



June 21, 2019

Mr. Sameer Kumar Khare
Joint Secretary
Ministry of Finance
North Block
New Delhi 110001

Re: **Second Kerala State Transport Project – KSTP-II (Loan No.8254-IN)**
Amendment to Loan Agreement and Performance Monitoring Indicators

Dear Mr. Khare:

We refer to: (i) the loan agreement between India (“Borrower”) and the International Bank for Reconstruction and Development (“Bank”) dated June 19, 2013 (“Loan Agreement”); and (ii) the project agreement, of the same date, between the Bank, and the State of Kerala (“Project Implementing Entity”) (“Project Agreement”), both for the Second Kerala State Transport Project – KSTP-II (“Project”); as well as (iii) the letter of same date from the Project Implementing Entity to the Bank regarding the performance monitoring indicators for the Project, agreed further to Section II.A of Schedule 2 to the Loan Agreement, and Section II.A.1 of the Schedule to the Project Agreement (“PMI Letter”).

We further refer to the letter dated January 15, 2019 from the Department of Economic Affairs, Ministry of Finance requesting a restructuring of the Project.

We are pleased to inform you that the Bank concurs with the above-mentioned request and:

(A) has established **April 30, 2021** as the later date for purposes of Section IV.B.2 of Schedule 2 to the Loan Agreement; and

(B) proposes to amend the Loan Agreement as follows:

1. Schedule 1, the objective of the Project is hereby amended to read as follows:

“The objective of the Project is to improve condition, traffic flow and road safety with a focus on Vulnerable Road Users on selected roads in Kerala, and to enhance resilience to climate change and disaster risk.”

2. Schedule 1, Component A.2(i) is hereby amended to read as follows:

“(i) Upgrading of approximately 82 kilometers of State Highways through an engineering, procurement, and construction mode from single-lane road to full two-lane road standards, including enhancing road safety and traffic management measures, as well as the subsequent operation and maintenance thereof.”

3. Schedule 1, a new component is hereby added to read as follows:

“**Component D: Climate and Disaster Resilience Enhancement**”

1. Provision of assistance to PWD for: (a) construction, rehabilitation and/or improvement of the PWD Roads; and (b) supporting day-to-day implementation of Component D.1 of the Project.
2. Provision of assistance to LSGD for: (a) construction, rehabilitation and/or improvement of the LSGI Roads; and (b) supporting day-to-day implementation of Component D.2 of the Project.
3. Provision of assistance to KSTP for: (a) overall coordination and management, including monitoring and evaluation, financial audits and reporting to support implementation of Component D; (b) carrying out of a post disaster needs assessment to identify adaptation measures through a vulnerability and risk assessment along the proposed road network covered under the RKI; and (c) providing technical support to the RKI Secretariat for carrying out of prioritization, program formulation and designs for infrastructures covered under the RKI.”
4. Schedule 2, Section II.A is hereby amended to read as follows:

“A. Project Reports

The Borrower shall cause the Project Implementing Entity to 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 as set forth in the Project Implementation Plan. Each Project Report shall cover the period of one calendar quarter and shall be furnished to the Bank not later than forty-five (45) days after the end of the period covered by such report.”

5. Schedule 2, Section IV.A.2, the table is hereby amended to read as follows:

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, consultants' services, and Workshops & Training for Components A.1, B, C, and D under the Project	182,460,000	56%
(2) Goods, works, non-consulting services and consultants' services under Component A.2 of the Project	33,000,000	100%
(3) Front-end Fee	540,000	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
(4) Interest Rate Cap or Interest Rate Collar premium	0	Amount due pursuant to Section 2.07(c) of this Agreement
TOTAL AMOUNT	216,000,000	

