Dear Mr. Bajaj:

INDIA: Andhra Pradesh and Telangana Municipal Development Project
(Loan No.7816-IN)
(formerly known as the Andhra Pradesh Municipal Development Project)
Amendment to Loan Agreement
and Supplemental Letter (Indicators)

We refer to: (i) the Loan Agreement between the International Bank for Reconstruction and Development (the Bank) and India (the Borrower) dated January 22, 2010 (the Loan Agreement); (ii) the supplemental letter of the same date regarding performance monitoring indicators agreed further to the Loan Agreement; and (iii) the Project Agreement of the same date between the Bank and the State of Andhra Pradesh (Andhra Pradesh) (the AP Project Agreement).

The Borrower has advised the Bank of the enactment of the Andhra Pradesh Reorganization Act, 2014 (6 of 2014), published in the Gazette of India dated March 1, 2014, creating the new Telangana State (Telangana), formerly part of Andhra Pradesh.

We also refer to the Borrower’s letter dated May 19, 2014 and to the discussions among the Borrower, Andhra Pradesh, Telangana and the Bank, relating to amendments to take into account the creation of Telangana, and to reflect Telangana’s endorsement and commitment to carry out certain parts of the Project and as reflected in the aide-memoire transmitted to the Borrower, Andhra Pradesh and Telangana through the Bank’s letter dated August 18, 2014.

We are pleased to inform you that the Bank concurs with the request, and proposes to enter into a Project Agreement with Telangana for this Project (Telangana Project Agreement). The Loan Agreement is amended as set forth below subsequent to the request and the above-mentioned discussions:

1. The name of the Project “Andhra Pradesh Municipal Development Project”, wherever used is replaced by “Andhra Pradesh and Telangana Municipal Development Project”.

March 23, 2015
2. Section 3.01 of Article III is amended to read as follows (emphasis added):

"3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall cause the Project to be carried out by the Participating States in accordance with the provisions of Article V of the General Conditions, the Project Agreements and the Operations Manual."

3. Section 4.01 of Article IV is amended to read as follows (emphasis added):

"4.01. The Additional Events of Suspension consist of the following:

(a) Legislation of any of the Participating States has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of such Participating State to perform any of its obligations under its respective Project Agreement.

(b) Any provisions of the Trust Deed or the Contribution Agreement shall have been amended, suspended, or abrogated, repealed or waived so as to affect materially and adversely the operation or financial condition of APUIF and/or TUFIDC, or the ability of the State of Andhra Pradesh or APUIF and/or Telangana or TUFIDC to carry out the Project, or to perform their respective obligations under the Project Agreement or the Contribution Agreement, as the case may be.

(c) Any authority having jurisdiction shall have taken any action for the dissolution or disestablishment of APUIF and/or TUFIDC or for the suspension of its operations."

4. Part A.1 of Schedule 1 is amended to read as follows:

"1. Establishment of an urban academy to provide monitoring, analysis, training and knowledge dissemination, related to urban development and management to urban sector officials through the provision of works, goods, and technical assistance, and incremental operating costs financing; and"

5. Part A.2 of Schedule 1 is amended to read as follows:

"2. (a) carrying out of studies on state level urban policy and strategies, regional plans, urban infrastructure plans, design of urban development programs, and urban sectoral studies, through the provision of technical assistance; and (b) the establishment of a Geographic Information System Cell to support the monitoring and planning of urban development through the provision of computer hardware and software and technical assistance."

6. Part B.1 of Schedule 1 is amended to read as follows:

"1. Enhancing the institutional capacity of ULBs in the Participating States in the areas of urban finance, management, e-governance, development and planning, procurement, and engineering through the provision of training, study tours, and technical assistance."
7. A new Part B.3 is introduced in Schedule 1, to read as follows:

   “3. Financing of city development strategies or plans, urban design studies, sectoral plans, studies assessment, and project reports related to the new capital city of the State of Andhra Pradesh.”

8. Part C of Schedule 1 is amended to read as follows:

   “Financing of sustainable, high-priority urban infrastructure Investment Subprojects by selected ULBs of the Participating States, through the provision of Investment Subloans, Subgrants, and technical assistance to such ULBs.”

9. Section I.A.1 of Schedule 2 is amended to read as follows:

   “1. To facilitate the carrying out of the Project, the Borrower shall make the proceeds of the Loan available to the Participating States in accordance with the Borrower’s standard arrangements for developmental assistance to the States of India.”

