January 2, 2015

Mr. Tarun Bajaj
Joint Secretary (MI)
Department of Economic Affairs
Ministry of Finance, Government of India
Room No 40-B, North Block
New Delhi - 110001

Dear Mr. Bajaj:

**INDIA: Andhra Pradesh Water Sector Improvement Project**
*(Loan No. 7897-IN)*

**Amendment to Loan Agreement**

We refer to the Loan Agreement between the International Bank for Reconstruction and Development (the Bank) and India (the Borrower) dated August 14, 2010 (the Loan Agreement) and the Project Agreement of the same date between the Bank and the State of Andhra Pradesh (Andhra Pradesh) (the AP Project Agreement) for the above referenced project.

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 June 12, 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 November 4, 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 is amended to read as the “Water Sector Improvement Project”.

2. Section 3.01. (Article III – Project) is amended to read as follows:

   “Section 3.01. The Borrower declares its commitment of 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 and the Project Agreements.”

3. Section 4.01. (Article IV – Remedies of the Bank) is amended to read as follows:

   “Section 4.01. The Additional Events of Suspension consist of the following:
(a) The Andhra Pradesh Water Resources Regulatory Commission Act (No.15 of 2009), has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Participating States to implement the Project or achieve the objectives thereof.

(b) The Andhra Pradesh Farmers Management of Irrigation Systems Act (No.11 of 1997) has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Participating States to implement the Project or achieve the objectives thereof.

4. Parts C and D of Schedule 1 (Project Description) are amended to read as follows:

“Part C: Water Sector Institutional Restructuring and Capacity Building

This component supports the following activities: (a) establishment, fostering, and operationalization of the Andhra Pradesh Water Resources Regulatory Commission; (b) support the implementation of the Andhra Pradesh State Water Resources Regulatory Commission Act through appropriate implementation arrangements; (c) restructuring and capacity building of the Irrigation and Command Area Development Departments of the Participating States; (d) strengthening and capacity building of water-and-land management training and research institutes; (e) establishment of integrated computerized information systems; (f) piloting user centered aquifer level ground water management; and (g) piloting conjunctive use of surface and ground water in the Nagarjuna Sagar Scheme.

Part D: Project Management

This supports the following activities: (a) operation of state level project preparation and management units; (b) implementation of Project monitoring and evaluation responsibilities; and (c) implementation of information, education and communication programs.”

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

“To facilitate the carrying out of the Project, the Borrower shall make the proceeds of the Financing available to the Participating States, under terms and conditions satisfactory to the Bank.”

6. Sections II.A.1 of Schedule 2 is amended to read as follows:

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

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

“Without limitation on the provisions of Part A of this Section, the Borrower shall cause the Participating States to prepare and furnish to the Bank not later than forty-five (45) days after the end of each quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Bank.”

8. 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 (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, consultants’ services, training and operating costs under the Project for the State of Andhra Pradesh</td>
<td>286,476,700</td>
<td>48%</td>
</tr>
<tr>
<td>(2) Goods, works, consultants’ services, training and operating costs under the Project for Telangana</td>
<td>162,996,800</td>
<td>48%</td>
</tr>
<tr>
<td>(3) Front-end Fee</td>
<td>1,126,500</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><strong>TOTAL AMOUNT</strong></td>
<td>450,600,000</td>
<td></td>
</tr>
</tbody>
</table>

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

   “2. The Closing Date is **July 28, 2018**.”

10. Section I (Definitions) of the Appendix is amended to read as set forth in the Attachment hereto.

   All other provisions of the Loan Agreement, except as specifically amended by this letter of amendment, remain in full force and effect.

   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 as of the date of the last countersignature of the two amendment letters (including this one) and the Telangana Project Agreement, prepared further to the above-mentioned requests and discussions, upon receipt by the Bank of: (a) a duly countersigned original of this amendment letter; (b) a duly countersigned original of the amendment letter to the AP Project Agreement; and (c) a duly countersigned original of the Telangana Project Agreement.

Yours sincerely,

[Signature]

Michael Haney
Acting Country Director, India

Confirmed and agreed:

INDIA

By: [Signature]

Name: Tarun Bajaj

Title: Joint Secretary (M1)

Date: February 9, 2015
Section I. Definitions

1. “Andhra Pradesh Water Resources Regulatory Commission” means a statutory commission to be established by the Government of Andhra Pradesh pursuant to the Andhra Pradesh Water Resources Regulatory Commission Act (No.15 of 2009).

2. “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).


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


6. “Dam Safety Plan” means the plan dated December 26, 2007 for carrying out rehabilitation and modernization of existing dams under the Project (as described in the Loan Agreement) to be developed based on a dam safety assessment and reviewed and cleared by an independent dam safety review panel constituted by the Participating States.

