

CONFORMED COPY

GET GRANT NUMBER TF028642

Global Environment Trust Fund
Grant Agreement

(Tehran Transport Emissions Reduction Project)

between

ISLAMIC REPUBLIC OF IRAN

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

acting as Trustee of the Global Environment
Trust Fund

Dated October 5, 1993

GET GRANT NUMBER TF028642

GLOBAL ENVIRONMENT TRUST FUND GRANT AGREEMENT

AGREEMENT, dated October 5, 1993, between ISLAMIC REPUBLIC OF IRAN (the Recipient) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT acting as Trustee of grant funds provided by Participants of the Global Environment Facility into the Global Environment Trust Fund (GET) (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 the Global Environment Facility consisting of the GET, Cofinancing Arrangements with the GET and the Ozone Projects Trust Fund, to assist in the protection of the global environment and promote thereby environmentally sound and sustainable economic development;

WHEREAS (B) certain members of the Bank (the Participants) have provided resources by way of grant into the GET and the Participants have requested and the Bank has agreed, to administer such grant funds as Trustee, for the purposes of, and in accordance with, provisions of the Resolution;

WHEREAS (C) 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 GET in the financing of the Project, and the Trustee has determined that such assistance would be in accordance with the provisions of the Resolution;

WHEREAS (D) the Project will be carried out by the Municipality of Tehran with the Recipient's assistance and, as part of such assistance, the Recipient will make available to the Municipality of Tehran the proceeds of the GET Grant as provided in this Agreement; and

WHEREAS the Trustee has agreed, on the basis, inter alia, of the foregoing, to extend the GET Grant to the Recipient upon the terms and conditions set forth in this Agreement and in the Project Agreement of even date herewith between the Trustee and the Municipality of Tehran;

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) a new paragraph shall be added to the end of Section 2.01 to read as follows: "the term "Special Drawing Rights" and the symbol "SDR" mean special drawing rights as valued by the International Monetary Fund in accordance with its Articles of Agreement";
 - (ii) 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;
 - (iii) the term "Borrower", wherever used in the General Conditions, means the Recipient;
 - (iv) the term "Loan Agreement", wherever used in the General Conditions, means this Agreement;
 - (v) the term "Loan" and "loan" wherever used in the General Conditions, means the GET Grant; and
 - (vi) the term "Loan Account" wherever used in the General Conditions, means the GET 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) "Project Agreement" means the agreement of even date herewith between the Trustee and the Municipality of Tehran, as such agreement may be amended from time to time; and such term includes all schedules and agreements supplemental to the Project Agreement;

(b) "Rial" means the currency of the Recipient;

(c) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement; and

(d) "Subsidiary Grant Agreement" means the agreement referred to in Section 3.01 (b) of this Agreement.

ARTICLE II

The GET 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 GET Grant in an amount in various currencies equivalent to one million five hundred thousand Special Drawing Rights (SDR 1,500,000).

Section 2.02. (a) The amount of the GET Grant may be withdrawn from the GET 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 Parts A, B, C, D and F of the Project and to be financed out of the proceeds of the GET Grant.

(b) The Recipient shall, for the purposes of the Project, open and maintain in dollars a special deposit account in a commercial bank on terms and conditions satisfactory to the Trustee, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 1996 or such later date as the Trustee shall establish. The Trustee shall promptly notify the Recipient of such later date.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Recipient declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, without any limitation or restriction upon any of its other obligations under this Agreement, shall take all action necessary on its part for the establishment and functioning of the Project Advisory Group described in Schedule 2 to the Project Agreement, shall cause the Municipality of Tehran to perform in accordance with the provisions of the Project Agreement all the obligations of the Municipality of Tehran 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 the Municipality of Tehran to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Recipient shall make the proceeds of the GET Grant available to the Municipality of Tehran under a subsidiary grant agreement to be entered into between the Recipient and the Municipality of Tehran, under terms and conditions which shall have been approved by the Trustee.

(c) The Recipient shall exercise its rights under the Subsidiary Grant Agreement in such manner as to protect the interests of the Recipient and the Trustee and to accomplish the purposes of the GET Grant, and, except as the Trustee shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Grant Agreement or any provision thereof.

