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

Dear Mr. Khanal:

Re: Grant No. TF-094724-NP- Forest Carbon Partnership Facility (FCPF)-
Readiness Plan Readiness Fund of the FCPF
Additional Instructions: Disbursement - First Restatement

I refer to the Letter Agreement ("Agreement") dated July 14, 2009 between Nepal (the
"Recipient") and the International Bank for Reconstruction and Development ("World Bank"),
acting as Trustee of the Readiness Fund of the Forest Carbon Partnership Facility ("FCPF") and
the Supplementary Agreement of the Grant dated March 28, 2011. The Agreements provide that
the World Bank may issue additional instructions regarding the withdrawal of the proceeds of
Grant No. TF094724-NP ("Grant"). This letter ("Disbursement Letter"), as revised from time to
time, constitutes the additional instructions. An initial Disbursement Letter was issued on July
14, 2009. This revision changes:

(a) the minimum value of applications for reimbursement and direct payment in section
II.(iii) from USD20,000 to USD150,000;
(b) the ceiling of the Advance in section II.(iv) from USD50,000 to USD500,000;
(c) the threshold for the submission of supporting documentation for payments against
contracts in section III for (i) consulting firms from USD20,000 to USD50,000 or
more, (ii) individual consultants from USD10,000 to USD25,000 or more, (iii) goods
from USD25,000 to USD100,000, and
(d) provides in two additional sections (iii) and (iv) the option to deliver Applications to
the World Bank by electronic means.

All other provisions of the Disbursement Letter dated July 14, 2009, except as amended, shall
remain in force and effect.

The attached World Bank Disbursement Guidelines for Projects, dated May 1, 2006,
("Disbursement Guidelines") (Attachment 1), are an integral part of the Disbursement Letter.
The manner in which the provisions in the Disbursement Guidelines apply to the Grant is
specified below. Sections and subsections in parentheses below refer to the relevant sections and
subsections in the Disbursement Guidelines and, unless otherwise defined in this letter, the
capitalized terms used have the meanings ascribed to them in the Disbursement Guidelines.

Headquarters: 1818 H Street, N.W., Washington, D.C. 20433, U.S.A.
I. Disbursement Arrangements

(i) **Disbursement Methods (section 2).** The following Disbursement Methods may be used under the Grant:

- Reimbursement
- Advance
- Direct Payment

(ii) **Disbursement Deadline Date (subsection 3.7).** The Disbursement Deadline Date is 4 months after the Closing Date specified in the Grant Agreement. Any changes to this date will be notified by the World Bank.

II. Withdrawal of Grant Proceeds

(i) **Authorized Signatures (subsection 3.1).** A letter in the Form attached (Attachment 2) should be furnished to the World Bank at the address indicated below providing the name(s) and specimen signature(s) of the official(s) authorized to sign Applications:

The World Bank  
Yak & Yeti Hotel Complex, Lal Durbar,  
Kathmandu, Nepal  
Attention: Country Director

(ii) **Applications (subsections 3.2 - 3.3).** Please provide completed and signed applications for withdrawal, together with supporting documents to the address indicated below:

The World Bank  
No. 11, Taramani Main Road  
Taramani, Chennai – 600 113  
India  
Attention: Loan Department

(iii) **Electronic Delivery (subsection 3.4).** The World Bank may permit the Recipient to electronically deliver to the World Bank Applications (with supporting documents) through the World Bank’s Client Connection, web-based portal. The option to deliver Applications to the World Bank by electronic means may be effected if: (a) the Recipient has designated in writing, pursuant to the terms of subparagraph (i) of this Section, its officials who are authorized to sign and deliver Applications and to receive secure identification devices (“Tokens”) from the World Bank for the purpose of delivering such Applications by electronic means; and (b) all such officials designated by the Recipient have registered as users of Client Connection. If the World Bank agrees, the World Bank will provide the Recipient with Tokens for the designated officials. Following which, the designated officials may deliver Applications electronically by completing Form 2380, which is accessible through Client Connection (https://clientconnection.worldbank.org). The Recipient may continue to exercise the option of preparing and delivering Applications in paper form. The World Bank reserves the right and may, in its sole discretion, temporarily or permanently disallow the electronic delivery of Applications by the Recipient.
(iv) Terms and Conditions of Use of Tokens to Process Applications. By designating officials to accept Tokens and by choosing to deliver the Applications electronically, the Recipient confirms through the authorized signatory letter its agreement to: (a) abide by the Terms and Conditions of Use of Secure Identification Devices in connection with Use of Electronic Means to Process Applications and Supporting Documentation ("Terms and Conditions of Use of Tokens") provided in Attachment 3; and (b) to deliver the Terms and Conditions of Use of Tokens to each such official and to cause such official to abide by those terms and conditions.

(v) Minimum Value of Applications (subsection 3.5). The Minimum Value of Applications is USD150,000.

(vi) Advance (sections 5 and 6).

- **Type of Designated Account (subsection 5.3):** Segregated
- **Currency of Designated Account (subsection 5.4):** U.S. Dollars
- **Financial Institution at which the Designated Account Will Be Opened (subsection 5.5):** Nepal Rastra Bank (Central Bank of Nepal), Kathmandu, Nepal.
- **Ceiling (subsection 6.1):** USD500,000.

III. Reporting on Use of Grant Proceeds

(i) Supporting Documentation (section 4). Supporting documentation should be provided with each application for withdrawal as set out below:

- **For requests for Reimbursement:**
  - Records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices for payments against contracts for: (a) consulting firms valued at USD50,000 or more; (b) individual consultants valued at USD25,000 or more; and (c) goods valued at USD100,000 or more.
  - Statement of Expenditure in the form attached (Attachment 4) for all other expenditures and contracts; and
  - List of payments against contracts that are subject to the World Bank's prior review, in the form attached (Attachment 5).

- **For reporting eligible expenditures paid from the Designated Account:**
  - Records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices for payments against contracts for: (a) consulting firms valued at USD50,000 or more; (b) individual consultants valued at USD25,000 or more; and (c) goods valued at USD100,000 or more.
  - Statement of Expenditure in the form attached (Attachment 4) for all other expenditures and contracts; and
Attachments 1, 4 and 5 (previously 1, 3 and 4) were provided with the original Disbursement Letter.

1. *World Bank Disbursement Guidelines for Projects*, dated May 1, 2006 – as previously provided
2. Form for Authorized Signatures
4. Form of “Statement of Expenditure” - as previously provided
5. Form of Payments Against Contracts Subject to the World Bank’s Prior Review - as previously provided.
• List of payments against contracts that are subject to the World Bank’s prior review, in the form attached (Attachment 5).

• For requests for Direct Payment: records evidencing eligible expenditures, e.g., copies of receipts, supplier invoices

(ii) Frequency of Reporting Eligible Expenditures Paid from the Designated Account (subsection 6.3): monthly

IV. Other Important Information


If you have not already done so, the World Bank recommends that you register as a user of the Client Connection website (https://clientconnection.worldbank.org). From this website you will be able to download Applications, monitor the near real-time status of the Grant, and retrieve related policy, financial, and procurement information. All Recipient officials authorized to sign and deliver Applications by electronic means are required to register with Client Connection before electronic delivery can be effected. For more information about the website and registration arrangements, please contact Mr. Yogesh Malla or Mr. Nagendra Nakarmi from the Country Office in Nepal.

If you have any queries in relation to the above, please contact LOA Service Account at LOA-TF@worldbank.org using the above reference.

Yours sincerely,

/s/ Susan Goldmark
Country Director, Nepal
South Asia Region