Project Agreement

(Third Tamil Nadu Urban Development Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

STATE OF TAMIL NADU

Dated September 14, 2005
PROJECT AGREEMENT

AGREEMENT, dated September 14, 2005, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and STATE OF TAMIL NADU, acting by its Governor (TAMIL NADU).

WHEREAS (A) by the Loan Agreement of even date herewith between INDIA (the Borrower) and the Bank, the Bank has agreed to make a loan to the Borrower in the amount of three hundred million Dollars ($300,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that Tamil Nadu agree to undertake such obligations toward the Bank as are set forth in this Agreement;

(B) by the TNUDF Project Agreement of even date herewith between the Bank and TNUDF, TNUDF has undertaken certain obligations towards the Bank as set forth in the TNUDF Project Agreement;

(C) by the CMDA Project Agreement of even date herewith between the Bank and CMDA, CMDA has undertaken certain obligations towards the Bank as set forth in the CMDA Project Agreement;

(D) by the Subsidiary Loan Agreement entered into between Tamil Nadu and TNUDF, a portion of the proceeds of the loan provided for under the Loan Agreement and made available to Tamil Nadu will be relent to TNUDF on the terms and conditions set forth in said Subsidiary Agreement; and

(E) the proceeds of the loan provided for under the Loan Agreement will be made available by the Borrower to Tamil Nadu as provided for in the Loan Agreement and a portion thereof will be: (1) on-lent by Tamil Nadu through the Tamil Nadu Urban Development Fund (TNUDF) to Subborrowers; (2) ongranted by Tamil Nadu through TNUDF to Beneficiaries; and (3) ongranted by Tamil Nadu through TNUDF to CMDA; and

WHEREAS Tamil Nadu, in consideration of the Bank’s entering into the Loan Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:
ARTICLE I
Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in
the Loan Agreement, the Preamble to this Agreement and the General Conditions (as so
defined) have the respective meanings therein set forth.

ARTICLE II
Execution of the Project

Section 2.01. (a) Tamil Nadu declares its commitment to the objectives of the
Project as set forth in Schedule 2 to the Loan Agreement, and, to this end, shall carry out
Part A of the Project through CMA with due diligence and efficiency and in conformity
with appropriate administrative, financial, engineering and technical practices and
environmental and social standards, and shall provide, or cause to be provided, promptly
as needed, the funds, facilities, services and other resources required for the Project.

(b) Without any limitation or restriction upon any of its other obligations
under this Agreement, Tamil Nadu shall cause: (i) TNUDF to perform in accordance with
the provisions of the TNUDF Project Agreement all the obligations therein set forth, shall
take or cause to be taken all action, including the provision of funds, facilities, services
and other resources, necessary or appropriate to enable TNUDF to perform such
obligations, and shall not take or permit to be taken any action which would prevent or
interfere with such performance; and (ii) CMDA to perform in accordance with the
CMDA Project Agreement all the obligations therein set forth, shall take or cause to be
taken all action, including the provision of funds, facilities, services and other resources,
necessary or appropriate to enable CMDA to perform such obligations, and shall not take
or permit to be taken any action which would prevent or interfere with such performance.

(c) Without limitation upon the provisions of paragraph (a) of this Section
and except as the Bank and Tamil Nadu shall otherwise agree, Tamil Nadu shall carry out
Part A of the Project in accordance with the Implementation Program set forth in the
Schedule to this Agreement.

Section 2.02. (a)(i) In respect of Part B.1(a) of the Project, Tamil Nadu shall, out
of the proceeds of the Loan made available to it by the Borrower, onlend a portion
thereof to TNUDF under a Subsidiary Loan Agreement to be entered into between Tamil
Nadu and TNUDF under terms and conditions satisfactory to the Bank, including:

(A) that the Subsidiary Loan shall be denominated in Indian
Rupees;
(B) that TNUDF shall pay interest on the principal amount so onlent and withdrawn on a specific date (the Reference Date) and outstanding from time to time at a fixed rate set equal to the average yield of the Government of India 10-year securities issuances in the primary market (the Index) in the six (6) months preceding the Reference Date; plus a margin that is mutually acceptable to Tamil Nadu and TNUDF, with said margin not to exceed 100 basis points and to be determined for each drawdown from Tamil Nadu. In the event that there are no Government of India 10-year securities issuances in the primary market in the six (6) months preceding the Reference Date, the average yield of the Government of India 10-year securities issuances in the primary market in the twelve (12) month period immediately preceding the Reference Date shall serve as the Index. TNUDF shall repay the principal amount so re-lent over a period of 20 years including therein a grace period of five (5) years; and

(C) that TNUDF shall have a prepayment option in the event that the interest rate on an outstanding loan from Tamil Nadu to TNUDF exceeds the Index referred to subparagraph (B) of this Section 2.02(a)(i) by at least 150 basis points, or the current market rates, satisfactory to the Bank, for lending to ULBs by financial intermediaries.

