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CREDIT NUMBER 600 NEP  
(Amendment)

# Agreement Amending Development Credit Agreement

(Kulekhani Hydroelectric Project)

between

KINGDOM OF NEPAL

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 18, 1979

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CREDIT NUMBER 600 NEP  
(Amendment)

AGREEMENT  
AMENDING DEVELOPMENT CREDIT  
AGREEMENT DATED JANUARY 9, 1976  
BETWEEN KINGDOM OF NEPAL AND  
INTERNATIONAL DEVELOPMENT ASSOCIATION

AGREEMENT, dated June 18, 1979, between KINGDOM OF NEPAL (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS (A) by a Development Credit Agreement (Kulekhani Hydroelectric Project) dated January 9, 1976, between the Borrower and the Association (hereinafter called the Original Agreement), the Association made a development credit to the Borrower in an amount in various currencies equivalent to twenty-six million dollars (\$26,000,000);

(B) supplemental financing is now required to cover the estimated increases in the cost of carrying out the Project, described in Schedule 2 to the Original Agreement;

(C) by agreement dated January 8, 1979, the Kuwait Fund for Arab Economic Development has agreed to make a supplemental loan to the Borrower in an amount equivalent to two million Kuwaiti Dinars (KD2,000,000) to further assist in financing the foreign exchange cost of civil works included in the Project on the terms and conditions therein set forth;

(D) by agreement dated December 27, 1978, the Overseas Economic Cooperation Fund, an agency of the Government of Japan, has agreed to make a supplemental loan to the Borrower in an amount of one billion five million Japanese Yen (Yen 1,005,000,000) to further assist in financing the foreign exchange cost of equipment required for the Project on the terms and conditions therein set forth;

(E) the Borrower, the United Nations Development Programme (hereinafter called UNDP) and the International Bank for Reconstruction and Development, acting as executing agency for UNDP, have entered into an agreement dated January 23, 1979 amending the UNDP Project Document Number NEP/75/010, pursuant to which UNDP has agreed to contribute an additional amount of one million dollars (\$1,000,000) to provide technical assistance to assist the Borrower in field investigation, preparation of detailed designs,

specifications and bidding documents, procurement and supervision of construction under the Project;

(F) by agreement of even date herewith (hereinafter called the Special Action Credit Agreement), the Administrator of the Special Action Account established by the Association with funds contributed by the Member States of the European Economic Community is agreeing to make a loan to the Borrower in an amount equivalent to about three million dollars (\$3,000,000) to assist the Borrower in the financing of the Project; and

(G) the Association has agreed to amend the Original Agreement by adding an additional amount equivalent to fourteen million eight hundred thousand dollars (\$14,800,000) to the amount of the development credit made pursuant to the Original Agreement, upon the terms and conditions herein set forth;

NOW THEREFORE, the parties hereto hereby agree as follows:

#### ARTICLE I

##### Definitions

Section 1.01. Wherever used in this Agreement, unless the context otherwise requires and subject to the amendments made herein, the several terms defined in the Original Agreement and in the General Conditions (as defined therein) have the respective meanings therein set forth and the term "KHDB" means the Kulekhani Hydro-Power Development Board of the Borrower.

#### ARTICLE II

##### The Credit

Section 2.01. Section 2.01 of the Original Agreement is amended to read as follows:

"Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions in the Development Credit Agreement set forth or referred to, an amount in various currencies equivalent to forty million eight hundred thousand dollars (\$40,800,000)".

Section 2.02. Section 2.04 of the Original Agreement is amended to read as follows:

"Section 2.04. The Closing Date shall be December 31, 1982 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date."

### ARTICLE III

#### Financial and Other Covenants

Section 3.01. (a) Paragraph (a) of Section 5.02 of the Original Agreement is amended to read as follows:

"(a) Except as the Association shall otherwise agree the Borrower shall cause NEC to take all such measures, including necessary adjustments to its tariffs, as shall be sufficient to provide NEC with revenues adequate to produce an annual rate of return on the value of the NEC's average net fixed assets in operation of not less than 4% in each of its fiscal years 1979-80 through 1981-82, and of not less than 6% in each of its fiscal years thereafter beginning with its fiscal year 1982-83".

(b) The words "for fiscal year 1975-76" in paragraph (b) (iv) of Section 5.02 of the Original Agreement are deleted and the words "for any fiscal year" are substituted therefor.

Section 3.02. The date "July 15, 1976" in Section 5.08 of the Original Agreement is deleted and the date "July 15, 1980" is substituted therefor.

### ARTICLE IV

#### Remedies of the Association

Section 4.01. Paragraph (c) (i) of Section 6.01 of the Original Agreement is amended to read as follows:

"(c) (i) Subject to sub-paragraph (ii) of this paragraph:

(A) the right of the Borrower to withdraw the proceeds of any loan, credit or grant

made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor; or

- (B) any such loan or credit shall have become due and payable prior to the agreed maturity thereof."

#### ARTICLE V

##### Withdrawal of the Proceeds of the Credit

Section 5.01. The table set forth in paragraph 1 of Schedule 1 to the Original Agreement is amended to read as follows:

<u>"Category</u>	<u>Amount of the Credit Allocated (Expressed in Dollar Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Civil works for Part A of the Project	31,800,000	100% of foreign expenditures
(2) Civil works for Part B of the Project	7,000,000	100% of foreign expenditures
(3) Unallocated	2,000,000	
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TOTAL	40,800,000"	
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#### ARTICLE VI

##### Description of the Project

Section 6.01. (a) The words "about 3.5 million m<sup>3</sup>" in Part A of Schedule 2 to the Original Agreement are deleted and the words "about 4.5 million m<sup>3</sup>" are substituted therefor.

(b) The following Parts K and L are added to Schedule 2 to the Original Agreement:

"Part K: carrying out of a program for the resettlement of farmers displaced under the Project; and

Part L: provision of appropriate support for KHDB, including staff quarters."

#### ARTICLE VII

##### Effective Date; Termination

Section 7.01. This Agreement shall come into force and effect on the date on which the Association dispatches to the Borrower notice of its acceptance of the evidence furnished by the Borrower that:

(a) the execution and delivery of this Agreement on behalf of the Borrower have been duly authorized or ratified by all necessary governmental action, including an opinion or opinions satisfactory to the Association of counsel acceptable to the Association or, if the Association so requests, a certificate satisfactory to the Association of a competent official of the Borrower showing that this Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and is legally binding upon the Borrower in accordance with its terms;

(b) all conditions precedent to the effectiveness of the Special Action Credit Agreement, except for the effectiveness of this Agreement, have been fulfilled; and

(c) the Borrower has caused NEC to take all such measures, including necessary adjustments to its tariffs, as shall, in the opinion of the Association, be sufficient to enable NEC to achieve in fiscal year 1979-80 the rate of return specified for said year in Section 5.02 of the Original Agreement, as amended in Section 3.01 of this Agreement.

Section 7.02. If this Agreement shall not have come into force and effect by September 18, 1979, this Agreement and all obligations of the parties thereunder shall terminate, unless the Association, after consideration of the reasons for the delay, shall establish a later date for the purposes of this Section. The Association shall promptly notify the Borrower of such later date. If this Agreement shall terminate under the provisions of this Section, the Original Agreement shall continue in full force and effect, as if this Agreement had not been executed.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

KINGDOM OF NEPAL

By /s/ Padma Behadur Khatri  
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ W. David Hopper  
Regional Vice President  
South Asia