

CONFORMED COPY

OTF GRANT NUMBER 10576-MA

OZONE PROJECTS TRUST FUND
GRANT AGREEMENT

(ODS Recycling Project)

between

MALAYSIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

acting as Trustee of the Ozone Projects
Trust Fund

Dated November 6, 1992

OZONE PROJECTS TRUST FUND GRANT AGREEMENT

AGREEMENT, dated, November 6 1992, between MALAYSIA (the Recipient) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT, acting as Trustee of grant funds provided by Parties to the Montreal Protocol on Substances that Deplete the Ozone Layer into the Ozone Projects Trust Fund (OTF) (the Trustee).

WHEREAS: (A) The International Bank for Reconstruction and Development (the Bank) pursuant to Resolution No. 91-5 of March 14, 1991, of the Executive Directors of the Bank (the Resolution), established a Facility, including the OTF, to assist in the protection of the global environment and promote thereby environmentally sound and sustainable economic development;

WHEREAS: (B) The Parties to the Montreal Protocol on Substances that Deplete the Ozone Layer pursuant to the Vienna Convention for the Protection of the Ozone Layer have established the Interim Multilateral Fund (Fund) for the Implementation of the Montreal Protocol to operate under the authority of the said Parties to provide the financing to enable the Parties operating under paragraph 1 of Article 5 of the Protocol to comply with control measures provided for in the Protocol;

WHEREAS: (C) The Executive Committee of the Fund and the Bank have entered into an agreement effective on July 9, 1991, pursuant to which the Executive Committee has agreed to provide funds into the OTF to be administered by the Bank as Trustee in accordance with the provisions of the said agreement and the Resolution;

WHEREAS: (D) The Recipient, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested

assistance from the resources of the OTF in the financing of the Project, and the Trustee has determined that such assistance would be in accordance with the provisions of the Resolution; and

WHEREAS: (E) The Trustee has agreed, on the basis, inter alia, of the forgoing, to extend a grant (the OTF Grant) to the Recipient upon the terms and conditions set forth in this Agreement.

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. (a) The following provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated January 1, 1985, with the modifications set forth in paragraph (b) of this Section (the General Conditions) constitute an integral part of this Agreement:

- (i) Article I;
- (ii) Sections 2.01 (1), (2), (3), (4), (6), (8), (9), (10), (11), (15), (18) and (20), 2.02 and 2.03;
- (iii) Section 3.01;
- (iv) Section 4.01 and the first sentence of Section 4.09;
- (v) Article V;
- (vi) Sections 6.01, 6.02 (a), (c), (d), (e), (f), (i) and (k), 6.03, 6.04 and 6.06;
- (vii) Section 8.01 (b);
- (viii) Sections 9.01 (a) and (c), 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09;
- (ix) Sections 10.01, 10.03 and 10.04;
- (x) Article XI; and
- (xi) Section 12.04.

(b) The General Conditions shall be modified as follows:

- (i) the term "Bank", wherever used in the General Conditions, other than in Sections 2.01 (8) and 6.02 (f) thereof and the last use of such term in Section 5.01 thereof, means the Trustee except that in Section 6.02, the term "Bank" shall also include the International Bank for Reconstruction and Development acting in its own capacity;
- (ii) the term "Borrower", wherever used in the General conditions, means the Recipient;
- (iii) the term "Loan Agreement", wherever used in the General Conditions, means this Agreement;
- (iv) the term "Loan" and "loan" wherever used in the General Conditions, means the OTF Grant; and
- (v) the term "Loan Account" wherever used in the General conditions, means the OTF Grant Account.

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions and in the Recitals to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "DoE" means the Department of Environment in the Ministry of Science, Technology and Environment of the Recipient;

(b) "FSD" means the Fire Service Department in the Ministry of Housing and Local Government of the Recipient; and

(c) "ODS" means Ozone Depleting Substances.

ARTICLE II

The OTF Grant

Section 2.01. The Trustee agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, the OTF Grant in an amount in various currencies equivalent to one million six hundred thirty thousand dollars (\$1,630,000).

Section 2.02. The amount of the OTF Grant may be withdrawn from the OTF Grant Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Trustee shall so agree, to be made) in respect of the reasonable cost of goods and services required for carrying out the Project and to be financed out of the proceeds of the OTF Grant.

Section 2.03. The Closing Date shall be June 30, 1995 or such later date as the Trustee shall establish. The Trustee shall promptly notify the Recipient of such later date.

Section 2.04. The Trustee shall not be obligated to make any payment under this Agreement except to the extent it shall have received funds for the purposes of the Project from the Executive Committee referred to in paragraph (C) of the Preamble to this Agreement.

ARTICLE III

Execution of the Project

Section 3.01. The Recipient declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out Part A of the Project through DOE and Part B of the Project through FSD with due diligence and efficiency and in conformity with appropriate administrative, financial and engineering practices and with due regard to ecological and environmental factors, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 3.02. Except as the Trustee shall otherwise agree, procurement of goods and consultants' services required for the Project and to be financed out of the proceeds of the OTF Grant shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. The Recipient shall cause DOE, prior to distributing recycling units to eligible service stations, to enter into an operation and maintenance contract on terms and conditions satisfactory to the Trustee.