(ii) Tamil Nadu shall duly perform all of its obligations under the Subsidiary Loan Agreement. Except as the Bank shall otherwise agree, Tamil Nadu shall not take or concur in any action which would have the effect of assigning, amending, abrogating or waiving the Subsidiary Loan Agreement or any provision thereof.

(b) In respect of Part B.1(b) of the Project, Tamil Nadu shall, out of the proceeds of the Loan made available to it by the Borrower, on-grant through TNUDF, a portion thereof to Beneficiaries, under terms and conditions satisfactory to the Bank.

(c) (i) In respect of Part B.2(a) of the Project, Tamil Nadu shall, out of the proceeds of the Loan made available to it by the Borrower, on-grant through TNUDF, a portion thereof to CMDA, in accordance with the Operations Manual and under terms and conditions satisfactory to the Bank.
(ii) Except as the Bank shall otherwise agree, Tamil Nadu shall ensure that CMDA shall not take or concur in any action which would have the effect of assigning, amending, abrogating or waiving any of its obligations under the CMDA Project Agreement, or any provision thereof.

Section 2.03. (a) Except as the Bank shall otherwise agree, procurement of the goods, works, and services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to the Loan Agreement as said provisions may be further elaborated in the CMA Procurement Plan, the TNUDF Procurement Plan, or the CMDA Procurement Plan, as the case may be.

(b) Tamil Nadu shall, through CMA, update the CMA Procurement Plan, and furnish such update to the Bank not later than twelve (12) months after the date of the preceding Procurement Plan, for the Bank’s approval.

Section 2.04. (a) Tamil Nadu shall carry out the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of Part A of the Project.

(b) For the purposes of Section 9.07 of the General Conditions and without limitation thereto Tamil Nadu shall:

(i) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Bank and Tamil Nadu, a plan for the future operation of Part A of the Project; and

(ii) afford the Bank a reasonable opportunity to exchange views with Tamil Nadu on said plan.

Section 2.05. (a) Tamil Nadu undertakes that, unless the Bank shall otherwise agree, Capital Grants and Transport and Traffic Grants shall be made in accordance with procedures, and on the terms and conditions, set forth or referred to in the Operations Manual.

(b) Tamil Nadu shall exercise its rights in relation to each Subproject and Transport and Traffic Project in such manner as to:

(i) protect the interests of the Bank and Tamil Nadu;

(ii) comply with its obligations under this Agreement; and
iii) achieve the purposes of the Project.

Section 2.06. Tamil Nadu shall, through DMAWS: (a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Bank, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about July 1, 2007, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Bank, by September 1, 2007, or such later date as the Bank shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project, and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank’s views on the matter.

Section 2.07. (a) Tamil Nadu shall, at the request of the Bank, exchange views with the Bank with regard to the progress of the Project, the performance of its obligations under this Agreement and the Subsidiary Loan Agreement, and other matters relating to the purposes of the Loan.

(b) Tamil Nadu shall promptly inform the Bank and the Borrower of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of the Loan, or the performance by Tamil Nadu of its obligations under this Agreement and the Subsidiary Loan Agreement.

ARTICLE III

Financial Covenants

Section 3.01. (a) Tamil Nadu shall, through CMA, maintain a financial management system, including records and accounts, and prepare financial statements, in accordance with consistently applied accounting standards acceptable to the Bank, adequate to reflect its operations and financial condition and to register separately the operations, resources and expenditures related to the carrying out of Part A of the Project.
(b) Tamil Nadu shall, through CMA:

(i) have the financial statements referred to paragraph (a) of this Section for each fiscal year (or other period agreed to by the Bank) audited, in accordance with consistently applied auditing standards acceptable to the Bank by independent auditors acceptable to the Bank;

(ii) furnish to the Bank as soon as available, but in any case not later than six (6) months after the end of each such year (or such other period agreed to by the Bank), (A) certified copies of the financial statements referred to in paragraph (a) of this Section, for such year (or such other period agreed to by the Bank), as so audited, and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Bank; and

(iii) furnish to the Bank such other information concerning such records and accounts and the audit of such financial statements, and concerning said auditors, as the Bank may from time to time reasonably request.