6. Appendix, Section I, the following definitions are hereby amended to read as follows:
- 6.1. “Construction Supervision Consultant” means the consulting firm to be contracted by the Project Implementing Entity, pursuant to Section I.A.2 of the Schedule to the Project Agreement, for purposes of carrying out the supervision of contractors’ performance in the implementation of civil works under Sub-components A.1, D.1 and D.2 of the Project.
- 6.2. “Environmental Codes of Practice” and the acronym “ECoP” mean the environmental codes of practice, developed and approved by the Borrower for the implementation of the PMGSY rural roads program, as revised in April 2018 for the Additional Financing for PMGSY Rural Roads Project (Loan No.8864-IN), providing guidance to avoid, minimize and mitigate the environmental impacts of rural road construction/improvement activities during their design and implementation, to be used for the Project activities to be implemented under the LSGI Roads, or any section thereof; as such codes may be amended, updated and/or supplemented from time to time with the prior written concurrence of the Bank.
- 6.3. “Environmental Impact Assessments” and the acronym “EIAs” mean the Project Implementing Entity’s environmental assessments: (a) dated December 14, 2012, for activities to be implemented under the Project in the Links 69, 68, 74, 84.1 and 84.2 of the State Highways; and (b) to be prepared for Project activities to be implemented under the PWD Roads, or any section thereof, pursuant to Section I.E.2 of the Schedule to the Project Agreement; assessing the likely positive and negative environmental impact of Project activities, as such assessment may be revised, updated or supplemented from time to time with the prior concurrence of the Bank.
- 6.4. “Environmental Management Framework” and the acronym “EMF” mean the Project Implementing Entity’s framework, dated December 14, 2012, and as updated on April 10, 2019 setting forth the guiding principles, processes and procedures for: (a) the screening of Project activities to be carried out in Links 4, 5, 41 and 47 of the State Highways, or such other links as may be agreed in writing between the Project Implementing Entity and the Bank, and the identification of any adverse or positive environmental impacts caused, or expected to be caused, on account of their implementation; and (b) the preparation and implementation of the prescribed environmental assessments and management plans; as such framework may be revised, updated or supplemented from time to time with the prior concurrence of the Bank.
- 6.5. “Environmental Management Plans” and the acronym “EMPs” mean, collectively, the Project Implementing Entity’s plans: (a) adopted/approved on December 14, 2012 for activities to be implemented under the Project in the Links of the State Highways covered by the Environmental Impact Assessments (Links 68, 69, 74, 84.1 and 84.2); (b) to be prepared for Project activities to be implemented under the PWD Roads, the LSGI Roads, or any section thereof, pursuant to Section I.E.2 of the Schedule to the Project Agreement, in accordance with the provisions of the EMF, setting out avoidance, minimization, mitigation, monitoring and institutional measures, including capacity building through training, required to eliminate any adverse environmental impacts of offset them, or reduce them to acceptable levels; (c) enhance any positive impacts thereof; and/or (d) ensure compliance with Borrower’s and Kerala’s statutory environmental requirements; as such plans may be revised, updated or supplemented, from time to time, with the prior concurrence of the Bank.

- 6.6. "Independent Engineer" means the consulting firm to be contracted by the Project Implementing Entity, pursuant to Section I.A.3(a) of the Schedule to the Project Agreement, for purposes of monitoring the contractors' performance under the engineering, procurement, and construction arrangement to be piloted under Sub-component A.2 of the Project.
- 6.7. "Project Implementation Plan" means the Project Implementing Entity's operations plan, approved/adopted by the PWD on September 2012, to be updated pursuant to Section I.B(c) of the Schedule to the Project Agreement for adoption by the PWD and the LSGD, setting forth the detailed policies, rules procedures and protocols necessary for carrying out the Project, prioritization/eligibility criteria for roads to be selected under Component D of the Project, and the indicators and targets for purposes of monitoring and evaluation of the progress of the Project, in accordance with this Agreement, as such plan may be amended from time to time with the prior concurrence of the Bank.
- 6.8. "Resettlement Action Plans" and the acronym "RAPs" mean, collectively, the Project Implementing Entity's resettlement action plans: (a) adopted/approved on December 20, 2012, identifying Displaced Persons on account of implementation of Project activities in all selected links of State Highways; and (b) to be prepared pursuant to Section I.E.2 of the Schedule to the Project Agreement, in accordance with the provisions of the RPF, in each case identifying Displaced Persons on account of implementation of Project activities in the PWD Roads, or section thereof, and setting forth the term and conditions for providing them with resettlement assistance and/or compensation, as well as providing for the screening procedures to be applied in the identification, assessment and mitigation of Project related potential social impacts, including the protocols for consultation, the processing of complaints and grievance redressal, monitoring and reporting requirements, and the Displaced Persons' entitlement plans; as such plans may be revised, updated or supplemented, from time to time, with the prior concurrence of the Bank.
- 6.9. "Resettlement Policy Framework cum Tribal Development Framework" and the acronym "RPF-TDF" mean the Project Implementing Entity's framework, dated May 30, 2019 prepared pursuant to Section I.E.2 of the Schedule to the Project Agreement, setting forth the guiding principles, acceptable standard and procedures for: (i) the screening of Project activities to be carried out in the LSGI Roads, or such other roads as may be agreed in writing between the Project Implementing Entity and the Bank, and the identification of any adverse or positive social impacts caused, or expected to be caused, on account of their implementation, including measures to assess and manage the risks and impacts of labor influx, and measures that endeavor to prevent and respond to gender-based violence and sexual exploitation and abuse; and (ii) organizational arrangements (including consultation, budget and disclosure), and design criteria to be applied to Project activities which affect Tribal Groups, including preparation of the prescribed Social Management Plan cum Tribal Development Plan; as such framework may be revised, updated or supplemented from time to time with the prior concurrence of the Bank.
7. Appendix, Section I, the following new definitions are hereby added to read as follows:
- 7.1. "LSGD" means the Project Implementing Entity's Local Self Government Department responsible for local self-government institutions, or any successor thereto.

