

PROJECT AGREEMENT

(Rural Roads Sector II Investment Program- Project 2)

between

ASIAN DEVELOPMENT BANK

and

MINISTRY OF RURAL DEVELOPMENT

AND

STATE OF ORISSA

DATED 28 March 2008

PROJECT AGREEMENT

PROJECT AGREEMENT dated 28 March 2008 between ASIAN DEVELOPMENT BANK (hereinafter referred to as ADB) on the one part, and Ministry of Rural Development, acting by the President of India (hereinafter referred to as MORD), and the State of Orissa, acting by its Governor (hereinafter referred to as the State) on the other part.

WHEREAS

(A) by a Loan Agreement of even date herewith between India (hereinafter referred to as the Borrower) and ADB, ADB has agreed to make to the Borrower a loan of seventy seven million and six hundred and fifty thousand dollars (\$77,650,000) on the terms and conditions set forth in the Loan Agreement, but only on condition that certain portion of the proceeds of the Loan be made available to MORD and the State as stated in the Loan Agreement, and that MORD and the State agree to undertake certain respective obligations towards ADB as hereinafter in this Project Agreement set forth; and

(B) MORD and the State, 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.

ARTICLE II Particular Covenants

Section 2.01. (a) MORD and the State shall carry out the Project with due diligence and efficiency, and in conformity with sound administrative, financial, engineering, environmental, and rural roads development practices.

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

Section 2.02. MORD and the State 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, MORD and the State shall employ competent and qualified consultants and contractors, acceptable to ADB, to an extent and upon terms and conditions satisfactory to ADB.

(b) Except as ADB may otherwise agree, all Works and consulting services to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Schedule 4 and Schedule 5 to the Loan Agreement. ADB may refuse to finance a contract where Works 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.

Section 2.04. MORD and the State shall carry out the Project in accordance with plans, design standards, specifications, work schedules and construction methods as acceptable to ADB. MORD and the State 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. MORD and the State 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.

Section 2.06. MORD and the State shall maintain, or cause to be maintained, records and accounts adequate to identify the Works and consulting services 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 and MORD and the State shall cooperate fully to ensure that the purposes of the Loan will be accomplished.

(b) MORD and the State 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 MORD and the State shall from time to time, at the request of either party, exchange views through their representatives with regard to any matters relating to the Project, MORD, the State, the Loan, and PMGSY Guidelines.

Section 2.08. (a) MORD and the State 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 works and consulting services financed out of such proceeds; (iii) the Project; (iv) the administration, operations and financial condition of MORD, and the State in so far as these relate to the Project; and (v) any other matters relating to the purposes of the Loan.

(b) Without limiting the generality of the foregoing, MORD and the State (through MORD) 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, 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, MORD and the State 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 MORD and the State of its obligations under this Project Agreement and the accomplishment of the purposes of the Loan.

Section 2.09. MORD and the State shall (i) maintain separate accounts for the Project, Subprojects, and consulting services; (ii) have such accounts and related financial statements (balance sheet, 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 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 as well as on the use of the procedures for statement of expenditures), all in the English language. MORD and the State 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.

Section 2.10. MORD and the State shall enable ADB's representatives to inspect the Project, the Works financed out of the proceeds of the Loan, and any relevant records and documents.

Section 2.11. (a) MORD and the State 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, MORD and the State shall at all times conduct its business in accordance with sound administrative, financial, environmental and rural roads development practices.

(c) In relation to the Project, MORD and the State 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, rural roads development, and maintenance and operational practices.

Section 2.12. Except as ADB may otherwise agree, in relation to the Project, MORD and the State shall not sell, lease or otherwise dispose of any of its assets whose disposal may prejudice its ability to perform efficiently or satisfactorily, any of its obligations under this Project Agreement.

Section 2.13. Except as ADB may otherwise agree, MORD and the State 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.

Section 2.14. MORD shall promptly notify ADB of any amendments to the PMGSY Guidelines in relation to 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 MORD and the State 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 registered 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

Cable Address:
ASIANBANK
MANILA

Telex Numbers:

29066 ADB PH (RCA)
42205 ADB PM (ITT)
63587 ADB PN (ETPI)

Facsimile Numbers:

(632) 636-2444
(632) 636-2340.

For MORD

Ministry of Rural Development
Krishi Bhawan
New Delhi – 110001.

Facsimile Number:

(0091-11) 23388207.

For The State

Commissioner cum Secretary
Rural Development Department
Government of Orissa
Bhubaneswar – 751001.

Facsimile Number:

0091-674 – 2536641.

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 (i) MORD may be taken or executed by its Joint Secretary, and (ii) the State may be taken or executed by its Commissioner cum Secretary, Rural Development Department or by such other person or persons as he/she shall so designate in writing notified to ADB.

(b) MORD and the State 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.

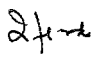
Section 4.03. No delay in exercising, or omission to exercise, any right, power or remedy accruing to either party under this Project Agreement upon any default shall impair any such right, power or remedy or be construed to be a waiver thereof or an acquiescence in such default; nor shall the action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

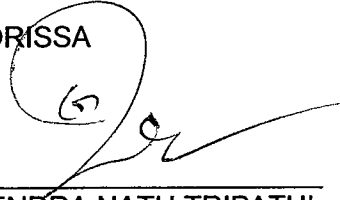
ASIAN DEVELOPMENT BANK

By 
TADASHI KONDO
Country Director
India Resident Mission

MINISTRY OF RURAL DEVELOPMENT


By _____
JITENDER KUMAR
Director (RC)

STATE OF ORISSA


By _____
SURENDRA NATH TRIPATHI
Commissioner-cum-Secretary
Rural Development Department