

PROJECT AGREEMENT
(Chhattisgarh Irrigation Development Project)

between

ASIAN DEVELOPMENT BANK

and

STATE OF CHHATTISGARH

DATED 20 March 2006

PROJECT AGREEMENT

PROJECT AGREEMENT dated 20 March 2006 between ASIAN DEVELOPMENT BANK (hereinafter called ADB) and STATE OF CHHATTISGARH (hereinafter called CG) on the other part.

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 forty six million one hundred and eight thousand (\$46,108,000) on the terms and conditions set forth in the Loan Agreement, but only on condition that the proceeds of the Loan be made available to CG, and that CG agrees to undertake certain obligations towards ADB as hereinafter in this Project Agreement set forth; and

(B) CG, 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 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.

ARTICLE II

Particular Covenants

Section 2.01. (a) CG shall carry out the Project with due diligence and efficiency, and in conformity with sound administrative, financial, engineering, environmental, social, and irrigation development practices.

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

Section 2.02. CG shall make available, promptly as needed, the funds, facilities, services, equipment, land 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, CG shall employ competent and qualified consultants and contractors, acceptable to ADB, to an extent and upon terms and conditions mutually satisfactory to ADB and CG.

(b) Except as ADB may otherwise agree, all goods and services to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Schedule 3 and Schedule 4 to the Loan Agreement. ADB may refuse to finance a contract where goods or 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.

Section 2.04. CG shall carry out the Project in accordance with plans, design standards, specifications, work schedules and construction methods acceptable to ADB. CG shall furnish, or cause to be furnished, 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. (a) CG shall take out and maintain with responsible insurers, or make other arrangements satisfactory to ADB for, insurance of the Project facilities to such extent and against such risks and in such amounts as shall be consistent with sound practice.

(b) Without limiting the generality of the foregoing, CG undertakes to insure, or cause to be insured, the goods to be imported for the Project and to be financed out of the proceeds of the Loan 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. CG shall maintain, or cause to be maintained, records and accounts adequate to identify the goods and services and other items of expenditure financed out of the proceeds of the Loan, to disclose the use thereof in the Project and Subprojects, and 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 and CG shall cooperate fully to ensure that the purposes of the Loan will be accomplished.

(b) CG shall promptly inform ADB 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 and CG shall from time to time, exchange views through their representatives with regard to any matters relating to the Project, and the Loan.

(d) CG shall promptly notify ADB of any proposal impacting the Project, and shall afford ADB an adequate opportunity to comment on such proposal prior to taking any action thereon.

Section 2.08. (a) CG 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 and services and other items of expenditure financed out of such proceeds; (iii) the Project and Subprojects; (iv) the administration, operations and financial condition of CG in relation to the Project; and (v) any other matters relating to the purposes of the Loan.

(b) Without limiting the generality of the foregoing, CG shall furnish to ADB quarterly reports on the execution of the Project and on the operation and management of the Project facilities. 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, resettlement monitoring, progress made and problems encountered during the quarter under review, steps taken or proposed to be taken to remedy these problems, and proposed program of activities and expected progress during the following quarter.

(c) Promptly after physical completion of the Project, but in any event not later than three (3) months thereafter or such later date as ADB may agree for this purpose, CG shall prepare and furnish to ADB a report, in such form and in such detail as ADB shall reasonably request, on the execution and initial operation of the Project, including its cost, the performance by CG of its obligations under this Project Agreement and the accomplishment of the purposes of the Loan.

Section 2.09. (a) CG shall (i) maintain separate accounts for the Project and Subprojects; (ii) have such Project accounts and related financial statements (statement of income and expenses, and related statements) audited annually, in accordance with appropriate auditing standards consistently applied, by independent 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 nine (9) months after the close of the fiscal year to which they relate, certified copies of such audited Project 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 financial covenants of the Loan Agreement as well as on the use of the procedures for statement of expenditures), all in the English language. The audit of the imprest account, second generation imprest account, and SOE shall be carried out as part of the regular annual audit. The auditor's opinion of that part of the examination relating to the imprest account, second generation imprest account, and SOE shall be separately set out in the auditor's report. CG 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) CG shall enable ADB, upon ADB's request, to discuss its financial statements and its financial affairs from time to time, in relation to the Project, with CG 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 CG unless it shall otherwise agree.

Section 2.10. CG shall enable ADB's representatives to inspect the Project, the goods financed out of the proceeds of the Loan and any relevant records and documents in relation to the Project.

Section 2.11. (a) CG shall, promptly as required, take all action within its powers to carry on its operations, and to acquire, maintain and renew all rights, properties, powers, privileges and franchises which are necessary in the carrying out of the Project or in the conduct of its business.

(b) In relation to the Project, CG shall at all times conduct its business in accordance with sound administrative, financial, engineering, environmental, social and irrigation development practices, and under the supervision of competent and experienced management and personnel.

(c) In relation to the Project, CG shall at all times operate and maintain its plants, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound administrative, financial, engineering, environmental, social and irrigation development, and maintenance and operational practices.

Section 2.12. Except as ADB may otherwise agree, CG shall not sell, lease or otherwise dispose of any of its assets which shall be required for the efficient carrying on of its operations or the disposal of which may prejudice its ability to perform satisfactorily any of its obligations under this Project Agreement.

Section 2.13. Except as ADB may otherwise agree, CG 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 services financed out of such proceeds are used exclusively in the carrying out of the Project.

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 CG 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 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, telegram, cable, telex, 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) 636-2340

For CG

Principal Secretary
Government of Chhattisgarh
Water Resources Department
DKS Bhawan
Mantralaya
Raipur
Chhattisgarh.

Facsimile Number:

(91-771) 2221260.

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 CG by its Principal Secretary, Water Resources Department or by such other person or persons as such officials shall so designate in writing notified to ADB.

(b) CG shall furnish to ADB sufficient evidence of the authority of the 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 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

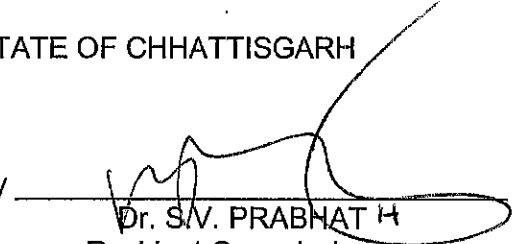
By



TADASHI KONDO
Country Director
India Resident Mission

STATE OF CHHATTISGARH

By



Dr. S.V. PRABHAKAR
Resident Commissioner
(Authorized Representative)