September 26, 2013

Mr. Nilaya Mitash
Joint Secretary (MI)
Department of Economic Affairs
Ministry of Finance
Government of India
Room No. 40-B, North Block
New Delhi – 110 001

Dear Mr. Mitash:

**INDIA: Andhra Pradesh Rural Water Supply and Sanitation Project (Cr 4653-IN)**

**Partial Cancellation of Credit Amount and Project Restructuring**

I refer to the Financing Agreement dated January 22, 2010 (the “Financing Agreement”) between India (the “Recipient”) and the International Development Association (the “Association”) for the Andhra Pradesh Rural Water Supply and Sanitation Project (the “Project”) and the supplemental letter regarding performance monitoring indicators for the Project (the “Supplemental Letter”).

I also refer to the letter dated August 14, 2013, from Department of Economic Affairs, Ministry of Finance, requesting us to cancel US$ 25 million of the Credit amount of the above referenced Credit. In addition, as assessed during the Mid Term Review of the project in May 2013 and based on the discussions with the Government of Andhra Pradesh, we agreed to restructure the Project focusing on the sanitation sub-component.

Accordingly, the Financing Agreement is amended to read as follows.

1. The words “safe wastewater disposal and solid waste management” are deleted from Section B.1. of Schedule 1.

2. The existing wording of Section B.3. of Schedule 1 is deleted and replaced with the following:

   “3. Creating awareness of, and demand for, health, hygiene and sanitation in support of the Nirmal Bharat Abhiyan.”

3. The definition of TSC in Section 1.31 in the Appendix is deleted.

4. A new Section 1.12.A. is inserted in the Appendix to read:

   “‘Nirmal Bharat Abhiyan” means the Recipient’s Nirmal Bharat Abhiyan program and any successor program.”
I am also pleased to confirm that the Association hereby cancels an amount of SDR16,400,000, equivalent to US$25 million, from the Credit No. 4653-IN, effective as of August 19, 2013, the date that the Bank received the letter request.

The withdrawal table set forth in Section IV.A.1. of Schedule 2 to the Financing Agreement has been revised accordingly. The revised withdrawal table is in Attachment 1 to this letter.

Finally, the Project's results framework and monitoring indicators contained in the Supplement Letter have been revised and are included in Attachment 2 to this letter.

Please confirm your agreement by signing below and returning one fully executed original of this letter to us and retaining one original for your records.

Please do not hesitate to contact us if you have any questions regarding this matter.

Yours sincerely,

Onno Ruhl
Country Director, India

AGREED
INDIA

By

Name

Title

Date
**Attachment 1**

Credit No. 4653-IN
Revised Withdrawal Table

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, Works, Consultants’ services, workshops and training, and incremental operating costs under Part C of the Project</td>
<td>80,200,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Amount Cancelled as of August 19, 2013</td>
<td>16,400,000</td>
<td></td>
</tr>
<tr>
<td>Total Amount</td>
<td>96,600,000</td>
<td></td>
</tr>
</tbody>
</table>
Attachment 2

The attachment to the Supplemental Letter is deleted and replaced with the following attachment:

Results Framework and Monitoring Indicators

INDIA: ANDHRA PRADESH RURAL WATER SUPPLY AND SANITATION PROJECT

<table>
<thead>
<tr>
<th>PDO</th>
<th>Outcome Indicators</th>
</tr>
</thead>
</table>
| To improve rural water supply and sanitation services through progressive decentralization, community participation and enhanced accountability. | Indicator 1: Number of people in rural areas provided with access to Improved Water Sources under the Project  
Indicator 2: Improved latrines constructed under the project  
Indicator 3: Improvements in cost recovery (%): (i) contribution to capital cost; (ii) contributions to O&M cost (through community contributions and government subsidies); and (iii) average O&M collection efficiency across completed schemes. |
| Intermediate Results 1. RESULTS INDICATORS FOR EACH COMPONENT |                                                                                                                                                                                                                     |
| Component 1: Sector Development and Capacity Building |                                                                                                                                                                                                                     |
| R 1: Decentralized institutional framework established and functional. | Indicator 4: Number of other water service providers the project is supporting.  
Indicator 5: Number of schemes constructed by the community themselves.                                                                                       |
| R 2: Capacities built of participating PRIs and RWSSD | Indicator 6: Number of persons trained through capacity building programs                                                                                                                                         |
| Component 2: Infrastructure Development |                                                                                                                                                                                                                     |
| R 3: Improved RWS asset creation and management | Indicator 7: New piped household water connections that are resulting from the project intervention.  
Indicator 8: % of schemes constructed yielding required quantity and quality of water (i) SVS and (ii) MVS  
Indicator 9: Number of recharge structures built to strengthen the sources |
| R 4: Improved hygiene and sanitation practices | **Indicator 10:** Number of soak pits constructed under the project to dispose of sullage  
**Indicator 11:** People trained to improve hygiene behavior/sanitation practices under the project  
(i) total (ii) female  

---

**Component 3: Project Management**

| R 5: World Bank Project M&E System and Sector Information System established and operational | **Indicator 12:** Field based periodic reviews undertaken by PSU and DPSUs  
**Indicator 13:** % constructed schemes which have carried out quality checks, audits, evaluations  
(a) independent supervision quality checks;  
(b) community monitoring/social audits;  
(c) Sustainability Evaluation.  
**Indicator 14:** Baseline data collected for project villages as per agreed baseline format; and mid-term and end term (project performance evaluation) conducted by independent agencies  
**Indicator 15:** External Audit of environmental performance of project conducted |
Mr. Nilaya Mitash

September 26, 2013

cc. Mr. Mukesh Nandan Prasad, Executive Director (India), World Bank
    Mr. Manoj Pant, Senior Adviser to Executive Director (India), World Bank

    Ms. Sheyphali B. Sharan, Director, Department of Economic Affairs, Ministry of Finance, GoI
    Mr. S. G. Dastidar, Controller of Aids Accounts & Audit, Department of Economic Affairs, Ministry of Finance, GoI

    Mr. Satyabrata Sahu, Joint Secretary (Water), Ministry of Drinking Water and Sanitation, GoI
    Ms. Saraswati Prasad, Joint Secretary (Sanitation), Ministry of Drinking Water and Sanitation, GoI

    Mr. P. K. Mohanty, Chief Secretary, Government of Andhra Pradesh
    Ms. Pushpa Subramanyam, Principal Secretary, Finance Department, Government of Andhra Pradesh
    Mr. Vikas Raj, Secretary to Government, Government of Andhra Pradesh
    Mr. R. Jagan Mohan, Chief Engineer, Rural Water Supply & Sanitation Department, Government of Andhra Pradesh (also holding additional charge of Project Director)
Mr. Onno Ruhl,
Country Director,
The World Bank,
70, Lodi Estate,
New Delhi- 110003

Sir,

Subject: - Andhra Pradesh Rural Water Supply and Sanitation Project (Cr 4653-IN)
Partial Cancellation of Credit Amount and Project Restructuring.

Please refer to your letter dated 26th September, 2013 on the subject cited above. The World Bank agreed to restructure the Sanitation sub-component of the Andhra Pradesh Rural Water Supply and Sanitation Project in consultation with Government of Andhra Pradesh and accordingly amended the Finance Agreement.

The Department of Economic Affairs confirms the amendments made in the Finance Agreement of the Project, duly signed by the competent Authority. One executed original copy of it is forwarded herewith.

Yours Sincerely,

(S.K. Samantaray)
Under Secretary (MI)
Tel. No. 23095752
E-mail: sk.samantaray@nic.in