:

 '"Affected Districts" means the districts of the Recipient affected by the Earthquake and selected in accordance with criteria as set forth in the Project Operations Manual."

 '"Earthquake" means the earthquake which occurred in the Recipient’s territory on April 25, 2015, and its aftershocks, resulting in, among others, devastating loss of life, livelihoods, social services, and infrastructure."

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. The above amendment to the Financing 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 Recipient; and (b) a duly countersigned original of the letter of the same date by the authorized representative of the Project Implementing Entity amending the Project Agreement.

Sincerely,

INTERNATIONAL DEVELOPMENT ASSOCIATION

Johannes Zutt
Country Director

AGREED:
NEPAL

By: [Signature]
Name: Suman Prasad Sharma
Title: Finance Secretary
Date: August 25, 2015
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated (expressed in SDR)</th>
<th>Amount of the Grant Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, and non-consulting services under Part 1(b) of the Project:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Development Phase</td>
<td>3,440,000</td>
<td>1,300,000</td>
<td>100%</td>
</tr>
<tr>
<td>(b) Implementation Phase</td>
<td>15,710,000</td>
<td>5,960,000</td>
<td>70%</td>
</tr>
<tr>
<td>(c) Institutional Toilets</td>
<td>2,960,000</td>
<td>1,120,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Consultants’ services, Training, goods under Parts 1 and 3(a) of the Project</td>
<td>4,200,000</td>
<td>1,590,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Incremental Operating Costs of the Project Implementing Entity under Parts 1 and 3(a) of the Project</td>
<td>760,000</td>
<td>290,000</td>
<td>40%</td>
</tr>
<tr>
<td>(4) Sanitation Sub-grants under Part 1(c) of the Project</td>
<td>490,000</td>
<td>190,000</td>
<td>100% of amounts disbursed</td>
</tr>
<tr>
<td>(5) Consultants’ services, training and goods under Part 2 and 3(b) of the Project</td>
<td>4,700,000</td>
<td>1,800,000</td>
<td>100%</td>
</tr>
<tr>
<td>(6) Incremental Operating Costs of MoUD under Parts 2 and 3(b) of the Project</td>
<td>140,000</td>
<td>50,000</td>
<td>40%</td>
</tr>
<tr>
<td>(7) Emergency Expenditures for the CER Component</td>
<td>0</td>
<td>0</td>
<td>100%</td>
</tr>
<tr>
<td>(8) Refinancing of Project Preparation Advance</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>(9) Goods, works, consultant’s services, and non-consulting services for Part 1(d) of the Project</td>
<td>0</td>
<td>2,000,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>32,400,000</strong></td>
<td><strong>14,300,000</strong></td>
<td></td>
</tr>
</tbody>
</table>