Section 3.02. Except as the Trustee shall otherwise agree, procurement of the goods and consultants' services required for Parts A, B, C, D and F of the Project shall be governed by the provisions of Schedule 1 to the Project Agreement.

Section 3.03. The Trustee and the Recipient hereby agree that 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) shall be carried out by the Municipality of Tehran pursuant to Section 2.04 of the Project Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. (a) For all expenditures with respect to which withdrawals from the GET Grant Account were made on the basis of statements of expenditure, the Recipient shall:

- (i) maintain or cause to be maintained in accordance with sound accounting practices, records and accounts reflecting such expenditures;
 - (ii) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained until at least one year after the Trustee has received the audit report for the fiscal year in which the last withdrawal from the GET Grant Account was made; and
 - (iii) enable the Trustee's representatives to examine such records.
- (b) The Recipient shall:
- (i) have the records and accounts referred to in paragraph (a) (i) of this Section and those of the Special Account 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 four 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, including 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; 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.

ARTICLE V

Remedies of the Trustee

Section 5.01. Pursuant to Section 6.02 (k) of the General Conditions, the following additional events are specified:

- (a) The Municipality of Tehran shall have failed to perform any of its obligations under the Project Agreement.
- (b) As a result of events which have occurred after the date of the GET Grant Agreement, an extraordinary situation shall have arisen which shall make it improbable that the Municipality of Tehran will be able to perform its obligations under the Project Agreement.
- (c) Any law of the Recipient shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Municipality of Tehran to perform any of its obligations under the Project Agreement.
- (d) The Recipient or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of the Municipality of Tehran or for the suspension of its operations.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the

following additional events are specified:

(a) the event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Trustee to the Recipient; and

(b) the events specified in paragraph (c) and (d) of Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effectiveness; Termination

Section 6.01. The following events are specified as conditions to the effectiveness of the GET Grant Agreement:

(a) The Subsidiary Grant Agreement has been executed on behalf of the Recipient and the Municipality of Tehran; and

(b) The Municipality of Tehran has established the bank account referred to in Section 2.02 of the Project Agreement on terms and conditions satisfactory to the Trustee and has made an initial deposit therein of the Rial equivalent of at least five hundred thousand dollars (\$500,000).

Section 6.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 6.03. This Agreement shall continue in effect until the GET Grant has been fully disbursed and the parties to this Agreement have fulfilled all their obligations hereunder.

ARTICLE VII

Representative of the Recipient; Addresses

Section 7.01. The Minister of Economic Affairs and Finance of the Recipient is designated as representative of the Recipient for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Recipient:

Office for International Organizations
and Institutions
Ministry of Economic Affairs and Finance
Nasser Khosrow Avenue
Tehran
Islamic Republic of Iran

Cable address:

MINISTRY OF ECONOMIC
AFFAIRS AND FINANCE
TEHRAN

Telex:

212838 MEF-IR

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 the District of Columbia, United States of America, as of the day and year first above written.

ISLAMIC REPUBLIC OF IRAN

By /s/ Kamran Khatami

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
as Trustee of
the Global Environment Trust Fund

By /s/ Mahmood A. Ayub

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the GET Grant

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

Category	Amount of the GET Grant Allocated	% of Expenditures to be Financed
(1) Goods SDR	180,000	100% of foreign expenditures
(2) Consultants' services	1,220,000	100% of foreign expenditures
(3) Unallocated	100,000	
TOTAL	1,500,000	

2. For the purposes of this Schedule, the term "foreign expenditures" means expenditures in the currency of any country other than that of the Recipient for goods or services supplied from the territory of any country other than that of the Recipient.

3. 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.

4. If the Trustee shall have determined at any time that any payment made from the GET 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 GET 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 assess measures that would reduce greenhouse gas (GHG) emissions from urban transport operations in the city of Tehran, while simultaneously improving local air quality.