10. Section I.A.2 of Schedule 2 is amended to read as follows:

   “2. The Borrower shall cause the Participating States to take all necessary steps to ensure that all Project activities are implemented in accordance with the provisions set forth in the Schedule to their respective Project Agreement.”

11. Section II.A of Schedule 2 is amended to read as follows:

   “The Borrower, together with the Participating States, shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of indicators agreed with the Bank. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the Bank not later than six (6) weeks after the end of the period covered by such report.”

12. Section II.B.2 of Schedule 2 is amended to read as follows:

   “2. Without limitation on the provisions of Part A of this Section, the Borrower shall, or shall cause the Participating States to prepare and furnish to the Bank as part of the Project Report not later than six (6) weeks after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance agreed with the Bank.”
13. The table in Section IV.A.2 of Schedule 2 is amended to read as follows:

<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, consultants' services, training, and incremental operating costs under Parts A, B, and D of the Project for the State of Andhra Pradesh</td>
<td>22,960,000</td>
<td>100</td>
</tr>
<tr>
<td>(2) Goods, consultants' services, training, and incremental operating costs under Parts A, B, and D of the Project for Telangana</td>
<td>17,960,000</td>
<td>100</td>
</tr>
<tr>
<td>(3) Civil Works under Part A of the Project for the State of Andhra Pradesh</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>(4) Civil Works under Part A of the Project for Telangana</td>
<td>5,000,000</td>
<td>100</td>
</tr>
<tr>
<td>(5) Subloans and Subgrants financed under Part C of the Project for the State of Andhra Pradesh</td>
<td>150,600,000</td>
<td>85</td>
</tr>
<tr>
<td>(6) Subloans and Subgrants financed under Part C of the Project for Telangana</td>
<td>102,730,000</td>
<td>85</td>
</tr>
<tr>
<td>(7) Front End Fee</td>
<td>750,000</td>
<td>Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07(b) of the General Conditions</td>
</tr>
<tr>
<td>(9) Premia for Interest Rate Caps and Interest rate Collars</td>
<td>0</td>
<td>Amounts due under Section 2.07(c) of this Agreement</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>300,000,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

14. Section IV.B.2 of Schedule 2 is amended to read as follows:

"2. The Closing Date is **December 15, 2017**."

15. Section I (Definitions) of the appendix is amended to read as set forth in Attachment 1 hereto.

The attachment to the supplemental letter regarding performance monitoring indicators agreed further to Section II.A of Schedule 2 is amended to read as set forth in Attachment 2 hereto.

All other provisions of the Loan Agreement, except as amended herein, remain unchanged.

Please confirm your agreement to the foregoing by signing the form of confirmation set forth below, and returning one fully executed original of this amendment letter to us and retaining one original for your records. This amendment letter shall become effective upon receipt by the Bank of: (a) duly
countersigned originals of this amendment letter, the amendment letter to the AP Project Agreement, and the Telangana Project Agreement, prepared further to the above-mentioned requests and discussions; and (b) a legal opinion, satisfactory to the Bank, prepared by counsel to Telangana, or a competent official of Telangana acceptable to the Bank, pursuant to Article III of the Telangana Project Agreement and Section 9.02 of the General Conditions.

Sincerely yours,

Onno Ruhl
Country Director, India
South Asia Region

AGREED
INDIA

By: __________________________

Name: __________________________
Title: __________________________
Date: __________________________
Section I. Definitions

1. "Andhra Pradesh" means the Borrower's Andhra Pradesh State that existed prior to June 2, 2014, and which has since been bifurcated into the States of Andhra Pradesh and Telangana as of June 2, 2014, pursuant to the Andhra Pradesh Reorganization Act, 2014 (6 of 2014).


3. "APUIF" means the Andhra Pradesh Urban Infrastructure Fund, established February 18, 2005, pursuant to Government Order No. 72, (as hereinafter defined) and in accordance with the Indian Trust Act, 1882, for the purposes and objectives set forth in the Andhra Pradesh Urban Infrastructure Fund Trust Indenture, executed on February 23, 2005.

4. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.


6. "Contribution Agreement" means the agreement to be entered into between the State of Andhra Pradesh and APUIF, or as the case may be, between Telangana and TUFIDC, providing for the Contribution, as referred to in Section I.A(4) of the Schedule to its respective Project Agreement.

