Mr. Venu Rajamony  
Joint Secretary (MI)  
Department of Economic Affairs  
Ministry of Finance  
Government of India  
Room no# 67B, North Block  
New Delhi- 110 001  

Dear Mr. Rajamony:

Indiana: Karnataka Municipal Reform Project (Loan 4818-IN)  
Amendment to the Loan Agreement

We refer to the Loan Agreement between India (the Borrower) and the International Bank for Reconstruction and Development (the Bank) dated May 2, 2006. We also refer to the letter dated November 15, 2010, from Department of Economic Affairs, Ministry of Finance, Government of India, requesting some amendments to some provisions of the Loan Agreement.

We are pleased to inform you that the Bank, after due consideration, agrees to amend the Loan Agreement as follows:

1. The table in paragraph 1 of Schedule 1 to the Loan Agreement is amended as set forth in the attachment to this Amendment Letter.

2. The Project Description in Schedule 2 of the Agreement is amended to read as set forth in Annex 2 of this letter.

Please confirm your agreement to the above amendment by signing the form of confirmation set forth below, returning to us one fully executed original of this amendment letter, and retaining one original for your records.

Except as specifically amended by this Amendment Letter, all provisions of the Loan Agreement will remain in full force and effect.

This amendment shall be effective as of date of this letter upon receipt by the Bank of the countersigned copy of this letter.

With regards,

Yours sincerely,

/s/ Roberto Zagha  
Roberto Zagha  
Country Director, India
CONFIRMED

INDIA

By: /s/ Venu Rajamony
   Venu Rajamony
   Joint Secretary
   Department of Economic Affairs
   Ministry of Finance

Date: April 6, 2011
## SCHEDULE 1

Withdrawal of the Proceeds of the Loan

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (Expressed in USD)</th>
<th>Percentage of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, training, services, and incremental operating costs under Part A of the Project</td>
<td>19,010,000.00</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Subloans and Subgrants under Part B of the Project</td>
<td>75,970,000.00</td>
<td>80%</td>
</tr>
<tr>
<td>(3) Works, goods, services training, Sub-grants and incremental operating costs under Part C.1, C.2(b), C.2(c) and C.3 of the Project</td>
<td>63,200,000.00</td>
<td>80%</td>
</tr>
<tr>
<td>(4) Works, goods, services, under Parts C.2(a) of the Project</td>
<td>48,520,000.00</td>
<td>80%</td>
</tr>
<tr>
<td>(5) Goods, services, training, and incremental operating costs under Parts A.1, A.3, A.4, B, and D.1 of the Project</td>
<td>8,380,147.33</td>
<td>100%</td>
</tr>
<tr>
<td>(6) Front End Fee</td>
<td>540,000.00</td>
<td>Amount due under Section 2.04 of this Agreement</td>
</tr>
<tr>
<td>(7) Refunding of PPF advance</td>
<td>379,852.67</td>
<td>Amount due under Section 2.02 of this Agreement</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>216,000,000.00</strong></td>
<td></td>
</tr>
</tbody>
</table>
Annex 2

Schedule 2
Project Description

The objective of the Project is to assist Karnataka in improving the delivery of urban services through enhancing the quality of urban infrastructure, and strengthening the ULB- and state-level institutional and financial frameworks for the delivery of urban services.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve such objective:

**Part A: Institutional Development**

Strengthening of the institutional capacity of the UDD and Departments of Municipal Administration and Town Planning to undertake basic urban planning and management functions, including:

1. Improving the management capacity of, and information flow to, about 170 ULBs, through:
   
   (a) the computerization of core municipal functions, including property tax management, budgeting, accounting and auditing functions, grievance redressal procedures, and birth and death registration; and
   
   (b) the strengthening of tax assessment and recovery, performance monitoring, and reporting systems; through the provision of technical advisory services and acquisition of computer hardware and software.

2. Improving land management functions in the DTP relating to decentralized planning and management, including:
   
   (a) development of up-to-date, geo-referenced, and large-scale (1:2000) mapping for selected ULBs in Karnataka using aerial photography, satellite images, and ground survey; establishment of about 2,300 Survey Control Points, through the provision of equipment and technical advisory services;
   
   (b) support to the DTP, including capacity building activities, and the carrying out of studies on:
   
   (i) rationalizing and the devolution of the planning and management of urban development; and
   
   (ii) capacity building in the context of decentralized planning, through the provision of equipment and technical advisory services.

3. Development and implementation of new budgeting and accounting systems to support double-entry, accrual-based accounting systems in about 170 ULBs, including staff training related thereto, and the carrying out of external audits of said systems, through the provision of technical advisory services, and computer hardware and software, and the financing for said external audits.

