CONFORMED COPY

OTF GRANT NUMBER TF023789

Project Agreement

(CFC Production Sector Gradual Phase-Out Project)

between

INDIA

and

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

Dated June 30, 2000

OTF GRANT NUMBER-TF023789

PROJECT AGREEMENT

AGREEMENT, dated June 30, 2000, between INDIA, acting by its President (India) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) of the other part (the Project Agreement).

WHEREAS (A) 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 Ozone Trust Fund (OTF), to assist in the protection of the global environment and promote thereby environmentally sound and sustainable economic development;

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

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

(D) The Executive Committee and India (India) have entered into an agreement dated October 1, 1999 (the Consensus Agreement), whereby the Executive Committee has agreed to make available to India grant funding for carrying out the Project described in Schedule 2 to the OTF Grant Agreement;

(E) India and the Recipient, having satisfied themselves as to the feasibility and priority of the said Project, have requested that grant funding for the Project be provided through the resources of the OTF, and the Trustee has determined that such arrangements would be in accordance with the provisions of the Resolution;

(F) At India’s request, the Executive Committee and the Trustee have agreed to provide India with a Grant in the amount of up to eighty three million, twenty thousand United States Dollars (US$83,020,000), consisting of eighty million United States Dollars (US$80,000,000) to the Industrial Development Bank of India (the Recipient), eight hundred thousand United States Dollars (US$800,000) to the Recipient as an agency service fee (the Agency Service Fee), two million United States Dollars (US$2,000,000) to the United Nations Environment Program (UNEP) and a service fee (the Service Fee) to UNEP of an amount of up to two hundred and twenty thousand United States Dollars (US$220,000);

(G) By an Ozone Projects Trust Fund Grant Agreement (the OTF Grant Agreement) of even date herewith between the Bank (the Trustee) and the Recipient, and at India’s request, the Trustee has agreed to make available to the Recipient eighty million eight hundred thousand United States Dollars (US$80,800,000) inclusive of an Agency Service Fee of eight hundred thousand United States Dollars (US$800,000) (the OTF Grant);

(H) By a Memorandum of Agreement (MOA) of even date herewith between the Trustee and the United Nations Environment Programme (UNEP), and at India’s request, the Trustee has agreed to make available to UNEP an amount of up to two million, two hundred and twenty thousand United States Dollars (US$2,220,000) consisting of two million United States Dollars (US$2,000,000) for Technical Assistance necessary for the implementation of the Project as defined in Annex I of the MOA, and a Service Fee to UNEP of up to two hundred and twenty thousand United States Dollars (US$220,000). UNEP’s Service Fee shall be computed as provided in paragraph 3 of Article II of the MOA, but shall not exceed an aggregate amount of two hundred and twenty thousand United States Dollars (US$220,000);
(I) India represents that there are no impediments, under the laws of India, for MOEF, the Recipient and UNEP to carry out their respective obligations with respect to the Project and the Technical Assistance; and

(J) The Project will be implemented by India through MOEF and the Recipient; UNEP will assist MOEF in carrying out the Technical Assistance, as provided in the MOA.

WHEREAS India, in consideration of the Trustee entering into the OTF Grant Agreement with the Recipient, and the MOA with UNEP 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 preamble to this Agreement, the OTF Grant Agreement and the General Conditions (as so defined in the OTF Grant Agreement) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. (a) MOEF declares its commitment to the objective of the Project as set forth in Schedule 2 to the OTF Grant Agreement, and, to this end, shall carry out the Project through the PMU with due diligence and efficiency and in conformity with appropriate administrative and environmental practices, and shall provide, or cause to be provided, promptly as needed, the services required for the Project.

(b) MOEF shall through the PMU operate and maintain, or cause to be operated and maintained all facilities necessary for the implementation of the Project, and shall effect, or cause to be effected, all necessary repairs and renewals, as shall be required from time to time.

(c) Without limitation on the provisions of paragraph (a) and (b) of this Section and except as MOEF and the Trustee shall otherwise agree, MOEF shall implement the Project in accordance with the Implementation Program set forth in the Schedule to this Agreement.

(d) MOEF shall enter into a Performance Agreement with each of the Beneficiaries outlining the obligations of such Beneficiaries, as set out in Part A.4 of the Schedule to this Agreement.

(e) MOEF shall collaborate closely with IDBI in the implementation of the Project, and shall take all the necessary actions to facilitate the carrying out of IDBI’s obligations under the OTF Grant Agreement.
(f) MOEF shall collaborate closely with UNEP in the implementation of the Technical Assistance specified in the MOA, and shall take all the necessary actions to facilitate the carrying out of such Technical Assistance.

Section 2.02. For the purposes of Section 9.07 of the General Conditions, and without limitations thereto, MOEF shall:

(i) prepare and furnish to the Trustee not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the MOEF and the Trustee, a completion report covering both the Project and the Technical Assistance, satisfactory to the Trustee; and

(ii) afford the Trustee a reasonable opportunity to exchange views with MOEF on the said report.

Section 2.03. (a) MOEF shall, at the request of the Trustee exchange views with the Trustee with regard to the progress of the Project and the Technical Assistance, the performance of its obligations under this Agreement and other matters relating to the purposes of the Grant.

(b) MOEF shall promptly inform the Trustee of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of the Grant, or the performance by MOEF of its obligations under this Agreement.