7. "Contribution" means the amount made available, out of the proceeds of the Loan, by the State of Andhra Pradesh to APUIF, or as the case may be, by Telangana to TUFIDC, under Section I.A(4) of the Schedule to its respective Project Agreement to be utilized, inter alia, for making Investment Subloans and Subgrants and "Contributions" means all such Contributions collectively.

8. "DMA" means, as the case may be, the Directorate of Municipal Administration, an administrative unit of the State of Andhra Pradesh, or the Directorate of Municipal Administration, an administrative unit of Telangana, or any successor to such unit.

9. "GAAP" means the governance and accountability action plan adopted by the State of Andhra Pradesh on April 21, 2009, and by Telangana on June 2, 2014, which sets out the key actions to be undertaken by the State of Andhra Pradesh and Telangana to strengthen governance, transparency, and accountability under the Project, as such plan may be amended from time to time with the prior consent of the Bank.

10. "General Conditions" means the "International Bank for Reconstruction and Development General Conditions for Loans", dated July 1, 2005 (as amended through February 12, 2008) with the modifications set forth in Section II of this Appendix.

11. "GIS Monitoring Cell" means, as the case may be, the Geographic Information System Monitoring Cell to be established within the Department of Town and Country Planning, an administrative unit of the State of Andhra Pradesh, or the Geographic Information System Monitoring Cell to be established within the Department of Town and Country Planning, an
administrative unit of Telangana referred to in Section I.A(6)(a)(iv) of the Schedule to its respective Project Agreement.


13. “Government Order No.290” means Government Order Ms. No.290, Municipal Administration and Urban Development Department, dated September 13, 2014, issued in the name, of the Governor of Telangana, as such Order has been and may be amended from time to time.

14. “Government Order No. 72” means Government Order Ms. No. 72, Municipal Administration and Urban Development Department, dated February 18, 2005, issued in the name, of the Governor of the State of Andhra Pradesh, as such Order has been and may be amended from time to time.

15. “Investment Subborrower” means an ULB meeting the Investment Subborrower eligibility criteria set forth in the Operations Manual and to which the State of Andhra Pradesh, through APUIF, or as the case may be, Telangana, through TUFIDC, have made or propose to make a Subloan and Subgrant.

16. “Investment Subloan and Subgrant” means an Investment Subloan and Subgrant made or proposed to be made by the State of Andhra Pradesh, through APUIF, or as the case may be, Telangana, through TUFIDC, out of the proceeds of the Contribution to an Investment Subborrower for the financing of an Investment Subproject under Part C of the Project; and “Investment Subloans and Subgrants” mean all collectively.

17. “Investment Subproject” means an Investment Subproject meeting the eligibility criteria set forth in the Operations Manual and to be carried out by an Investment Subborrower utilizing, inter alia, the proceeds of an Investment Subloan and Subgrant.

18. “MAUD” means, as the case may be, the Municipal Administration and Urban Development Department, a department established within the State of Andhra Pradesh, or the Municipal Administration and Urban Development Department, a department established within Telangana, or any successor thereto.

19. “Memorandum of Understanding” or “MOU” means the Memorandum of Understanding entered into between a DMA and an ULB setting out the reform program to be carried out by such ULB for the purpose of making such ULB eligible for receiving an Investment Subloan and Subgrant.

20. “MSU” means the Municipal Strengthening Unit referred to in Section I.A.1(a) of the Schedule to the Project Agreement.

21. “Operations Manual” means the Operations Manual referred to in Section I.A.5(a) of the Schedule to the respective Project Agreement, dated October 3, 2009, as said manual may be amended from time to time with the Bank’s prior approval.

22. “Participating States” means the State of Andhra Pradesh (through its MAUD), and Telangana (through its MAUD).

24. "Procurement Plan" means the Borrower's procurement plan for the Project, dated October 3, 2009, and updated on June 20, 2014 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

25. "Project Agreement" means the agreement between the Bank and State of Andhra Pradesh, or as the case may be, the agreement between the Bank and Telangana, for this Project, as the same may be amended from time to time; and such term includes all schedules and agreements supplemental to the Project Agreement.

26. "SC" means both the Steering Committee established by the State of Andhra Pradesh and referred to in Section I.A.2(b) of the Schedule to its Project Agreement, and the Steering Committee established by Telangana and referred to in Section I.A.2(b) of the Schedule to its Project Agreement.

