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LOAN NUMBER 3668-BHU

PROJECT AGREEMENT  
(Phuentsholing Township Development Project)

between

ASIAN DEVELOPMENT BANK

and

CONSTRUCTION DEVELOPMENT CORPORATION LIMITED

DATED 3 JULY 2018

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BHU 50165

## PROJECT AGREEMENT

PROJECT AGREEMENT dated 3 July 2018 between ASIAN DEVELOPMENT BANK ("ADB") and CONSTRUCTION DEVELOPMENT CORPORATION LIMITED ("CDCL").

### WHEREAS

(A) by a Loan Agreement and a Grant Agreement (together, the "Financing Agreements") each of even date herewith between Kingdom of Bhutan ("Beneficiary") and ADB, ADB has agreed to make to the Beneficiary (i) a concessional loan of twenty-eight million seven hundred forty thousand Dollars (\$28,740,000) on the terms and conditions set forth in the Loan Agreement, and (ii) a grant of twenty-four million two hundred sixty thousand Dollars (\$24,260,000) (together with the loan, the "Financings") on the terms and conditions set forth in the Grant Agreement but only on the condition that the proceeds of the Financings be made available to CDCL and that CDCL agrees to undertake certain obligations towards ADB set forth herein; and

(B) CDCL, in consideration of ADB entering into the Financing Agreements with the Beneficiary, has agreed to undertake the obligations set forth herein;

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) CDCL shall carry out the Project with due diligence and efficiency, and in conformity with sound applicable technical, financial, business, and development practices.

(b) In the carrying out of the Project and operation of the Project facilities, CDCL shall perform all obligations set forth in the Financing Agreements to the extent that they are applicable to CDCL, and all obligations set forth herein.

Section 2.02. CDCL shall make available, promptly as needed, and on terms and conditions acceptable to ADB, the funds, facilities, services, land and other

resources as required, in addition to the proceeds of the Financings, for the carrying out of the Project.

Section 2.03. (a) In the carrying out of the Project, CDCL 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, CDCL shall procure all items of expenditures to be financed out of the proceeds of the Financings in accordance with the provisions of Schedule 4 to the Loan Agreement. ADB may refuse to finance a contract where any such item has not been procured under procedures substantially in accordance with those agreed between the Beneficiary and ADB or where the terms and conditions of the contract are not satisfactory to ADB.

Section 2.04. CDCL shall carry out the Project in accordance with plans, design standards, specifications, work schedules and construction methods acceptable to ADB. CDCL 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) CDCL shall take out and maintain with responsible insurers, or make other arrangements satisfactory to ADB for, insurance of 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, CDCL undertakes 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. CDCL shall maintain, or cause to be maintained, records and accounts adequate to identify the items of expenditure financed out of the proceeds of the Financings, 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 CDCL shall cooperate fully to ensure that the purposes of the Financings will be accomplished.

(b) CDCL 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 Subsidiary Financing Agreement, or the accomplishment of the purposes of the Financings.

(c) ADB and CDCL 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, CDCL and the Financings.

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

(b) Without limiting the generality of the foregoing, CDCL shall furnish to ADB periodic reports on the execution of the Project and on the operation and management of the Project facilities. Such reports shall include updates on implementation of the SAP. 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 during the following period.

(c) Promptly after physical completion of the Project, but in any event not later than 3 months thereafter or such later date as ADB may agree for this purpose, CDCL 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 CDCL and DHI of their respective obligations under this Project Agreement and the accomplishment of the purposes of the Financings.

Section 2.09. (a) CDCL shall (i) provide its annual financial statements prepared in accordance with financing reporting standards acceptable to ADB; (ii) have its financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with auditing standards acceptable to ADB; (iii) as part of each such audit, have the auditors prepare the auditors' opinion(s) on the financial statements; and (iv) furnish to ADB, no later than 1 month after approval by the relevant authority, copies of such audited financial statements and auditors' opinion(s), all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.

(b) CDCL shall enable ADB, upon ADB's request, to discuss CDCL and its financial affairs where they relate to the Project with the auditors appointed by CDCL pursuant to subsection (a)(ii) hereinabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB. This is provided that such discussions shall be conducted only in the presence of an authorized officer of CDCL, unless CDCL shall otherwise agree.

Section 2.10. CDCL shall enable ADB's representatives to inspect the Project, the Goods and Works and any relevant records and documents.

Section 2.11. (a) CDCL shall, promptly as required, take all action within its powers to maintain its corporate existence, 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 operations.

(b) CDCL shall at all times conduct its operations in accordance with sound applicable technical, financial, business, development and operational practices, and under the supervision of competent and experienced management and personnel.

(c) CDCL 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 applicable technical, financial, business, development, operational and maintenance practices.

Section 2.12. Except as ADB may otherwise agree, CDCL 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, CDCL shall apply the proceeds of the Financings to the financing of expenditures on the Project in accordance with the provisions of the Financing Agreements and this Project Agreement, and shall ensure that all items of expenditures financed out of such proceeds are used exclusively in the carrying out of the Project.

Section 2.14. Except as ADB may otherwise agree, CDCL shall duly perform all its obligations under the Subsidiary Financing 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 Subsidiary Financing Agreement.

Section 2.15. CDCL shall promptly notify ADB of any proposal to amend, suspend or repeal any provision of its constitutional documents, which, if implemented, could adversely affect the carrying out of the Project or the operation of the Project facilities. CDCL shall afford ADB an adequate opportunity to comment on such proposal prior to taking any affirmative action thereon.

Section 2.16. Within 6 months after the Effectiveness Date, CDCL shall create a Project website to disclose information about various matters on the Project, including procurement. With regard to procurement, the website shall include information on the list of participating bidders, name of the winning bidder, basic details on bidding procedures adopted, amount of contract awarded, the list of goods/services procured, and the process for handling complaints related to contracts and procurement.

### **ARTICLE III**

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

Section 3.01. This Project Agreement shall come into force and effect on the date on which both of the Financing Agreements shall have come into force and effect. ADB shall promptly notify CDCL of such date.

Section 3.02. This Project Agreement and all obligations of the parties hereunder shall terminate on the date on which both of the Financing Agreements shall have terminated in accordance with their respective terms.

Section 3.03. All the provisions of this Project Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under either of the Financing Agreements.

#### 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, 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  
6 ADB Avenue  
Mandaluyong City  
1550 Metro Manila  
Philippines

Facsimile Numbers:

(632) 636-2444.  
(632) 636-2293

##### For CDCL

Construction Development Corporation Limited  
P.O. Box 573  
Thimphu 11001  
Bhutan

Facsimile Number:

975 2 332973.


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 CDCL may be taken or executed by its Chief Executive Officer or by such other person or persons as he or she shall so designate in writing notified to ADB.

(b) CDCL shall furnish to ADB sufficient evidence of the authority of each person who will act under subsection (a) hereinabove, 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 as of the day and year first above written, and to be delivered at the principal office of ADB.

ASIAN DEVELOPMENT BANK

By 

KANOKPAN LAO-ARAYA  
Country Director  
Bhutan Resident Mission

CONSTRUCTION DEVELOPMENT  
CORPORATION LIMITED

By 

PHUNTSHO GYELTSHEN  
Chief Executive Officer