

CONFORMED COPY

GEF TRUST FUND GRANT NUMBER TF028960

Global Environment Facility  
Trust Fund Grant Agreement

(Phaseout of Ozone Depleting Substances Project)

between

REPUBLIC OF BELARUS

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT  
acting as an Implementing Agency of  
the Global Environment Facility Trust Fund

Dated May 13, 1997

GEF TRUST FUND GRANT NUMBER TF028960

GLOBAL ENVIRONMENT FACILITY  
TRUST FUND GRANT AGREEMENT

AGREEMENT, dated May 13, 1997, between REPUBLIC OF BELARUS (the Recipient) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) acting as an implementing agency of the Global Environment Facility (GEF) in respect of grant funds provided to the GEF Trust Fund by certain members of the Bank as participants of the GEF.

WHEREAS (A) the Bank, pursuant to Resolution No. 91-5 of March 14, 1991, of the Executive Directors of the Bank, established the GEF to assist in the protection of the global environment and promote thereby environmentally sound and sustainable economic development;

(B) following the restructuring of the GEF, such arrangements are continued in place on the basis set forth in Resolution No. 94-2 of May 24, 1994, of the Executive Directors of the Bank establishing the GEF Trust Fund;

(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 GEF Trust Fund in the financing of the Project, and the Bank has determined that such assistance would be in accordance with the provisions of

Resolution No. 94-2 referred to above; and

(D) the Project will be carried out by the Borrower's Ministry of Natural Resources and Environmental Protection (MNREP) with the Recipient's assistance and, as part of such assistance, the Recipient will make available to MNREP the proceeds of the GEF Trust Fund Grant as provided in this Agreement;

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the GEF Trust Fund 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) Sections 12.01 (c), 12.03 and 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 Bank acting as an implementing agency of the GEF, except that in Section 6.02, the term "Bank" shall also include the Bank 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 GEF Trust Fund Grant;
  - (vi) the term "Loan Account", wherever used in the General Conditions, means the GEF Trust Fund Grant Account;

(vii) The second sentence of Section 5.01 is modified to read: "Except as the Bank and the Borrower shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a member of the Bank or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Bank, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations.";

(viii) a new subparagraph is added after subparagraph (j) in Section 6.02 of the General Conditions, as follows: "an extraordinary situation shall have arisen in which any further disbursement under the GEF Trust Fund Grant would exceed the resources available for disbursement from the GEF." and

(ix) Section 6.03 is modified to read:

"Section 6.03. Cancellation by the Bank. If (a) the right of the Recipient to make withdrawals from the GEF Trust Fund Grant Account shall have been suspended with respect to any amount of the GEF Trust Fund Grant for a continuous period of thirty days, or (b) at any time, the Bank determines, after consultation with the Recipient, that an amount of the GEF Trust Fund Grant will not be required to finance the Project's costs to be financed out of the proceeds of the GEF Trust Fund Grant, or (c) at any time, the Bank determines, with respect to any contract to be financed out of the proceeds of the GEF Trust Fund Grant, that corrupt or fraudulent practices were engaged in by representatives of the Recipient or of a beneficiary of the GEF Trust Fund Grant during the procurement or the execution of such contract, without the Recipient having taken timely and appropriate action satisfactory to the Bank to remedy the situation, and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the GEF Trust Fund Grant, or (d) at any time, the Bank determines that the procurement of any contract to be financed out of the proceeds of the GEF Trust Fund Grant is inconsistent with the procedures set forth or referred to in the GEF Trust Fund Grant Agreement and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the GEF Trust Fund Grant, or (e) after the Closing Date, an amount of the GEF Trust Fund Grant shall remain unwithdrawn from the GEF Trust Fund Grant Account, the Bank may, by notice to the Recipient, terminate the right of the Recipient to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the GEF Trust Fund Grant shall be canceled."

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) "Beneficiary" means an enterprise implementing a Sub-project under Part A of the Project;

(b) "ODS" means Ozone Depleting Substance;

(c) "Ozone Office" means the ozone office established within MNREP, to be responsible for technical and administrative matters under the Recipient's ODS phase-out Program;

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

(e) "Sub-project" means any of the Sub-projects referred to in Part A of the Project, to be financed from the proceeds of the Grant and implemented in accordance with the provisions of Schedule 4 to this Agreement; and

(f) "Sub-project Agreement" means any agreement for the implementation of a Sub-project, to be concluded between MNREP and a Beneficiary in accordance with the Provisions of Part B of Schedule 4 to this Agreement.

