



NEPAL RESIDENT MISSION

18 July 2016

Mr. Lok Darshan Regmi
Secretary
Ministry of Finance
Singha Durbar

Dear Mr. Regmi:

Subject: Loan No. 3139 (SF) and Grant No. 0397 (EF): South Asia Subregional Economic Cooperation Power System Expansion Project - Amendment to Loan Agreement and Grant Agreement

1. We refer to the Loan Agreement dated 11 July 2014 and the Grant Agreement dated 14 November 2014 between Nepal ("Borrower") and Asian Development Bank ("ADB") for the captioned project ("Loan Agreement" and "Grant Agreement", respectively, and together, "Financing Agreements"). All capitalized terms used but not defined herein shall have the meaning given thereto in the Financing Agreements, unless the context requires otherwise.
2. Following an understanding with the Borrower as reflected in the ADB review mission aide memoir dated 8 May 2016, ADB approved, on 15 July 2016, changes in the Project concerning the financing plan. To give effect to the changes, ADB proposes that the Financing Agreements be amended as set out in the attachments hereto.
3. Save and except to the extent set out in attachments hereto, the Financing Agreements remain unchanged.
4. Pursuant to ADB's Public Communications Policy on disclosure and exchange of information, the amendments to the Financing Agreements will be posted on ADB's website within 2 weeks from the date that the amendments becomes effective, after removing any information that falls within the PCP exceptions as specified by the Borrower.
5. Please indicate the Borrower's concurrence to the amendments set out in the attachments hereto and to the terms of this letter agreement by countersigning each of the two original of this letter agreement in the space indicated below. Please retain one signed original of this letter agreement for your records and return the other to ADB. The proposed amendments shall take effect on the date of receipt by ADB of a signed original of this letter agreement.

Yours sincerely,

Kenichi Yokoyama
Country Director

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ASIAN DEVELOPMENT BANK
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19 SEP 2016
SOUTH ASIA ENERGY DIVISION

A. Accepted and agreed.

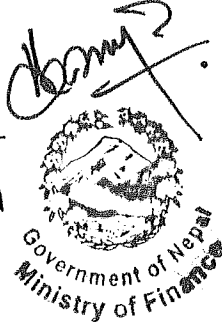
B. Confirmed that the amendments to the Financing Agreements do not contain information falling within the PCP exceptions.

For and on behalf of Nepal

Name: Baikuntha Aryal

Designation: Joint Secretary

Date: 11 September 2016



cc: Mr. Suman Sharma, Secretary, Ministry of Energy
Mr. Baikuntha Aryal, Chief and Joint Secretary, Ministry of Finance
Mr. Mukesh Kafle, MD, Nepal Electricity Authority
Mr. L.B. Khatri, Under Secretary, Ministry of Finance
Mr. Surendra Rajbhandari, DMD, Nepal Electricity Authority

**Loan No. 3139 (SF): South Asia Subregional Economic Cooperation Power System
Expansion Project**

Amendments to Loan Agreement

1. Recital (B) shall be deleted and replaced with the following:

"by an agreement dated 14 November 2014, as amended by Addendum No. 1 thereto dated 11 July 2016 ("Norway Grant Agreement"), ADB has agreed to make the proceeds of a grant from the Government of Norway ("Norway Grant") available to the Borrower in an amount equivalent to approximately twenty two million Dollars (\$22,000,000) for the purposes of financing a portion of Parts 1 and 4 of the Project;"

2. The Table on Allocation and Withdrawal of Loan Proceeds in the Attachment to Schedule 3 shall be deleted and replaced with the following:

| ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (South Asia Subregional Economic Cooperation Power System Expansion Project) | | | |
|--|--|--|---|
| Number | Item | Total Amount Allocated for ADB Financing (ADF) (SDR) Category | Basis for Withdrawal from the Loan Account |
| 1 | Turnkey Contract –Marsyangdi-Kathmandu 220 kV Transmission Line (NEA)** | 10,173,000 | 100% of total expenditure claimed* |
| 2 | Turnkey Contract – New Butwal-Bardaghat 400 kV Transmission Line (NEA)** | 12,943,000 | 100% of total expenditure claimed* |
| 3 | Turnkey Contract – Kali Gandaki 220 kV Transmission Line, Grid Substations, and Distribution Lines (NEA)** | 82,543,000 | 100% of total expenditure claimed* |
| 4 | Credit Line to AEPC*** | 2,971,000 | 100% of total expenditure claimed* |
| 5 | Interest During Implementation | 2,207,000 | 100% of total amount due |
| 6 | Unallocated for NEA | 5,656,000 | |
| | Total | 116,493,000 | |

*Exclusive of taxes and duties imposed within the territory of the Borrower.

**Subject to the condition for withdrawal as described in paragraph 6 of Schedule 3.

***Subject to the condition for withdrawal as described in paragraph 7 of Schedule 3.

**Grant No. 0397 (EF): South Asia Subregional Economic Cooperation Power System
Expansion Project**

Amendments to Grant Agreement

1. Recital (G) shall be deleted and replaced with the following:

"by an agreement dated 14 November 2014, as amended by Addendum No. 1 thereto dated 11 July 2016, between ADB and the Government of Norway ("Cofinancing Agreement"), the Government of Norway has agreed to provide, and ADB has agreed to administer, the Grant provided for herein upon the terms and conditions set out in the Cofinancing Agreement;"

2. Section 2.01(a) shall be deleted and replaced with the following:

"ADB agrees to make available to the Recipient a grant from the Government of Norway in the amount equivalent to approximately twenty two million Dollars (\$22,000,000), as such amount may be adjusted from time to time in accordance with subsection (b) hereinafter."

3. The Table on Allocation and Withdrawal of Grant Proceeds in the Attachment to Schedule 1 shall be deleted and replaced with the following:

| ALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS (South Asia Subregional Economic Cooperation Power System Expansion Project) | | | |
|---|---|---|--|
| Number | Item | Total Amount Allocated for Grant Financing (\$) Category | Basis for Withdrawal from the Grant Account |
| 1 | Turnkey Contract –Marsyangdi-Kathmandu 220 kV Transmission Line (NEA)** | \$9,400,000 | 100% of total expenditure claimed* |
| 2 | Consulting Services** | \$8,000,000 | 100% of total expenditure claimed* |
| 3 | Unallocated*** | \$4,600,000 | |
| | Total | \$22,000,000 | |

*Exclusive of taxes and duties imposed within the territory of the Recipient.

**Subject to the condition for withdrawal as described in paragraph 5 of Schedule 1.

***This amount also serves as a reserve for (i) currency fluctuations; and (ii) payment of ADB's administration fees and bank charges or other charges pursuant to the Cofinancing Agreement.