Section 3.04. The Recipient shall cause each of DOE and FSD to furnish the Trustee, on a semi-annual basis and commencing January 1, 1993, with progress reports on the implementation of Parts A and B of the Project, such reports to contain, inter alia, assessments of the performance of the recycling equipment provided to DOE and FSD under Parts A.2. and B.1 of the Project, respectively.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Recipient shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Recipient responsible for carrying out the Project or any part thereof.

(b) The Recipient shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Trustee;

- (ii) furnish to the Trustee as soon as available, but in any case not later than nine (9) months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Trustee shall have reasonably requested; and
- (iii) furnish to the Trustee such other information concerning said records and accounts and the audit thereof as the Trustee shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the OTF Grant Account were made on the basis of statements of expenditure, the Recipient shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Trustee has received the audit report for the fiscal year in which the last withdrawal from the OTF Grant Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Trustee's representatives to examine such records, and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE V

Effectiveness; Termination

Section 5.01. This Agreement shall become effective upon its execution by the parties.

Section 5.02. This Agreement shall continue in effect until the OTF Grant has been fully disbursed and the parties to this Agreement have fulfilled all their obligations hereunder.

ARTICLE VI

Representatives of the Recipient; Addresses

Section 6.01. The Director General of the Economic Planning Unit in the Prime Minister's Department of the Recipient is designated as representative of the Recipient for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of section 11.01 of the General Conditions:

For the Recipient:

Director General
Economic Planning Unit
Prime Minister's Department
Jalan Dato' Onn
50592 Kuala Lumpur
Malaysia

Cable address:

ECONOMICS
Kuala Lumpur

Telex:

EPU MA 30098.

For the Trustee:

International Bank for

Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

197688 (TRT),
248423 (RCA),
64145 (WUI) or
82987 (FTCC).

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

MALAYSIA

By /s/ Dato Ali Abdel b.Sulaiman
Director General, Economic Planning Unit,
Prime Minister's Department

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT as
Trustee of the Ozone Projects Trust Fund

By /s/

Regional Vice President
East Asia and Pacific

SCHEDULE 1

Withdrawal of the Proceeds of the OTF Grant

1. The table below sets forth the Categories of items to be financed out of the proceeds of the OTF Grant, the allocation of the amounts of the OTF Grant to each Category and the percentage of expenditures for items so to be financed in each Category:

| Category | Amount of the OTF Grant Allocated (Expressed in Dollar Equivalent) | % of Expenditures to be Financed |
|------------------------------|---|--|
| (1) Equipment | 1,253,000 | 100% of foreign expenditures; 100% of local expenditures (ex- factory cost) and 85% of local expenditures for other items procured locally |
| (2) Consultants' services | 227,000 | 100% |
| (3) Training | 150,000 | 100% |
| TOTAL | 1,630,000 | |

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

3. If the Trustee shall have determined at any time that any payment made from the OTF Grant Account was used for any expenditure not consistent with the provisions of this Agreement, the Recipient shall, promptly upon notice from the Trustee, refund to the Trustee for deposit into the OTF Grant Account, an amount equal to the amount so used or the portion thereof as specified by the Trustee.

SCHEDULE 2

Description of the Project

The objectives of the Project are to (i) assist the Recipient in reducing ODS use and emissions with available cost-effective technologies; and (ii) enhance institutional capabilities of Recipient agencies participating in ODS recycling activities.

The Project consists of the following parts, subject to such modifications thereof as the Recipient and the Trustee may agree upon from time to time to achieve such objectives:

Part A: Mobile Air-Conditioning and ODS Recycling

1. Provision of computer equipment to DOE.
2. Provision of about 200 sets of recycling and leak detection equipment for distribution to selected service stations and for training of technicians.
3. Training of (i) about 4,000 mobile air-conditioning technicians on the use of ODS recycling equipment; and (ii) local trainers in the field of ODS recycling.
4. Preparation of a public awareness campaign on the benefits of ODS recycling.
5. Provision of technical assistance to DOE in the areas of technical training and establishing computerized data bases.
6. Provision of technical assistance to DOE for the purposes of Project implementation and monitoring.

Part B: Halon Control Recovery and Recycling

1. Provision and installation of Halon 1211 recovery/ recycling facilities at about 50 fire stations and one central location.
2. Installation of a Halon 1301 recovery/recycling and storage unit at a location to be elected by FSD.
3. Provision of laboratory equipment.
4. Assistance in the set up of an inventory and registration system for Halon 1311 recovery/ recycling units already installed.
5. Provision of engineering services to carry out demonstration recovery/recycling activities at seven locations to be selected by FSD.
6. Training of FSD personnel on the use of the ODS recovery/recycling units.
7. Provision of technical assistance for the strengthening of FSD's Project implementation and monitoring capabilities.

The Project is expected to be completed by December 31, 1994.

SCHEDULE 3

Procurement and Consultants' Services

Section I: Procurement of Goods

Items or groups of items of equipment may be purchased under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers from at least three different countries eligible under the "Guidelines for

Procurement under IBRD Loans and IDA Credits" published by the Trustee in May 1985.

Section II: Employment of Consultants

In order to assist the Recipient in carrying out the Project, the Recipient shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Trustee. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Trustee on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Trustee in August 1981.