- 7.2. “LSGD-PMU” means the Project Implementing Entity’s project management unit established within LSGD and referred to in Section I.A.1(e) of the Schedule to the Project Agreement.
- 7.3. “LSGI” means the Project Implementing Entity’s Local Self Government Institutions under the LSGD, or any successor thereto.
- 7.4. “LSGI Roads” means the roads, under the purview of the LSGI, selected for constructing, rehabilitating and/or improving by the LSGD as per the prioritization/eligibility criteria set out in the Project Implementation Plan, to receive support under Sub-component D.2 of the Project.
- 7.5. “PWD Roads” means the roads, under the purview of the PWD, selected for constructing, rehabilitating and/or improving by the PWD as per the prioritization/eligibility criteria set out in the Project Implementation Plan, to receive support under Sub-component D.1 of the Project.
- 7.6. “RKI” means the Rebuild Kerala Initiative of the Project Implementing Entity to support Kerala’s resilience against the impacts of natural disasters and climate change towards reconstruction of roads and other infrastructure for urgent rebuilding efforts needed in Kerala following the floods in 2018.
- 7.7. “RKI Secretariat” means the secretariat established on September 9, 2018 by the Project Implementing Entity under the Rebuild Kerala Initiative to develop and monitor the Kerala flood damage rehabilitation works, or any successor thereto.
- 7.8. “Resettlement Policy Framework” and the acronym “RPF” mean, the Project Implementing Entity’s framework, dated December 14, 2012, and as updated on May 30, 2019 setting forth the guiding principles, acceptable standard and procedures for: (i) the screening of Project activities in all selected links of State Highways including the PWD Roads, or such other links as may be agreed in writing between the Project Implementing Entity and the Bank, and the identification of any adverse or positive social impacts caused, or expected to be caused, on account of their implementation, including measures to assess and manage the risks and impacts of labor influx, and measures that endeavor to prevent and respond to gender-based violence and sexual exploitation and abuse; and (ii) for the preparation of the prescribed Resettlement Action Plan; as such framework may be revised, updated or supplemented from time to time with the prior concurrence of the Bank.
- 7.9. “Safeguard Documents” means, collectively, the EMF, the EIAs, the EMPs, the ECoP, the RPF, the RPF-TDF, the RAPs, and the SMP-TDPs.
- 7.10. “Safeguard Policies” means, the Bank’s operational policies and procedures that can be found at <https://policies.worldbank.org>.
- 7.11. “Social Management Plan cum Tribal Development Plans” and the acronym “SMP-TDPs” mean, the Project Implementing Entity’s plan to be prepared for the LSGI Road pursuant to Section I.E.2 of the Schedule to the Project Agreement, in accordance with the provisions of the RPF-TDF, setting out, in each case: (i) the measures designed to disseminate information for consultation and collaboration for meaningful consultation with, and informed participation of, Tribal Groups and communities in Project are in the design and implementation of the Project activities in respect of a selected road, as well as

(ii) the envisioned Project benefits for said Tribal Groups and communities which shall be/are culturally appropriate and socially inclusive.

