

PROGRAM AGREEMENT  
(Khadi Reform and Development Program)

between

ASIAN DEVELOPMENT BANK

and

KHADI AND VILLAGE INDUSTRIES COMMISSION

DATED 22 December 2009

## **PROGRAM AGREEMENT**

PROGRAM AGREEMENT dated 22 December 2009 between ASIAN DEVELOPMENT BANK (hereinafter called "ADB") and KHADI and VILLAGE INDUSTRIES COMMISSION (hereinafter called "KVIC")

### **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 the condition that the Counterpart Funds be made available to KVIC and that KVIC agrees to undertake certain obligations towards ADB as hereinafter set forth; and

(B) KVIC, in consideration of ADB entering into the Loan Agreement with the Borrower, has 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 Program 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.

## **ARTICLE II**

### **Particular Covenants**

Section 2.01. (a) KVIC shall carry out the Program with due diligence and efficiency, and in conformity with sound administrative, financial, engineering, environmental and khadi and village industries reform practices.

(b) In the carrying out of the Program and operation of the Program facilities, KVIC shall perform all obligations set forth in the Loan Agreement to the extent that they are applicable to KVIC.

Section 2.02. KVIC shall make available promptly as needed, the funds, facilities, services, and other resources which are required, in addition to the proceeds of the Loan, for the carrying out of the Program.

Section 2.03. KVIC shall carry out the Program in accordance with plans acceptable to ADB. KVIC shall furnish, or cause to be furnished, to ADB, promptly after their preparation, such plans, programs, techniques and methods, and any material modifications subsequently made therein, in such detail as ADB shall reasonably request.

Section 2.04. KVIC shall maintain, or cause to be maintained, records and accounts adequate to identify the use of Counterpart Funds, to disclose the use thereof in the Program, to record the progress of the Program (including the cost thereof) and to reflect, in accordance with consistently maintained sound accounting principles, its operations and financial condition.

Section 2.05. (a) ADB and KVIC shall cooperate fully to ensure that the purposes of the Loan will be accomplished.

(b) KVIC shall promptly inform ADB and the Program Executing Agency of any condition which interferes with, or threatens to interfere with, the progress of the Program, the performance of its obligations under this Program Agreement, or the accomplishment of the purposes of the Loan.

(c) ADB and KVIC shall from time to time, at the request of either party, exchange views through their representatives with regard to any matters relating to the Program, KVIC and the Loan.

Section 2.06. (a) KVIC shall furnish to ADB all such reports and information as ADB shall reasonably request concerning (i) the Loan and the Counterpart Funds; (ii) the expenditures financed out of the Counterpart Funds; (iii) the Program; (iv) the administration, operations and financial condition of KVIC to the extent relevant to the Program; and (v) any other matters relating to the purposes of the Loan.

(b) Without limiting the generality of the foregoing, KVIC shall furnish to ADB quarterly reports on the execution of the Program, and the operation and management of the Program facilities. Such reports shall be submitted in such form and in such detail and within such period as ADB shall reasonably request, and shall indicate, among other things, progress made and problems encountered during the quarter under review, steps taken or proposed to be taken to remedy these problems, status and progress of expenditures to be financed out of the Counterpart Funds, and proposed program of activities and expected progress during the following quarter.

(c) Promptly after closing date for withdrawal from the Loan Account, but in any event not later than three (3) months thereafter or such later date as ADB may agree for this purpose, KVIC shall prepare and furnish to ADB a report, in such form and in such detail as ADB shall reasonably request, on the execution of the Program, including its cost, the performance by KVIC of its obligations under this Program Agreement and the accomplishment of the purposes of the Loan, including a comprehensive description of the impact of the reforms implemented under the Program.

Section 2.07. (a) KVIC shall (i) maintain separate accounts for the Program and for its overall operations; (ii) have such accounts and related financial statements (statement of income and expenses, and related statements) audited annually, in accordance with appropriate auditing standards consistently applied, by auditors whose qualifications, experience and terms of reference are acceptable to ADB; and (iii) furnish to

ADB, promptly after their preparation but in any event not later than six (6) months after the close of the fiscal year to which they relate, certified copies of such audited accounts and financial statements and the report of the auditors relating thereto (including the auditors' opinion on the use of the Loan proceeds and compliance with the covenants of the Loan Agreement), all in the English language. KVIC shall furnish to ADB such further information concerning such accounts and financial statements and the audit thereof as ADB shall from time to time reasonably request.

(b) KVIC shall enable ADB, upon ADB's request, to discuss KVIC's financial statements and its financial affairs from time to time with KVIC's auditors, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB, provided that any such discussion shall be conducted only in the presence of an authorized officer of KVIC unless KVIC shall otherwise agree.

Section 2.08. KVIC shall enable ADB's representatives to examine the relevant records and documents pertaining to the use of the proceeds of Counterpart Funds.

Section 2.09. (a) KVIC shall, promptly as required, take all action within its powers which are necessary to carry out the Program.

(b) KVIC shall at all times conduct its activities in accordance with sound administrative, financial, environmental and khadi and village industries reform practices, with competent and experienced management and personnel.

Section 2.10. Except as ADB may otherwise agree, KVIC shall apply the proceeds of the Counterpart Funds to the financing of expenditures on the Program in accordance with the provisions of the Loan Agreement and this Program Agreement, and shall ensure that all expenditures financed out of such Counterpart Funds are incurred exclusively in the carrying out of the Program.

### **ARTICLE III**

#### **Effective Date; Termination**

Section 3.01. This Program 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 KVIC of such date.

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

**ARTICLE IV****Miscellaneous**

Section 4.01. Any notice or request required or permitted to be given or made under this Program Agreement and any agreement between the parties contemplated by this Program 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, telegram, cable, telex, facsimile or radiogram 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) 636-2337.

For KVIC

Khadi and Village Industries Commission  
3, Irla Road, Vile-Parle (West)  
Mumbai, 400056, India

Facsimile Numbers:

+91-22-2671-1003  
+91-22-2671-8289.


Section 4.02. (a) Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Program Agreement by or on behalf of KVIC may be taken or executed by its Chief Executive Officer or by such other person or persons as he shall so designate in writing notified to ADB.

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

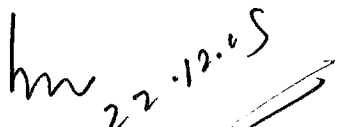
Section 4.03. No delay in exercising, or omission to exercise, any right, power or remedy accruing to either party under this Program Agreement upon any default shall impair any such right, power or remedy or be construed to be a waiver thereof or an acquiescence in such default; nor shall the action 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 Program 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   
LESLEY B. LAHM  
Officer-in-Charge  
India Resident Mission

KHADI AND VILLAGE INDUSTRIES  
COMMISSION

By  22.12.05  
J.S. MISHRA  
Chief Executive Officer