
LOAN NUMBER 2461 - IND

PROJECT AGREEMENT

(Himachal Pradesh Clean Energy Development Investment Program - Tranche 1)

between

ASIAN DEVELOPMENT BANK

and

STATE OF HIMACHAL PRADESH

HIMACHAL PRADESH STATE ELECTRICITY BOARD

DATED 10 NOVEMBER 2008

PAL: IND 41627

PROJECT AGREEMENT

PROJECT AGREEMENT dated 10 November 2008 between ASIAN DEVELOPMENT BANK (hereinafter called "ADB"), the State of Himachal Pradesh, acting by its Governor (hereinafter called the "State") and Himachal Pradesh State Electricity Board (hereinafter called "HPSEB").

WHEREAS

(A) by a Loan Agreement of even date herewith between India (hereinafter called the "Borrower") and ADB, ADB has agreed to make to the Borrower a loan of one hundred and fifty million Dollars (\$150,000,000) on the terms and conditions set forth in the Loan Agreement, but only on condition that an amount of three million Dollars (\$3,000,000) from the proceeds of the Loan be made available to the State and subsequently to HPSEB, and that the State and HPSEB agree to undertake certain obligations towards ADB as hereinafter set forth; and

(B) the State and HPSEB, in consideration of ADB entering into the Loan Agreement with the Borrower, have agreed to undertake the obligations hereinafter set forth;

NOW THEREFORE the parties hereto agree as follows:

ARTICLE I

Definitions

Section 1.01. Wherever used in this Project Agreement, unless the context otherwise requires, the several terms defined in the Loan Agreement and in the Loan Regulations (as so defined) have the respective meanings therein set forth, except that for purposes of this Project Agreement, the term "the Project" means Component (iv), as described in Schedule 1 to the Loan Agreement.

ARTICLE II

Particular Covenants

Section 2.01. (a) The State shall cause HPSEB shall carry out the Project with due diligence and efficiency, and in conformity with sound administrative, financial and management practices.

(b) In the carrying out of the Project, the State and HPSEB shall perform all obligations set forth in the Loan Agreement to the extent that they are applicable to the State and HPSEB.

Section 2.02. The State and HPSEB shall make available, as needed, the funds, personnel, services and other resources which are required, in addition to the proceeds of the Loan, for the carrying out of the Project.

Section 2.03. (a) In the carrying out of the Project, the State shall cause HPSEB to employ competent and qualified consultants, acceptable to ADB, to an extent and upon terms and conditions mutually acceptable to HPSEB and ADB.

(b) Except as ADB may otherwise agree, all Goods and Consulting Services shall be procured in accordance with the provisions of Schedule 4 to the Loan Agreement. ADB may refuse to finance a contract where Goods or Consulting Services have not been procured under procedures substantially in accordance with those agreed between the Borrower and ADB or where the terms and conditions of the contract are not satisfactory to ADB. No Works shall be procured under the Project.

Section 2.04. The State shall cause HPSEB shall carry out the Project in accordance with plans, design standards, specifications and work schedules acceptable to ADB. The State shall cause HPSEB to furnish to ADB, promptly after their preparation, such plans, design standards, specifications and work schedules, and any material modifications subsequently made therein, in such detail as ADB shall reasonably request.

Section 2.05. The State shall cause HPSEB to insure, or cause to be insured, the Goods to be imported for the Project against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable to replace or repair such Goods.

Section 2.06. The State shall cause HPSEB to maintain records and accounts adequate to identify the Goods and Consulting Services and other items of expenditure financed out of the proceeds of the Loan, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect, in accordance with consistently maintained sound accounting principles, its operations and financial condition.

Section 2.07. (a) ADB, the State and HPSEB shall cooperate fully to ensure that the purposes of the Loan will be accomplished.

(b) The State and HPSEB shall promptly inform ADB and the Borrower of any condition which interferes with, or threatens to interfere with, the progress of the Project, the performance of its obligations under this Project Agreement or the accomplishment of the purposes of the Loan.

(c) ADB, the State and HPSEB shall from time to time, at the request of any such party, exchange views through their representatives with regard to any matters relating to the Project and the Loan.

Section 2.08. (a) The State and HPSEB shall furnish to ADB all such reports and information as ADB shall reasonably request concerning (i) the Loan and the expenditure of the proceeds thereof; (ii) the Goods, Consulting Services and other items of expenditure financed out of such proceeds; (iii) the Project; (iv) the administration, operations and financial condition of HPSEB; and (v) any other matters relating to the purposes of the Loan.