7.12. "Tribal Groups" means any distinct, vulnerable, social and cultural group within the territory of the Borrower, that: (i) self-identifies as such and claims, and is recognized by others as, having a distinguishable cultural identity; (ii) has collective attachment to geographically distinct habitats or ancestral territories in the Project area, and to the natural resources in these habitat and territories; (iii) has customary cultural, economic, social and political institutions that are separate from those of the dominant society and culture; and (iv) has an indigenous language, often different from the official language of the Borrower.

Except as specifically provided in this amendment letter, all other provisions of the Loan Agreement shall remain in full force and effect. The Project Agreement is also being amended as reflected in an amendment letter to the Project Agreement of even date herewith. As a result of the modifications to the Project's components, the attachment to the PMI Letter is updated to read as set forth in the Attachment hereto. The updated indicators will now be comprised in the Project Implementation Plan.

Please confirm the Borrower's agreement with the foregoing amendment by countersigning and duly dating the confirmation form set forth herein below, and returning one fully signed original of this letter of amendment to us.

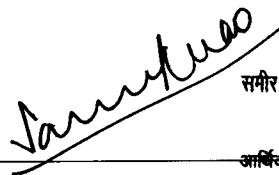
This amendment letter shall become effective as of the date of the last countersignature of the two amendment letters (including this one) prepared further to the above-mentioned request, upon receipt by the Bank of: (i) a duly countersigned original of this letter by the authorized representative of Borrower; and (ii) a duly countersigned original of the amendment letter to the Project Agreement by the authorized representative of the Project Implementing Entity, except for the provision related to the extension of the Closing Date under paragraph (A) above, which becomes effective upon dispatch of this amendment letter.

Sincerely,



Shanker Lal
Acting Country Director, India

**AGREED:
INDIA**

By:  _____
 Name: Sameer Kumar Khare
 Title: Additional Secretary
 Date: 26th June, 2019

समीर कुमार खरे, आई.ए.एस./ Sameer Kumar Khare, IAS
 अपर सचिव/ Addl. Secretary
 वित्त मंत्रालय/ Ministry of Finance
 आर्थिक कार्य विभाग/ Department of Economic Affairs
 भारत सरकार/ Government of India
 नई दिल्ली/ New Delhi

Cc Ms. S. Aparna, Executive Director (India), World Bank
Mr. Santosh Dattatraya Vaidya, Sr. Advisor to the Executive Director, World Bank
Mr. Suresh Yadav, Advisor to the Executive Director, World Bank

Ms. Bandana Preyashi, Director (WB), Department of Economic Affairs, Ministry of Finance
Mr. Sukhbir Singh, Controller of Aid Accounts & Audit, Department of Economic Affairs, Ministry of Finance

Mr. Tom Jose, Chief Secretary, GoK
Mr. Sanjeev Kaushik, Principal Secretary (Finance), GoK
Mr. Kamala Vardhana Rao, Principal Secretary, Public Works Department, GoK
Mr. Anand Singh, Project Director, Kerala State Transport Project II, GoK

Revised Results Framework and Monitoring

India: Kerala State Transport Project II

Project Development Objective												
PDO Statement The project's development objective is to improve condition, traffic flow and road safety with a focus on Vulnerable Road Users on selected roads in Kerala, and to enhance resilience to climate change and disaster risk.												
Project Development Objective Indicators												
Indicator Name	Core	Unit of Measure	Baseline	Cumulative Target Values						Frequency	Data Source/ Methodology	Responsibility for Data Collection
				YR1	YR2	YR3	YR4	End Target – YR5 (original)	End Target – YR7 (revised figures in red)			
Direct project beneficiaries, of which female	X	Number	13.4 million ¹ (7 million)					14.8 million (7.7 million)	14.8 million (7.7 million)	End of project	Census data	KSTP
A reduction of travel time on the improved project roads (3 priority corridors)		Minutes	Kasaragod to Kanjanghai: 29 Pilathara to Pappinissery: 21 Thalassery to Valavupara: 58					Kasaragod to Kanjanghai: 25 Pilathara to Pappinissery: 19 Thalassery to Valavupara: 50	Kasaragod to Kanjanghai: 25 Pilathara to Pappinissery: 19 Thalassery to Valavupara: 50	End of project	Consultant reports	PWD

¹ Assumes direct beneficiaries are all those living in the eight districts covered by project.

