

The World BankINTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATIONNepal Country Office
Lal Durbar
Yak & Yeti Hotel Complex
Kathmandu, NepalFacsimile: 225112
Telex: 2228 INDEVA NP
Telephone: 226792, 439571
Cable Address: INTBAFRAD
KATHMANDU
Postal Address: P.O.Box 798**CONFORMED COPY**

April 5, 2004

Mr. Bhanu Prasad Acharya
Secretary
Ministry of Finance
His Majesty's Government of Nepal
Kathmandu

***Re: NEPAL: Credit No. 3293-NEP
(Road Maintenance and Development Project)
Amendment to the Development Credit Agreement***

Dear Mr. Acharya:

We refer to the Development Credit Agreement relating to the Road Maintenance and Development Project (the "Project") between the Kingdom of Nepal (the "Borrower") and the International Development Association (the "Association") dated December 22, 1999 (the "Credit Agreement"), including any amendments made from time to time. We also refer to the Ministry of Finance letter dated February 25, 2004 and the understanding reached between the Borrower and the Association to: (i) extend the Closing Date; (ii) amend the Project objectives; and (iii) restructure the Project components, of the Credit Agreement to address the implementation obstacles affecting the Project areas.

Accordingly, we are pleased to inform you that, after due consideration, the Association hereby agrees to amend the Credit Agreement, as follows:

1. The Closing Date in Section 2.03 of Article II of the Credit Agreement is amended to read as follows:

"Section 2.03. The Closing Date shall be December 31, 2006 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date."

2. In Schedule 2 (Description of the Project) to the Credit Agreement:

(a) The Project objectives in the first paragraph of Schedule 2 shall be changed to read as follows:

"The objective of the Project is to assist the Borrower in the provision of a sustainable and efficient road service on the strategic road network."

(b) Part A shall have the following additional paragraph:

"provision of technical advisory services to the Road Board for carrying out of beneficiaries surveys"

(c) Part B.1 shall read as follows:

“Part B: Road Construction and Upgrading

1. Carrying out of: (i) construction work of about 50 km of new dry-weather feeder roads and strategic road network; (ii) upgrading work of about 154 km of existing dry-weather feeder roads to gravel road standard.”

(d) Part C.1, shall read as follows:

“Part C: Road Rehabilitation

1. Carrying out of: (i) rehabilitation work to about 258 km of the strategic highway and feeder road network; (ii) upgrading work to about 125 km of feeder roads to bituminous standard; (iii) provide bituminous seal to about 141 km of rehabilitated gravel roads;”

(e) Part D shall read as follows:

“Part D: Road Maintenance

1. Implementing periodic maintenance of about 676 km of the strategic highway and feeder road network and performance based maintenance of about 134 km of strategic highway.
2. Implementing routine and regular maintenance of strategic highway and feeder road network, as well as necessary emergency maintenance.”

(f) The following components shall be added as Parts E and F and the previous Part E shall be re-lettered to read as Part G:

“Part E: Emergency Road Repair

Rehabilitating about 36 km of emergency strategic road network damaged due to flooding.

Part F: Community Road Works

Constructing 45 km of feeder road using community based organizations.”

3. All the terms and conditions of the Credit Agreement that have not been amended hereby shall remain unchanged and in full force and effect.

Please confirm your agreement to the amendment set out above by having an authorized representative of the Borrower sign the form of confirmation set forth herein below, and returning one fully executed original of this amendment letter to us at your earliest convenience and retaining one original for your records

Sincerely,

/s/ Deborah Bateman

Deborah Bateman
Acting Country Director for Nepal
South Asia Region

Confirmed and Agreed

KINGDOM OF NEPAL

By /s/ Bhanu Prasad Acharya
Name: Bhanu Prasad Acharya
Title: Secretary
Date: April 15, 2004

