Mr. Raj Kumar  
Joint Secretary (MI)  
Department of Economic Affairs  
Ministry of Finance  
Government of India  
Room 40B, North Block  
New Delhi

Dear Mr. Kumar:

INDIA: Karnataka Watershed Development Project II  
(Credit No. 5087-IN)  
Amendment to Financing Agreement

We refer to: (i) the Financing Agreement between India (“Recipient”) and the International Development Association (“Association”) dated February 11, 2013 (“Financing Agreement”); and (ii) the Project Agreement of the same date between the Association and the State of Karnataka (the Project Agreement), all for the Karnataka Watershed Development Project II (the Project).

We also refer to the letter dated November 12, 2014 from the Department of Economic Affairs, Ministry of Finance, requesting a restructuring of the Project, which requires certain amendments to the Financing Agreement and the Project Agreement, and revisions to the Key Performance Indicators as set out in the Project Implementation Plan.

We are pleased to inform you that the Association concurs with the request, and accordingly amends the Financing Agreement as set forth below:

1. New paragraphs 5, 6 and 7 are added in Part B of Schedule 1, as follows:

   5. carrying out of a program of activities to demonstrate a process to develop an integrated catchment plan using a structured, multi-stakeholder driven approach, supported by appropriate databases, hydrological assessment and modeling.

   6. carrying out of a program of activities for demonstration of improved rainwater and surface water harvesting to support high value cash crops grown under poly-houses in low rainfall areas.

   7. carrying out of a program of activities for demonstration of biophysical and economic impacts from full treatment coverage in selected micro-watersheds, including participatory planning, minor civil works for soil and water conservation, livelihood support, monitoring and evaluation, and administration.”
2. Section III.A.1 of Schedule 2 is amended to read as follows:

"1. Goods, Works and Non-consulting Services. All goods, works and non-consulting services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section."

3. Section III.B of Schedule 2 is amended to read as follows:

"B. Particular Methods of Procurement of Goods, Works and Non-consulting Services

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. Other Methods of Procurement of Goods, Works and Non-consulting Services. The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works and non-consulting services. The Procurement Plan shall specify the circumstances under which such methods may be used:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Limited International Bidding</td>
</tr>
<tr>
<td>(b) National Competitive Bidding (subject to the additional provisions agreed upon from time to time between the Recipient and the Association and set forth in the Procurement Plan)</td>
</tr>
<tr>
<td>(c) Shopping</td>
</tr>
<tr>
<td>(d) Direct Contracting</td>
</tr>
<tr>
<td>(e) Framework Agreements</td>
</tr>
<tr>
<td>(f) Community participation in procurement</td>
</tr>
<tr>
<td>(g) Force account</td>
</tr>
</tbody>
</table>

4. 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 Financing Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services, and consultants’ services, training and operating costs for the Project</td>
<td>39,600,000</td>
<td>70%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>39,600,000</td>
<td></td>
</tr>
</tbody>
</table>
5. Paragraphs 3, 11, 13, 14 and 15 of Section I of the Appendix are amended to read as follows:

"3. "Consultant Guidelines" means: (a) except as provided in subparagraph (b) below, "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 and revised in July 2014; and (b) in the case of contracts financed or to be financed, in whole or in part, out of the proceeds of the Financing, and for which the invitation to bid was issued prior to July 24, 2015, "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011."

"11. "PIP" means the Project Implementation Plan, including all annexes thereto, acceptable to the Association, dated July 12, 2012, updated on July 3, 2015, which describes the detailed Project implementation and institutional arrangements, and is comprised of, among others, the EMF, the Financial Management Manual, the GAAP, the Key Performance Indicators and the Procurement Manual (as hereinafter defined), as such plan may be amended from time by agreement between Karnataka and the Association.

"13. "Procurement Guidelines" means: (a) except as provided in subparagraph (b) below, the "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 and revised on July 2014; and (b) in the case of contracts financed or to be financed, in whole or in part, out of the proceeds of the Financing, and for which the invitation to bid was issued prior to July 24, 2015, "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011."

"14. "Procurement Manual" means the Karnataka’s Procurement Manual, acceptable to the Association, dated June 25, 2012, updated on June 25, 2015 and set forth as Annex XIV to the PIP, which manual sets out the procurement management and institutional arrangements and obligations under the Project, as such manual may be amended from time to time by agreement between Karnataka and the Association.

"15. "Procurement Plan" means the Recipient’s procurement plan for the Project, dated July 13, 2012, updated on June 25, 2015 and 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."

Except as specifically amended in this letter, all other terms and conditions of the Financing Agreement shall remain in full force and effect. The Project Agreement is similarly being amended as reflected in an amendment letter to the Project Agreement of even date herewith.

Please confirm your agreement to the foregoing on behalf of the Recipient by countersigning and dating the corresponding form of confirmation set forth below, and returning one fully countersigned original of this letter 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 Association of: (i) a duly countersigned original of this letter by the authorized representative of the Recipient; and (ii) a duly countersigned original of the amendment letter to the Project Agreement by the authorized representative of the State of Karnataka.

With regards,

Yours sincerely,

[Signature]

Onno Ruhl
Country Director, India

Confirmed and agreed:

INDIA

[Signature]

By: ____________________________

Name: कांग्रेस जोड़ी / RAJ KUMAR
Title: राज्य सचिव / Joint Secretary
Date: ________________

By: ____________________________

Name: राज्य सचिव / Joint Secretary
Title: राज्य सचिव / Dept. of Econ. Affairs
Date: ________________
cc: Mr. Subhash Chandra Garg, Executive Director (India), the World Bank
Mr. L. K. Atteeq, Senior Advisor to Executive Director (India), the World Bank

Mr. Rishikesh Singh, Director (MI), Department of Economic Affairs, Ministry of Finance, Government of India, New Delhi
Mrs. V. K. Jena, Secretary, Department of Land Resources, Ministry of Rural Development, Government of India
Dr. Sandeep Dave, Joint Secretary, Department of Land Resources, Ministry of Rural Development, Government of India

Mrs. Lata Krishna Rao, Additional Chief Secretary and Development Commissioner, Government of Karnataka
Mr. V. Prasad, Principal Secretary, Finance Department, Government of Karnataka
Mr. Manjunath Prasad, Secretary, Agriculture Department, Government of Karnataka
Mr. Rajeev Chawla, Principal Secretary, Horticulture Department, Government of Karnataka
Mr. Shivananda Murthy, IFS, Commissioner and Project Director (Watershed Development Department), Government of Karnataka
Dr. Nanda, Additional Director (F&N) and Executive Director (KSHDA), Horticulture Department, Government of Karnataka