Mr. Arvind Jadhav  
Chief Secretary  
Government of Karnataka  
Vidhana Soudha  
Bangalore  
Karnataka, India  

Dear Sir:  

INDIA: Second Karnataka State Highway Improvement Project (Loan No. 8022-IN)  
Amendment to the Project Agreement  

We refer to the Loan Agreement dated May 30, 2011 between India (the “Borrower”) and the International Bank for Reconstruction and Development (the “Bank”) (the “Loan Agreement”); the Project Agreement between the Bank and the State of Karnataka (“Karnataka”) of the same date (the “Project Agreement”); and the supplemental letter of the same date from Karnataka to the Bank regarding the results framework and monitoring indicators, agreed further to the Project Agreement (the “Supplemental Letter”), all for the Second Karnataka State Highway Improvement Project (the “Project”).  

We also refer to the letter from the Department of Economic Affairs, Ministry of Finance, Government of India dated April 26, 2016 requesting a restructuring of the Project involving amendments to the Loan Agreement and the Project Agreement to facilitate implementation of the Project.  

We are pleased to inform you that after due consideration, the Bank has agreed with the above request and hereby proposes to amend the Project Agreement as follows:  

(A) Section 1.9 of the Schedule is amended to read as follows:  

“9. Karnataka shall, no later than December 31, 2017, fully operationalize its road asset management system to provide inputs to prioritize its road investment and management program.”  

(B) Section 1.10 of the Schedule is amended to read as follows:  

“10. Karnataka shall, on an annual basis throughout the duration of the Project, cause KRDCI to develop a consolidated investment and borrowing plan to improve selected corridors under the Core Road Network commencing December 31, 2017, and thereafter implement such plan taking into account the Bank’s comments thereon.”  

The attachment to the Supplemental Letter regarding Results Framework and Monitoring Indicators agreed further to Section II.A of the Schedule to the Project Agreement, is revised to read as set forth in the Attachment hereto.
Except as specifically amended hereby, all other provisions of the Project Agreement shall remain in full force and effect. The Loan Agreement is similarly being amended as reflected in an amendment letter to the Loan Agreement of even date.

Please confirm your agreement to the foregoing by signing and dating the form of confirmation set forth below, and returning one fully countersigned original of this letter to us. Upon receipt by the Bank of: (i) a duly countersigned original of this letter by the authorized representative of Karnataka; and (ii) a duly countersigned original of the amendment letter to the Loan Agreement by the authorized representative of the Borrower, this amendment letter shall become effective as of the date of the last countersignature of the above two amendment letters.

Yours sincerely,

Michael Haney
Acting Country Director, India

CONFIRMED:
STATE OF KARNATAKA

By: (ARVIND JADHAV)
Name: Chief Secretary
Title: Government of Karnataka
Date: 25-06-2016

Encl.

ARVIND JADHAV
Chief Secretary
cc: Mr. Subhash Chandra Garg, Executive Director, The World Bank
Mr. Neeraj Mittal, Sr. Advisor to Executive Director, The World Bank

Department of Economic Affairs, Ministry of Finance, Government of India
Mr. Bhaskar Dasgupta, Director, MI Division
Mr. S. G. Dastidar, CAA &A, DEA, Ministry of Finance, New Delhi

Ministry of Road Transport and Highways, New Delhi
Mr. D. O. Tawade, Chief Engineer (Coordinator II)

Government of Karnataka
Mr. M. R. Kamble, Principal Secretary, Public Works Department
Mr. I. S. N. Prasad, Principal Secretary, Finance Department
Mr. Manivannan. P, Chief Project Officer, KSHIP Project Implementation Unit
Mr. K. S. Krishna Reddy, MD, Karnataka Road Development Corporation Ltd.
Mr. Tyagaraja, Project Director, KSHIP Project Implementation Unit
INDIA: Second Karnataka State Highway Improvement Project
Annex 1: Revised Results Framework and Monitoring

**Project Development Objective (PDO):**

To accelerate the development of the Core Road Network through leveraging public sector outlays with private sector financing, and improving the institutional effectiveness of the road sector agencies to deliver effective and safe roads to users.