4. Carrying out of capacity building activities for ULBs relating to their service delivery and financial management functions, including the carrying out of a Capacity Enhancement Needs Assessment to identify knowledge and skills for the design and implementation of the urban reform agenda of Karnataka and ULBs, through the provision of technical advisory services, training, and workshops.
5. Provision of technical advisory services and capacity building activities, including workshops and training, for staff of the UDD, KUIDFC, and DMA, and the carrying out of studies on: (a) a state urban finance framework; (b) a KUIDFC business model; and (c) the development of operational manuals for municipal functions.

**Part B: ULB Investment Support**

Financing of Subprojects by Karnataka to improve the delivery of urban services through the provision of Subloans or Subgrants, or a combination thereof, to eligible ULBs.

**Part C: Bangalore Development**

1. Rehabilitation of, and traffic management improvements to, about 140 kilometers of selected portions of the BMP city road network, including:
   (a) pavement strengthening; (b) footpath and drainage works; (c) upgrading or installation of street lighting, traffic signage and markings, and road fixtures; (d) improvements to intersections and public transport terminals; and (e) utility relocation; through the provision of: civil works; technical advisory assistance for project preparation; training; project management; construction supervision, system development and implementation; logistical support, social rehabilitation and environmental mitigation or enhancement measures; and the acquisition of equipment.

2. Carrying out of an underground drainage program for the BMA, including:
   (a) the construction of a sanitary sewerage system for the BMA, including the construction of: about 1,750 kilometers of main and trunk sewers; branch sewers and laterals; about 1,200,000 sewer house connections; two pumping stations located in Mahadevpura, and Yelahanka; and the provision of related sewer maintenance equipment;
   (b) the restoration of about 2,000 km of urban roads in the BMA that are impacted by the physical works carried out under Part C.2(a) of the Project; and (c) the enhancement of the institutional capacity of BWSSB through the provision of technical advisory assistance, and financing for the incremental operating costs incurred by BWSSB attributed to the carrying out of Parts C.2(a) and C.2(b) of the Project.

3. Carrying out of a program aimed at providing improved access to sewerage and sanitation facilities for about 10,000 households residing by slum communities in the BMA, and the provision of technical assistance involving, *inter alia*, the participation of community-based and non-governmental organizations and other strategies designed to increase the urban poor population’s awareness of, and access to, water and sanitation facilities.

**Part D: Project Management**

1. Establishment and operationalization of a project development advisory facility within KUIDFC for the purposes of:
   (a) providing Subproject preparation technical assistance to ULBs, including: the carrying out of:
      (i) CIP studies; and (ii) technical, financial, economic, environmental and social assessments; all for the preparation by ULBs of Subprojects;
   (b) providing public dissemination of, ULBs for activities carried out under Part B of the Project;
   (c) the preparation of Subproject bid documents; (d) support to ULBs for Subproject management and supervision; and (e) support to improve ULB revenue and operational performance; through the provision of technical advisory services and workshops, and financing of the incremental operating costs of KUIDFC.
2. Project implementation support to Project management teams through the provision of office equipment and the financing of incremental operating costs to: (a) KUIDFC, attributed to the carrying out of Parts B and D.1 of the Project; and (b) the Municipal Reform Cell, attributed to the carrying out of Parts A.1, A.3, and A.4 of the Project.
cc: Mr. Nilaya Mitash, Director, Department of Economic Affairs, MoF, North Block, New Delhi
Mr. Navin Kumar, Secretary, Minister of Urban Development, New Delhi
Mr. Subir Hari Singh, Additional Chief Secretary to Government, Urban Development Department, GoK
Mr. S. D. Meena, Secretary to Government, Urban Development Department, GoK
Mr. L. V. Nagarajan, Principal Secretary, Finance Department, GoK
Mr. Anjum Parvez, Director, Municipal Administration
Mr. Arvind Srivastava, Managing Director, KUIDFC
Mr. Ashok Jain, General Manager Urban Affairs, KUIDFC
Mr. P. B. Ramamurthy, Chairman BWSSB
Mr. Siddalalah, Commissioner, BBMP
Cleared with and bcc: Bernice Bronkhorst, Acting Sector Manager (SASDU); Kishor Uprety, Senior Counsel (LEGES); Lalitha Sairam, Financial Analyst (CTRDM)

bcc: Messrs/Mmes: Chatterji, Nagaraju (EDS12); India Coordinator; Kafka (SARSQ); O’Brien, Srivastava (SARDE); Chu (CTRFC); Stein, Pathmanathan, Mitchell (SASSD); SASSD Core Team; SASSD Sector Managers; Zhang, Kesavan, Raghava, Podipireddy, Muzzini, Chen, Singh (SASDU); Thomson, Krishnamurthy, Jain (SARFM); Sefta, Kolsur, Madan (SARPS); Harinath, Bayana (SASDI), Abushakra, Bakshi, Lotha (LEGES); Reddy, Kumar (CTRDM)

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