

29 March 2010

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

Subject: **Loan no. 1820 – NEP (SF): Melamchi Water Supply Project
Amendment to the Amended and Restated Loan Agreement**

Dear Mr. Khanal,

1. This refers to the Amended and Restated Loan Agreement dated 6 April 2008 between Nepal and Asian Development Bank ("ADB") ("the Agreement").
2. The capitalized terms used and not defined herein have the same meanings as defined in the Agreement.
3. In light of recent discussions and understandings, Nepal and ADB have agreed to amend the Agreement as follows:

Amendment to the Amended and Restated Loan Agreement

a. Para 11(d) Schedule 5

The existing Para 11(d) of Schedule 5 is deleted and replaced by the following:

"establish a project management unit (KPMU) within WUO, headed by a project director ("the Subproject 2 Project Director"), who shall be a joint secretary level officer of the Government of Nepal, to be deputed by the Executing Agency in consultation with WUO, and shall be responsible for overall administration of KPMU and for the procurement of all the consultancy services, equipment purchase and civil works under Subproject 2 and ensuring all necessary coordination with KVWSMB and ADB in the implementation of Subproject 2."

b. Para 11(e) Schedule 5

The existing Para 11(e) of Schedule 5 is deleted.

c. New Para 12A after Para 12 Schedule 5

The following is added after Para 12 Schedule 5 as a new Para 12A:

"The Borrower shall establish a Project Steering Committee (PSC) for KPMU for providing guidance on the implementation of Subproject 2. The PSC, chaired by the Secretary of MPPW,

will consist of one representative from the MOF, two representatives from WUO (including a member of its Board of Directors and a senior member of its management team) and one representative from KVWSMB. The Subproject 2 Project Director shall be the member secretary of the PSC. The Technical Manager of WUO will be a permanent invitee to the PSC to facilitate coordination and planning of WUO operations."

d. Para 15(b) Schedule 5

The existing Para 15(b) of Schedule 5 is deleted and replaced by the following:

"all funds (both Loan proceeds and counterpart funds) for all capital works for Subproject 2 are transferred to the project account on a timely basis so as to ensure that KPMU is able to implement and complete such tasks on a timely and efficient basis."

4. According to ADB's Public Communications Policy (PCP) on disclosure and exchange of information, any amendment to the Agreement will automatically be publicly disclosed within 2 weeks after its effectiveness, unless ADB is advised by return mail that the amendments contain any information or data of a sensitive or confidential nature falling under the PCP exceptions.

5. Kindly indicate the agreement of Nepal to the amendments set out herein by countersigning the two originals of this letter in the space indicated below. Please retain one signed original for your records, and return one signed original to ADB.

6. These amendments shall come into force and effect on the day ADB receives the signed original counterpart of this letter.

Yours sincerely,



Barry Hitchcock
Country Director

Accepted and agreed.

Confirmed that the amendments set out herein do not contain any information or data of a sensitive or confidential nature falling under the PCP exceptions.

Nepal



Name: Rameshore Khanal
Title: Secretary, Ministry of Finance
Date:

15 APR 2010