27. "SEAMF" means the Social and Environmental Assessment Management Framework approved by the SC and incorporated into the Operations Manual, for purposes of setting forth the environmental and social framework to address the adverse temporary or permanent environmental and social impacts resulting from, or likely to result from, the carrying out of the Project, as such Framework has been and may be updated from time to time in a manner satisfactory to the Bank.


29. "Telangana" means the Borrower's Telangana State as created on June 2, 2014, pursuant to the Andhra Pradesh Reorganization Act, 2014 (6 of 2014), or any successor thereto.

30. "Trust Deed" means the Andhra Pradesh Urban Infrastructure Fund Trust Indenture, dated February 23, 2005 and executed by the State of Andhra Pradesh for the establishment of the APUIF.

31. "TUFIDC" means the Telangana Urban Finance and Infrastructure Development Corporation, a corporation fully owned by Telangana, incorporated under the Borrower's Companies Act (1956), or any successor or successors thereto.

32. "ULB" means an Urban Local Body constituted under the relevant laws of the State of Andhra Pradesh, or as the case may be Telangana, as a municipal corporation, a municipality or a nagar panchayat (Indian urban administrative body comparable to a municipality).
## Results Indicators

<table>
<thead>
<tr>
<th>Indicator Name</th>
<th>Baseline</th>
<th>Target State of Andhra Pradesh</th>
<th>Target Telangana</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Project Development Objective Indicators</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No. of project beneficiaries receiving improved urban services</td>
<td>0 (Number)</td>
<td>0.8 million</td>
<td>0.4 million</td>
</tr>
<tr>
<td>Average % increase in revenues of participating ULBs</td>
<td>0 (%)</td>
<td>40%</td>
<td>40%</td>
</tr>
<tr>
<td>No. of ULBs that have made operational new systems for core municipal functions and citizens interface</td>
<td>0 (Number)</td>
<td>50</td>
<td>30</td>
</tr>
<tr>
<td><strong>Intermediate Indicators</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Urban Academy made operational, legally set-up and starts training staff</td>
<td>-</td>
<td>n/a</td>
<td>Yes</td>
</tr>
<tr>
<td>Master- plans / Investment studies finalized for the new capital city and / or other selected strategic cities of AP through TA under APMDP</td>
<td>-</td>
<td>Yes</td>
<td>n/a</td>
</tr>
<tr>
<td>GIS Unit Operational at state level and support creation of at least 20 GIS maps and analyses</td>
<td>-</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>No. of local officials / staff trained that report gaining new useful skills or knowledge</td>
<td>0 (Number)</td>
<td>300</td>
<td>200</td>
</tr>
<tr>
<td>Number of ULB staff receiving professional certification as part of training</td>
<td>0 (Number)</td>
<td>30</td>
<td>20</td>
</tr>
<tr>
<td>Number of ULBs carrying out measures to strengthen financial and technical capacities through new e-governance systems.</td>
<td>0 (Number)</td>
<td>50</td>
<td>30</td>
</tr>
<tr>
<td>Number of ULBs with improved urban planning frameworks through creation of new GIS and General Town Plans</td>
<td>0 (Number)</td>
<td>30</td>
<td>20</td>
</tr>
<tr>
<td>Value of urban investment sub-projects implemented successfully at participating ULBs under the project</td>
<td>0 (US$ mn)</td>
<td>USD 170 million</td>
<td>USD 130 million</td>
</tr>
<tr>
<td>New / rehabilitated piped household water connections provided to people in urban areas under the project</td>
<td>0 (Number)</td>
<td>200,000</td>
<td>90,000</td>
</tr>
<tr>
<td><strong>Complete and timely progress / financial reports being made available by project management unit (MSU)</strong></td>
<td>-</td>
<td>&gt;90% on time</td>
<td>&gt;90% on time</td>
</tr>
<tr>
<td><strong>Third Party Quality Audit Mechanism is in place and provides timely reports based on field visits</strong></td>
<td>-</td>
<td>&gt;90% on time</td>
<td>&gt;90% on time</td>
</tr>
<tr>
<td><strong>Quality of DPRs prepared meeting adequate quality standards so as to ensure that sub-project costs at completion don’t have cost over-runs exceeding 10% as compared to original estimates (as per govt. administrative sanctions / approvals).</strong></td>
<td>-</td>
<td>&gt; 90% of sub-projects taken up</td>
<td>&gt; 90% of sub-projects taken up</td>
</tr>
</tbody>
</table>