(c) The Trustee shall inform MOEF of any developments which may adversely affect the approval and funding of the Annual program when such development becomes known to the Trustee.

ARTICLE III

Remedies of the Trustee

Section 3.01. Pursuant to Section 6.02 (p) of the General Conditions, the following additional events are specified:

(a) India or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of the Recipient or for the suspension of its operations.

(b) India or any other authority shall have taken any action, including the enactment or issuance of legislation or regulations, which, in the opinion of the Trustee, may adversely affect, prevent, or interfere with the carrying out of the Project or the performance by the Recipient of any of its obligations under this Agreement.

(c) India shall have failed to meet the CFC production phase-out targets agreed with the Executive Committee of the Multilateral Fund.
(d) India: (i) shall have been suspended from membership in or ceased to be a member of the Bank; or (ii) shall have ceased to be a member of the International Monetary Fund.

ARTICLE IV
Effective Date; Termination; Suspension

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

Section 4.02. 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.

Section 4.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any 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, telegram, or facsimile 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. The addresses so specified are:

For India:

Secretary
Ministry of Environment and Forests
Paryavaran Bhawan, CGO Complex
Lodhi Road, New Delhi 110 003

Facsimile:

99-11-436-2746

For the Bank:

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

Cable address: Telex:
Facsimile:
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 MOEF may be taken or executed by its Secretary for Environment, or such other person or persons as MOEF shall designate in writing; and MOEF shall furnish to the Trustee sufficient evidence of the authority and the authenticated specimen signature of each such person.

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.

INDIA

By /s/ A. K. Kundra
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION

AND DEVELOPMENT

By /s/ Joelle Chassard-Manibog
Acting Country Director, India

SCHEDULE

Implementation Program
A. Project Management and Monitoring

1. MOEF shall implement the Project and perform its responsibilities in accordance with the OTF Grant Agreement, this Agreement, the MOA with UNEP, and the Project Implementation Manual.

2. MOEF will maintain, throughout the implementation of the Project, a Project Management Unit (the PMU) staffed by competent staff in adequate numbers to be responsible for overall coordination and supervision of Project implementation as well as the overall assessment of the quality and impact of the Project and the preparation and furnishing to the Trustee of reports and other information thereon, funded under the Technical Assistance.

3. MOEF shall maintain policies and procedures adequate to enable it to monitor and evaluate on an
ongoing basis, in accordance with indicators acceptable to the Trustee, the carrying out of the Project, as well as the achievement of the objectives thereof.

4. MOEF shall enter into a Performance Agreement with each of the Beneficiaries whereby such Beneficiary will be required to:

   (i) implement the Project in accordance with the Annual Program for each Program year;

   (ii) comply with all laws and regulations relating to CFC phase-out, including the Quota Order and the ODS (regulation) Rules;

   (iii) prepare quarterly progress reports on their monthly CFC Production, and semi-annual progress reports reflecting the overall project implementation status, to be submitted to the PMU no later than January 15 and July 15 of each Program year, respectively. MOEF shall verify the information provided through periodic plant inspections, and any other methods it deems necessary, as part of its ongoing monitoring responsibilities under this Grant;

   (iv) prepare an environmental management plan (EMP) to be submitted to MOEF and the Trustee for approval, and subsequent inclusion in the Annual Program, where a CFC production line has been modified, or is partially or fully dismantled following the cessation of both CFC and HCFC production;

   (v) accept supervision by MOEF, any other relevant government agencies, and the Trustee; and

   (vi) prepare a Project completion report not later than six months after CFC production ceases.

5. For each Program Year, MOEF shall furnish to the Trustee reports integrating the results of the monitoring and evaluation activities performed pursuant to paragraphs 3 and 4 above, in a format acceptable to the Trustee, as follows:

   (a) two semi-annual progress reports to be submitted not later than January 31, and July 31 respectively, following the end of each half year of the said Program Year, and describing the progress achieved in carrying out the Annual Program for the said Program Year during the immediately preceding half year; and

   (b) an Annual Performance Audit Report, comprising both a financial and technical performance audit of the implementation of the Annual Program for the said Program Year, prepared by independent auditors in accordance with terms of reference acceptable to the Trustee, by a date to be mutually
agreed upon between the Trustee and MOEF for each Program Year.

6. MOEF shall review each such progress report with the Trustee and take into account measures mentioned therein in the preparation of the Annual Program for the following Program Year, based on the conclusions and recommendations of the said report and taking into account the Trustee’s views.

7. MOEF shall coordinate both the implementation of the Project and the Technical Assistance.

B. CFC Phase-Out Annual Programs

8. MOEF, either directly, or through the PMU shall:

   (a) furnish the required inputs for the preparation of each proposed Annual Program by the Trustee;

   (b) cooperate with the Trustee in the preparation of the Annual Programs for the reduction of CFC Production in India for approval by the Executive Committee;

   (c) implement each such Annual Program as approved by the Executive Committee; and

   (d) furnish any proposed revision to an Annual Program to the Trustee to obtain the approval of the Executive Committee.

9. Each Annual Program shall, for the Program Year concerned, include:

   (a) a base-line and phase-out target for CFC production;

   (b) the Annual Program Amount available for disbursements;

   (c) policy instruments to be implemented, where applicable; and

   (d) the Technical Assistance to be implemented.