

PROJECT AGREEMENT  
(North Eastern Region Capital Cities Development  
Investment Program – Project 3)

between

ASIAN DEVELOPMENT BANK

and

MINISTRY OF URBAN DEVELOPMENT

and

STATE OF MIZORAM

DATED 28 JANUARY 2016

## **PROJECT AGREEMENT**

PROJECT AGREEMENT dated 28 January 2016 between ASIAN DEVELOPMENT BANK ("ADB") on the one hand, and MINISTRY OF URBAN DEVELOPMENT, acting by the President of India ("MOUD"), and the STATE OF MIZORAM, acting by its Governor ("State") on the other hand.

### **WHEREAS**

(A) by a Loan Agreement of even date herewith between India ("Borrower") and ADB, ADB has agreed to make to the Borrower a loan of eighty million Dollars (\$80,000,000) on the terms and conditions set forth in the Loan Agreement, but only on the condition that a portion of the proceeds of the Loan be made available to MOUD and the State and that MOUD and the State agree to undertake certain obligations towards ADB as hereinafter set forth; and

(B) MOUD 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, except that for purposes of this Project Agreement, the term "the Project" means Part 1.a, Part 2.a, Part 3.a and Part 4 (in so far as occurring in Aizawl) of the Project, as described in paragraph 2 of Schedule 1 to the Loan Agreement.

## **ARTICLE II**

### **Particular Covenants**

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

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

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

(b) Except as ADB and the Borrower may otherwise agree, all Goods, 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 to the Loan Agreement. ADB may refuse to finance a contract where Goods, 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. MOUD and the State shall carry out the Project in accordance with plans, design standards, specifications, work schedules and construction methods mutually acceptable to ADB and the Borrower. MOUD 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. (a) MOUD and the State 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, MOUD and the State undertakes to insure, or cause to be insured, the Goods to be procured including 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. MOUD and the State shall maintain, or cause to be maintained, records and accounts adequate to identify the Goods, Works 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, MOUD, and the State shall cooperate fully to ensure that the purposes of the Loan will be accomplished.

(b) MOUD and the State shall promptly inform ADB through 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 Financing Arrangements, or the accomplishment of the purposes of the Loan.

(c) ADB, MOUD, 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, MOUD, the State, and the Loan.

Section 2.08. (a) In so far as it relates to the Project, MOUD 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 Goods, Works and consulting services and other items of expenditure financed out of such proceeds; (iii) the Project; (iv) the administration, operations and financial status of the State; and (v) any other matters relating to the purposes of the Loan.

(b) Without limiting the generality of the foregoing, MOUD and the State 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 3 months thereafter or such later date as ADB may agree for this purpose, MOUD 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 MOUD and the State of their respective obligations under this Project Agreement and the accomplishment of the purposes of the Loan.

Section 2.09. (a) The State shall (i) maintain separate accounts and records for the Project; (ii) prepare annual financial statements for the Project in accordance with accounting principles acceptable to ADB; (iii) have such financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB; (iv) as part of each such audit, have the auditors prepare a report (which includes the auditors' opinion on the financial statements and use of the Loan proceeds as well as on the use of statement of expenditures) and a management letter (which sets out the deficiencies in the internal control of the Project that were identified in the course of the audit, if any) and (v) furnish to ADB, through MOUD, promptly after their preparation but in any event not later than 6 months after the close of the fiscal year to which they relate, certified copies of such audited financial statements, audit report and management letter, 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) ADB shall disclose the annual audited financial statements for the Project and the opinion of the auditors on the financial statements within 30 days of the date of their receipt by posting them on ADB's website.

(c) In addition to annual audited financial statements referred to in subsection (a) hereinabove, the State shall ensure that the relevant ULBs shall (i) provide their annual financial statements prepared in accordance with national accrual-based financing reporting standards acceptable to ADB; (ii) have such financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with international standards for auditing or the national equivalent acceptable to ADB; and (iii) furnish to ADB, no later than 1 month after approval

by the relevant authority, copies of such audited financial statements in the English language and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.

(d) The State shall enable ADB, upon ADB's request, to discuss the financial statements for the Project and its financial affairs where they relate to the Project with the auditors appointed by the State pursuant to subsection (a)(iii) 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 the State, unless the State shall otherwise agree.

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

Section 2.11. (a) MOUD and the State shall, promptly as required, take all action 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, MOUD and the State shall at all times conduct their respective operations in accordance with sound technical, financial, business, development and operational practices, and under the supervision of competent and experienced management and personnel.

(c) In relation to the Project, MOUD and the State shall at all times operate and maintain their respective 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 technical, financial, business, development, operational and maintenance practices.

Section 2.12. Except as ADB may otherwise agree, in relation to the Project, MOUD and the State 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, in relation to the Project, MOUD 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, Works and consulting services financed out of such proceeds are used exclusively in the carrying out of the Project.

Section 2.14. Except as ADB may otherwise agree, the State shall duly perform all its obligations under the Financing Arrangements, 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.

Section 2.15. The State 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. The State shall afford ADB an adequate opportunity to comment on such proposal.

### **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 MOUD 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 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  
6 ADB Avenue  
Mandaluyong City  
1550 Metro Manila  
Philippines

#### Facsimile Numbers:

+63 2 636-2444  
+63 2 636-2293

For MOUD

Secretary  
Ministry of Urban Development  
Government of India  
Maulana Azad Road  
Nirman Bhawan  
New Delhi - 110011  
India

Fascimile Number:

+91 11 2306-1459

For the State

Principal Secretary/Secretary  
Urban Development and Poverty Alleviation Department  
Government of Mizoram  
New Secretariat Complex  
Aizawl- 796001  
Mizoram, India

Fascimile Number:

+91 389 233-6466.

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) MOUD may be taken or executed by its Joint Secretary (UD); and (ii) the State may be taken or executed by its Principal Secretary, Urban Development and Poverty Alleviation Department, or by such other person or persons as he/she shall so designate in writing to ADB.

(b) MOUD 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   
\_\_\_\_\_  
M. TERESA KHO  
Country Director

## MINISTRY OF URBAN DEVELOPMENT

By   
\_\_\_\_\_  
PARMOD KUMAR  
Director (UD)

## STATE OF MIZORAM

By   
\_\_\_\_\_  
VANLALMAWIA RENTHLEI  
Joint Secretary, Urban Development &  
Poverty Alleviation Department