7. “Financial Management Manual” means the manual dated March 8, 2010, as amended from time to time with the Bank’s prior consent, containing details of administrative, accounting and financial procedures, and procurement and disbursement arrangements, which the Borrower and the Bank have agreed are necessary for implementing the Project.

8. “Financial Year” means the fiscal year of the Borrower which year begins on April 1 and ends on March 31 of each year.


10. “Governance and Accountability Action Plan” or “GAAP” means the Governance and Accountability Action Plan set forth as volume VI of the Project Implementation Plan (as defined hereinafter), which identifies key governance issues and sets forth mitigation measures to address said issues in respect of the carrying out of Project activities, as said Plan may be amended from time to time with the concurrence of the Bank.

11. “Key Performance Indicators” means the indicators for monitoring and evaluating progress towards the attainment of Project objectives contained in the Project Implementation Plan (as hereinafter defined).

12. “Nagarjuna Sagar Scheme” means the Participating States’ existing multipurpose water project.
13. “Participating States” means collectively the State of Andhra Pradesh (as hereinafter defined) and Telangana (as hereinafter defined), and their successors thereto, and the term “Participating State” means individually any of such Participating States.

14. “Pest Management Strategy” means the strategy dated September 5, 2008 to handle any environmental impacts arising from increased use of pesticides in carrying out agricultural rehabilitation activities under the Project (as described in the Loan Agreement), as may be amended from time to time with the Bank’s prior consent.


16. “Procurement Plan” means the Borrower’s procurement plan for the Project referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

17. “Project Implementation Plan” means the plan for carrying out the Project dated January 12, 2010, as amended from time to time with the Bank’s prior consent, containing, among other things, details about project implementation activities, schedules and deadlines, training programs, procurement issues and the Key Performance Indicators.

18. “Project Preparation and Management Unit”, or “PPMU” means both the units constituted by each of the Participating States through its respective Irrigation and Command Area Department pursuant to Section 1.A.2 of the Schedule to its respective Project Agreement, for the purpose of carrying out the Project.

19. “Project Steering Committee” means both the committees constituted by each of the Participating States pursuant to Section 1.A.3 of the Schedule to its respective Project Agreement, to ensure successful implementation of the Project.

20. “Resettlement and Rehabilitation Entitlement Framework” means the framework dated September 5, 2008 to handle any potential resettlement and rehabilitation of Project affected persons, as may be amended from time to time with the Bank’s prior consent.


22. “Social and Environmental Management Framework” means the framework dated September 5, 2008 developed pursuant to integrated social and environmental assessment, as amended from time to time with the Bank’s prior consent, which sets out measures and procedures for, among other things: (a) social and environmental screening and field verification of packages; (b) consultations and communications with the general public, stakeholders, and Project affected people; (c) preparation of social management plans including resettlement and tribal development components, wherever required; (d) preparation of individual environmental management plans, including pest management; (e) preparation of dam safety plans; (f) institutional strengthening activities in relation to the social and environmental aspects of the Project; and (g) monitoring of social and environmental parameters at different stages of preparation and implementation.

23. “State of Andhra Pradesh” means the Borrower’s State of Andhra Pradesh as created on June 2, 2014, pursuant to the Andhra Pradesh Reorganization Act, 2014 (6 of 2014), which
is the Project Implementing Entity (for purposes of the General Conditions), or any successor thereto.

24. "Telangana" means the Borrower's Telangana State as created on June 2, 2014, pursuant to the Andhra Pradesh Reorganization Act, 2014 (6 of 2014), which is the Project Implementing Entity (for purposes of the General Conditions), or any successor thereto.

25. "Tribal Development Strategy" means the strategy dated September 5, 2008 to address issues related to tribal and vulnerable population under the Project, as may be amended from time to time by agreement between the Borrower and the Bank.
cc:

Mr. Subhash Chandra Garg, Executive Director, World Bank
Mr. L. K. Atheeq, Senior Advisor to Executive Director, World Bank

Mr. Bhaskar Dasgupta, Director, DEA, Ministry of Finance, Government of India, New Delhi
Mr. S. G. Dastidar, Controller of Aid Accounts & Audit, Ministry of Finance, Government of India, New Delhi

Mr. K.M.M. Alimalmigothi, Economic Advisor (EAP), Ministry of Water Resources, River Development and Ganga Rejuvenation, Government of India

Mr. I.Y.R. Krishna Rao, Chief Secretary, Government of Andhra Pradesh
Dr. G. Malsur, Project Director, PPMU (APWSIP), Irrigation & CAD Dept., Govt. of Andhra Pradesh

Dr. Rajiv Sharma, Chief Secretary, Government of Telangana State
Dr. G. Malsur, Project Director, PPMU (APWSIP), Irrigation & CAD Dept., Govt. of Telangana State