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 the objectives of the Project:

Part A: Emissions Inventory & Air Quality Monitoring

(1) Development of emissions estimates, covering both mobile and stationary sources, for those pollutants (GHG and conventional) emitted by transport operations; (2) development of an air quality monitoring system to be used in assessments of changes in air quality; and (3) establishment of baseline air quality data and target air quality standards.

Part B: Traffic Management & Restraint

(1) Estimation of an appropriate travel modal shift (i.e., transport demand and mode choice) model, calibrated for Tehran; (2) estimation of emission factors associated with various transport modes under various operating conditions; (3) development of a transport model for all urban transport modes to assess potential emission reductions; and (4) assessment of traffic management strategies with respect to air quality impacts.

Part C: Vehicle Fleet & Fuels Improvement

(1) Design of a comprehensive policy for accelerated fleet renewal; (2) enhancement of Tehran's vehicle inspection/maintenance and tune-up program, aimed at establishment of effective emissions tests; (3) study of the feasibility of introducing alternative fuels such as natural gas and higher quality fuels; and (4) development of a program to introduce emission standards for new vehicles, which take into account appropriate target air quality standards.

Part D: Strategic Urban Transport Emissions Reduction Planning

(1) Identification of costs and impacts of various pollution abatement measures including economic pricing of energy supplies and transport services and the associated elasticities; (2) analysis of institutional and other constraints to implementation of such abatement measures; (3) synthesis and evaluation of the results of such identification and analysis; and (4) preparation of a phased plan for the implementation of abatement measures.

Part E: Project Support and Transport Emissions and Air Quality Seminar

(1) Provision of administrative support to the Project; and (2) carrying out of a seminar in Tehran to present the results of the studies referred to in Parts A to D above and obtaining public comment on the measures proposed.

Part F: International Panel of Experts

Establishment of a panel of four international experts in the fields of air pollution measurement and impact assessment, transportation fuels, vehicle technology and emission controls, and urban transport planning. The international panel of experts will be responsible for preparing terms of reference for the studies referred to in Parts A to D above, reviewing and commenting on such studies, and participating in the Transport Emissions and Air Quality Seminar referred to in Part E above.

The Project is expected to be completed by June 30, 1996.

SCHEDULE 3

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) and (2) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for Parts A, B, C, D and F of the Project and to be financed out of the proceeds of the GET Grant allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to

this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to two hundred thousand dollars (\$200,000) to be withdrawn from the GET Grant Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Trustee has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Recipient shall furnish to the Trustee a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Trustee shall, on behalf of the Recipient, withdraw from the GET Grant Account and deposit in the Special Account such amount or amounts as the Recipient shall have requested.

(b) (i) For replenishment of the Special Account, the Recipient shall furnish to the Trustee requests for deposits into the Special Account at such intervals as the Trustee shall specify.

(ii) Prior to or at the time of each such request, the Recipient shall furnish to the Trustee the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Trustee shall, on behalf of the Recipient, withdraw from the GET Grant Account and deposit into the Special Account such amount as the Recipient shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Trustee from the GET Grant Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Recipient out of the Special Account, the Recipient shall, at such time as the Trustee shall reasonably request, furnish to the Trustee such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Trustee shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Trustee shall have determined that all further withdrawals should be made by the Recipient directly from the GET Grant Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(b) once the total unwithdrawn amount of the GET Grant allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the Trustee pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the GET Grant Account of the remaining unwithdrawn amount of the GET Grant allocated to the eligible Categories shall follow such procedures as the Trustee shall specify by notice to the Recipient. Such further withdrawals shall be made only after and to the extent that the Trustee shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Trustee shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Trustee, the Recipient shall, promptly upon notice from the Trustee:

(A) provide such additional evidence as the Trustee may request; or

(B) deposit into the Special Account (or, if the Trustee shall so request, refund to the Trustee) an amount equal to the amount of

such payment or the portion thereof not so eligible or justified. Unless the Trustee shall otherwise agree, no further deposit by the Trustee into the Special Account shall be made until the Recipient has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Trustee shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Recipient shall, promptly upon notice from the Trustee, refund to the Trustee such outstanding amount.

(c) The Recipient may, upon notice to the Trustee, refund to the Trustee all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Trustee made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the GET Grant Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