Section 3.02. (a) Tamil Nadu shall, through CMA, prepare and furnish to the Bank a financial monitoring report, in form and substance satisfactory to the Bank, which:

(i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Loan, and explains variances between the actual and planned uses of such funds;

(ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and

(iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first Financial Monitoring Report shall be furnished to the Bank not later than forty-five (45) days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each Financial
Monitoring Report shall be furnished to the Bank not later than forty-five (45) days after each subsequent calendar quarter, and shall cover the period not covered by the previous Financial Monitoring Report until the end of such calendar quarter.

ARTICLE IV

Effective Date; Termination; Cancellation and Suspension

Section 4.01. This Agreement shall come into force and effect on the date upon which the Loan Agreement becomes effective.

Section 4.02. This Agreement and all obligations of the Bank and of Tamil Nadu thereunder shall terminate on the date on which the Loan Agreement shall terminate in accordance with its terms, and the Bank shall promptly notify Tamil Nadu thereof.

Section 4.03. All of the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE V

Miscellaneous Provisions

Section 5.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this 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, telex or facsimile to the party to which it is required or permitted to be given or made at such party’s 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. Deliveries made by facsimile transmission shall also be confirmed by mail. The addresses so specified are:

For the Bank:

International Bank for Reconstruction and Development
1818 H Street, NW
Washington, DC 20433
United States of America

Cable address: Telex: Facsimile:
INTBAFRAD 248423 (MCI) or 6391 64145 (MCI)
Washington, D.C. 477-
For Tamil Nadu:

Chief Secretary, Government of Tamil Nadu
Secretariat General
Fort St. George, Chennai
Tamil Nadu

Facsimile:

044 25679866

Section 5.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of Tamil Nadu may be taken or executed by its Chief Secretary or such other person or persons as Tamil Nadu shall designate in writing, and Tamil Nadu shall furnish to the Bank sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 5.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in New Delhi, India, as of the day and year first above written.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Michael F. Carter
Country Director, India

STATE OF TAMIL NADU
SCHEDULE

Implementation Program

1. Tamil Nadu shall maintain, under terms and conditions acceptable to the Bank:

   (a) the DMAWS, to exercise overall Project oversight and coordination functions;

   (b) the GC, to lead Project implementation activities and provide overall policy guidance and administrative sanctions over Subproject activities; and

   (c) the CMDA PMU: (i) to oversee the implementation of Transport and Traffic Projects; and (ii) which is staffed with suitably qualified and experienced staff in adequate numbers and adequate resources, acceptable to the Bank.

2. Tamil Nadu shall cause CMA to carry out Part A of the Project, under terms and conditions and in a manner and substance, acceptable to the Bank, and ensure that the CMA:

   (a) maintains the appointment of: (i) a senior officer who is responsible for the day-to-day management of the implementation of Part A of the Project and who is provided with suitably qualified and experienced staff, including a financial officer, in adequate numbers and adequate resources, acceptable to the Bank;

   (b) prepares and submits to the GC on an annual basis updates to its rolling Project implementation plan;

   (c) carries out the implementation of Part A.1(a) of the Project in accordance with annual training programs approved by CMA;

   (d) establishes, by December 31, 2005, and thereafter maintains, satisfactory to the Bank, the Tamil Nadu PPF for the purpose of making grants available to ULBs for consultancy services for the preparation and implementation of infrastructure projects; and

   (e) establishes, by March 31, 2006, and thereafter maintains, the Debt Monitoring Cell, satisfactory to the Bank: (i) to provide, on a centralized basis, an up-to-date, public information database on the financial status of ULBs, and assistance to ULBs
in making realistic financial projections; and (ii) whose mandate, terms of reference and composition shall be acceptable to the Bank.

3. Except as the Bank shall otherwise agree, Tamil Nadu shall ensure that Subprojects, Subloans, Beneficiaries, Subborrowers, Capital Grants, and Traffic and Transport Grants, all meet the eligibility criteria and comply with the implementation requirements set forth in the Operations Manual, satisfactory to the Bank.