(b) Without limiting the generality of the foregoing, the State and HPSEB shall furnish to ADB reports on the execution of the Project and on the operation and management of the enterprise resource solution at such intervals as ADB reasonably requires. Such reports shall be submitted in such form and in such detail and within such a period as ADB shall reasonably request, and shall indicate, among other things, progress made and problems encountered during the period under review, steps taken or proposed to be taken to remedy these problems, and proposed program of activities and expected progress in the period ahead. Within three months of the completion of the Project, the State and HPSEB shall submit a project completion report, in a form acceptable to ADB.

Section 2.09. HPSEB shall provide ADB with such financial information and documentation regarding the use of the Loan proceeds as ADB from time to time reasonably requests.

Section 2.10. HPSEB shall enable ADB's representatives to inspect the enterprise resource solution acquired by HPSEB under the Project and any records and documents relevant thereto.

Section 2.11. Except as ADB may otherwise agree, HPSEB shall apply the proceeds of the Loan to the financing of expenditures on the Project in accordance with the provisions of the Loan Agreement and this Project Agreement, and shall ensure that all Goods and Consulting Services are used exclusively in the carrying out of the Project.

Section 2.12. Except as ADB may otherwise agree, the State shall duly perform all its obligations under the financing arrangements referred to Section 3.01(a) and (b) of the Loan Agreement, and shall not take, or concur in, any action which would have the effect of assigning, amending, abrogating or waiving any rights or obligations of the parties under the financing arrangements.

ARTICLE III

Effective Date; Termination

Section 3.01. This Project Agreement shall come into force and effect on the date on which the Loan Agreement shall come into force and effect. ADB shall promptly notify the State and HPSEB of such date.

Section 3.02. All the provisions of this Project Agreement shall continue in full force and effect notwithstanding any cancellation or suspension of withdrawals under the Loan Agreement.

ARTICLE IV**Miscellaneous**

Section 4.01. Any notice or request required or permitted to be given or made under this Project Agreement and any agreement between the parties contemplated by this Project Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail or facsimile to the party to which it is required or permitted to be given or made at its address hereinafter specified, or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For ADB

Asian Development Bank
P.O. Box 789
0980 Manila, Philippines

Facsimile Numbers:

(632) 636-2444
(632) 636-2338.

For the State

MPP & Power Department
Principal Secretary
HP Secretariat
Shimla-171 002
Himachal Pradesh

Facsimile Number:

+91 177 2621562
+91 177 2621563

For HPSEB

Himachal Pradesh State Electricity Board
Member (Finance & Accounts)
Vidyut Bhawan
Shimla-171 004
Himachal Pradesh

Facsimile Number:

+91 177 265 8984

Section 4.02. (a) Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Project Agreement by or on behalf of the State, may be taken or executed by the Principal Secretary of MPPPD or by such other person or persons as he or she shall so designate in writing notified to ADB.

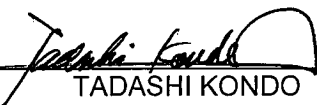
(b) Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Project Agreement by or on behalf of HPSEB, may be taken or executed by its Member (Finance & Accounts) or by such other person or persons as he or she shall so designate in writing notified to ADB.

(c) The State and HPSEB shall furnish to ADB sufficient evidence of the authority of each person who will act under paragraph (a) and paragraph (b) of this Section, together with the authenticated specimen signature of each such person.

Section 4.03. No delay in exercising, or omission to exercise, any right, power or remedy accruing to either party under this Project Agreement upon any default shall impair any such right, power or remedy or be construed to be a waiver thereof or an acquiescence in such default; nor shall the action of such party in respect of any default, or any acquiescence in any default, affect or impair any right, power or remedy of such party in respect of any other or subsequent default.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Project Agreement to be signed in their respective names and to be delivered at the principal office of ADB, as of the day and year first above written.

ASIAN DEVELOPMENT BANK

By 
TADASHI KONDO
Country Director
India Resident Mission

STATE OF HIMACHAL PRADESH

By 
AJAY MITTAL
Authorized Representative

HIMACHAL PRADESH STATE
ELECTRICITY BOARD

By 
JAGDISH SHARMA
Authorized Representative