<table>
<thead>
<tr>
<th>PDO Level Results Indicators*</th>
<th>Core</th>
<th>Unit of Measure</th>
<th>Baseline</th>
<th>Cumulative Target Values**</th>
<th>Frequency</th>
<th>Data Source/Methodology</th>
<th>Responsibility for Data Collection</th>
<th>Description (indicator definition etc.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Achievement by GOK in generating at least US$400 million in new private sector capital for CRN improvement and management by end-of-project (EOP).</td>
<td>US$ million</td>
<td>200.00 (Currently raised by KRDCL)</td>
<td>200.00 (KRDC LKSHIP II)</td>
<td>400 (KRDC L + KSHIP II)</td>
<td>Every two years</td>
<td>PWD, KRDCL</td>
<td>The indicator will measure private sector debt and equity raised as part of the DBFOMT concession and by KRDCL as part of the co-financing, and by KRDCL on its own through parallel transactions.</td>
<td></td>
</tr>
<tr>
<td>15 percent reduction in Vehicle Operating Costs and 25 percent reduction in Travel Time Cost on project corridors by EOP</td>
<td>US$ per vehicle-kms</td>
<td>VOC: US$0.26 TT: US$0.074</td>
<td>VOC: US$0.20 TT: US$0.06</td>
<td></td>
<td></td>
<td>PWD</td>
<td>Will measure the impact of the project on road users</td>
<td></td>
</tr>
<tr>
<td>30 percent reduction in road-accident related fatalities on safe corridor pilots by EOP</td>
<td>Number of fatalities per year</td>
<td>30 (on Belgaum to Hungund corridor)*</td>
<td></td>
<td></td>
<td></td>
<td>M&amp;E Report on safe corridor pilot</td>
<td>Will measure ability of the project to show measureable results on road safety</td>
<td></td>
</tr>
</tbody>
</table>

*The indicator will measure private sector debt and equity raised as part of the DBFOMT concession and by KRDCL as part of the co-financing, and by KRDCL on its own through parallel transactions.

**Cumulative Target Values**

<table>
<thead>
<tr>
<th>YR 1</th>
<th>YR 2</th>
<th>YR 3</th>
<th>YR 4</th>
<th>YR 5</th>
<th>YR 6</th>
<th>YR 7</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
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</tbody>
</table>

**Achievement by GOK in generating at least US$400 million in new private sector capital for CRN improvement and management by end-of-project (EOP).**

**15 percent reduction in Vehicle Operating Costs and 25 percent reduction in Travel Time Cost on project corridors by EOP.**

**30 percent reduction in road-accident related fatalities on safe corridor pilots by EOP.**
Roads in good and fair condition as a share of total classified roads  

<table>
<thead>
<tr>
<th></th>
<th>Km (%)</th>
<th>50%</th>
<th>50%</th>
<th>65%</th>
<th>Every two years</th>
<th>Asset Management Unit</th>
<th>PWD</th>
<th>Will measure expansion of road quality and expansion in the state</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intermediate RESULTS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Intermediate Result (Component One): Road Improvement Component**

<table>
<thead>
<tr>
<th>Roads Constructed, non-rural</th>
<th>Km</th>
<th>0</th>
<th>1198</th>
<th>Every Year</th>
<th>Project Progress Report</th>
<th>PWD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Completion of upgrading and widening of about 534 km, through item-rate contracts</td>
<td>Km / Procurement milestones</td>
<td>Contracts awarded</td>
<td>100 Kms road construction substantially completed</td>
<td>269 Kms road construction completed</td>
<td>534 Kms</td>
<td>Every Year</td>
</tr>
<tr>
<td>Completion of upgrading, widening of about 301 Kms through DBFOMT (Annuity) Concessions</td>
<td>Km / Procurement milestones</td>
<td>RFQ issued</td>
<td>Developers hired</td>
<td>301 Kms Construction Completed</td>
<td>O&amp;M phase started</td>
<td>Every Year</td>
</tr>
<tr>
<td>Land acquisition and resettlement implementation (a) Land acquisition completed</td>
<td>Percentage</td>
<td>0%</td>
<td>100%</td>
<td>Every Year</td>
<td>Project Progress Report</td>
<td>PWD/KR DCL</td>
</tr>
<tr>
<td>Land acquisition and resettlement implementation (b) Key R&amp;R assistance provided (alternative housing and livelihood support)</td>
<td>Percentage</td>
<td>0%</td>
<td>100%</td>
<td>Every Year</td>
<td>Project Progress Report</td>
<td>PWD/KR DCL</td>
</tr>
<tr>
<td>Land acquisition and resettlement implementation</td>
<td>Percentage</td>
<td>0%</td>
<td>80%</td>
<td>Twice in the R&amp;R Impact</td>
<td></td>
<td>PWD/KR DCL</td>
</tr>
</tbody>
</table>