Improved riding quality of project roads		Number of Km with IRI <4	0	0		120	250	363	363	Annual	RMMS	PWD
A reduction in annual fatality count of total and Vulnerable Road Users on demonstration corridor		Number of fatalities/year Number of vulnerable fatalities/year	80 ² 49 ³					56 34	65 40 ⁴	Annual	First Incident Reports	RSA

² The baseline estimates for fatality count on the demonstration corridor has been drawn from the 2012 Kerala State Crime Records Bureau data as available. During the implementation of the project a detailed review and assessment of fatality estimates will be done which may revised the baseline values. In addition to the total fatality count, the assessment will also identify the fatality count for Vulnerable Road Users and female road users for the purposes of the results framework.

³ The fatality count for Vulnerable Road Users was estimated using the fatal victim to crash ratio for all road users and then applying the same ration for Vulnerable Road User victims. The Vulnerable Road Users identified in the results framework includes pedestrians and passengers of two wheelers.

⁴ These revisions are necessitated by an increase in vulnerable fatality count on the selected corridor since the project baseline, with total fatalities remaining unchanged at a rate of 1/km/year, rather than decreasing. Current counts for number of fatalities/year and number of vulnerable fatalities/year on the demonstration corridor are 79 fatalities/year, of which 52 are vulnerable fatalities/year (2017), as against 80 and 49 as baselines respectively; source: NATPAC analysis.

Climate change and disaster resilience vulnerability assessment on all new project corridors taken up under RKI		Text	None							Climate change and disaster resilience vulnerability assessment undertaken & incorporated in all designs for the new project corridors taken up under RKI	Annual	Consultant reports	KSTP
Intermediate Results Indicators													
Indicator Name	Core	Unit of Measure	Baseline	Cumulative Target Values						Frequency	Data Source/ Methodology	Responsibility for Data Collection	
				YR1	YR 2	YR3	YR 4	End Target	End Target (revised)				
Component A: Road Network Upgrading													
State Highways Upgraded	✗	Km upgraded	0			120	250	363	363	Quarterly	Consultant reports	KSTP	
Financial closure achieved on PPP pilot project		Yes/No	No			Financial closure achieved on selected pilot			Indicator proposed to be dropped ⁵	Annual	Consultant reports	KSTP	
Component B: Road Safety Component:													
Pilot safety corridor developed		Km improved	0	80				80	80	Quarterly	Consultant reports	KSTP/RSA	

⁵ Owing to change in mode of implementation of this sub-component from PPP to EPC.

Number of district level road safety improvement schemes implemented through challenge fund		Number	0			4	6	10	5 ⁶	Quarterly	Consultant reports	RSA
Component C: Institutional Strengthening Component:												
Modernization of PWD		Yes/No	No			Review of existing IT system undertaken and recommendations adopted		Study on institutional and financial options for management of road network completed and recommendations adopted	Study on institutional and financial options for management of road network completed and recommendations adopted	Semi-annual reports	PWD reports	PWD
Functioning Road Asset Management System		Yes/No	No	Strategic options study for maintenance of road network completed		New RAM software implemented on core road network		Annual maintenance plans disclosed	Annual maintenance plans disclosed	Semi-annual reports	PWD reports	PWD
Communications strategy and interfaces for public engagement implemented		Yes/No	No	Communications strategy developed and action plan adopted		At least two consultations/stakeholder forums held/year		At least two consultations/stakeholder forums held/year	At least two consultations/stakeholder forums held/year	Semi-annual reports	Website and outreach materials	PWD/ KSTP/ DIPR

⁶ The end target is proposed to be revised because the state is taking other initiatives such as Safe Kerala program. Also, since only 5 districts have evinced interest, it is proposed to do more in these districts with the same resources, rather than spreading resources thin.

Regular road user surveys conducted		Yes/No		Baseline survey undertaken		Survey undertaken, and user feedback facilitated through development of states mobile government platform		Final survey undertaken	Final survey undertaken	Every two years	Survey data	PWD
Component D: Climate and Disaster Resilience Enhancement Component:												
Number of km of PWD roads rebuilt/reconstructed		Km	0						75	Semi-annual reports	Consultant reports/ Survey data	PWD/KSTP
Number of km of LSGI roads rebuilt/reconstructed		Km	0						300	Semi-annual reports	Consultant reports/ Survey data	LSGD