*ARVIND JADHAV, Chief Secretary, Government of Karnataka*
(c) Improve the living standards (measured percent PAFs with increased/restored income in real terms)

<table>
<thead>
<tr>
<th>Environmental Management</th>
<th>0</th>
<th>0</th>
<th>As awarded</th>
<th>PIU(HQ) certified</th>
<th>1 field division certified</th>
<th>project period</th>
<th>Assessment Report</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implementation of EMP as agreed.</td>
<td>0</td>
<td>0</td>
<td>As awarded</td>
<td>PIU(HQ) certified</td>
<td>1 field division certified</td>
<td>project period</td>
<td>Assessment Report</td>
</tr>
<tr>
<td>(b) ISO 14001 certification obtained for operational units</td>
<td>0</td>
<td>0</td>
<td>As awarded</td>
<td>PIU(HQ) certified</td>
<td>1 field division certified</td>
<td>project period</td>
<td>Assessment Report</td>
</tr>
</tbody>
</table>

Intermediate Result (Component Two): Highway Financing Modernization Component

<table>
<thead>
<tr>
<th>KRDCCL generates additional road user revenues and commits them for mobilizing debt financing (via securitization) and/or making payments for PPP transactions</th>
<th>Policy and Institutional Action</th>
<th>Passing of Tolling Policy</th>
<th>KRDCCL issues debt or develops PPP transaction backed by toll revenues</th>
<th>Tolling started on selected roads</th>
<th>Intermediate Result (Component Two): Highway Financing Modernization Component</th>
</tr>
</thead>
<tbody>
<tr>
<td>Completion of upgrading, widening and O &amp; M of 363 km through co-financing arrangements</td>
<td>Km / Procurement milestones</td>
<td>Screening commenced</td>
<td>DPR completed, and Transaction Adviser engaged</td>
<td>Co-financing arrangement established</td>
<td>Intermediate Result (Component Three): Road Safety Improvement Component</td>
</tr>
</tbody>
</table>

Intermediate Result (Component Three):
Road Safety Improvement Component

*Signature*

ARVIND JADHAV
Chief Secretary
Government of Karnataka
<table>
<thead>
<tr>
<th>Effective implementation of Safe Corridor Pilot</th>
<th>Policy and Institutional Actions</th>
<th>Lead Agency Established pilot corridor identified</th>
<th>Consultant service s procur ed</th>
<th>Multi-sector intervention implementation started</th>
<th>Multi-sector intervention completed</th>
<th>Minimum 3 star rating achieved through iRAP investigation</th>
<th>Every Year</th>
<th>M&amp;E Report on Safe Corridors Pilot</th>
<th>Annual Report of Road safety Cell</th>
<th>PWD / Road Safety Cell</th>
</tr>
</thead>
</table>

**Intermediate Result (Component Four):**

**Road Sector Policy and Institutional Development Component**

<table>
<thead>
<tr>
<th>Satisfactory implementation of agreed Action Plan for institutional development and governance improvement</th>
<th>Policy and Institutional Actions</th>
<th>IDSAP and GAAP Endorsed</th>
<th>Key consultant services procured</th>
<th>Studio s Compl eted: and Recommen ded action s taken</th>
<th>Assessment of IDSAP and GAAP results made</th>
</tr>
</thead>
</table>

(Signed)

ARVIND JADHAV
Chief Secretary
Government of Karnataka