## ARTICLE II

## The GEF Trust Fund Grant

Section 2.01. The Bank agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, the GEF Trust Fund Grant in an amount in various currencies equivalent to five million Special Drawing Rights (SDR 5,000,000).

Section 2.02. (a) The amount of the GEF Trust Fund Grant may be withdrawn from the GEF Trust Fund Grant Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank 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 GEF Trust Fund Grant.

(b) The Recipient may, 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 Bank, 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 5 to this Agreement.

Section 2.03. The Closing Date shall be August 31, 2000, or such later date as the Bank shall establish. The Bank 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 objective of the Project as set forth in Schedule 2 to this Agreement and, to this end, shall carry out the Project through MNREP with due diligence and efficiency and in conformity with appropriate engineering, financial and administration 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.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Recipient and the Bank shall otherwise agree, the Recipient shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

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

Section 3.03. For the purposes of Section 9.08 of the General Conditions and without limitation thereto, the Recipient shall:

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Recipient and the Bank, a plan for the continued achievement of the Project's objectives; and

(b) afford the Bank a reasonable opportunity to exchange views with the Recipient on said plan.

Section 3.04. The Recipient shall take all measures necessary to ensure that: (a) each Beneficiary shall comply with all relevant environmental requirements of the Recipient for any ODS phaseout activity to be carried out under the Project; and (b) an environmental review of each Sub-project shall be undertaken by the MNREP prior to conclusion of the Sub-project Agreement related thereto.

Section 3.05. The Recipient and the Bank may agree to the deletion of any sub-project or to the substitution thereof with another sub-project deemed by the Recipient and the Bank to be: (a) technically and financially feasible; and (b) consistent with the objectives of the Project.

## ARTICLE IV

### Financial Conditions

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 including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;
- (ii) furnish to the Bank as soon as available, but in any case not later than six 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 Bank shall have reasonably requested; and
- (iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the GEF Trust Fund 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 Bank has received the audit report for the fiscal year in which the last withdrawal from the GEF Trust Fund Grant Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank'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. The following events are specified as additional conditions to the effectiveness of the GEF Trust Fund Grant Agreement within the meaning of Section 12.01 (c) of the General Conditions, namely that:

- (a) Sub-project Agreements satisfactory to the Bank shall have been furnished to the Bank, prior to execution by the parties thereto, with respect to at least two Sub-projects; and
- (b) the Recipient shall have adopted licensing procedures satisfactory to the Bank for the import, export and use of ODS.

Section 5.02. 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 5.03. This Agreement shall continue in effect until the GEF Trust Fund Grant has been fully disbursed and the parties to this Agreement have fulfilled their obligations hereunder.

#### ARTICLE VI

##### Representative of the Recipient; Addresses

Section 6.01. The Minister of Natural Resources and Environmental Protection 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:

Ministry of Natural Resources  
and Environmental Protection  
10, Kollektornaya Street  
Minsk  
Belarus 220048

For the Bank:

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:

248423 (MCI)  
64145 (MCI)

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

REPUBLIC OF BELARUS

By /s/ Mikhail Rusy

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT  
acting as an Implementing Agency of the  
Global Environment Facility Trust Fund

By /s/ Basil G. Kavalsky

Acting Regional Vice President  
Europe and Central Asia

#### SCHEDULE 1

##### Withdrawal of the Proceeds of the GEF Trust Fund Grant

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

Category	Amount of the GEF Trust Fund Grant Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Goods under Sub-projects	4,640,000	100% of foreign expenditures,

100% of local expenditures (ex-factory cost) and 75% of local expenditures for other items procured locally

(2)	Consultants' services under Sub-projects	220,000	100%
(3)	Ozone Office Supervision Fee	140,000	100%
	TOTAL	5,000,000	

2. For the purposes of this Schedule:

(a) 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;

(b) the term "local expenditures" means expenditures in the currency of the Recipient or for goods or services supplied from the territory of the Recipient; and

(c) the term "Ozone Office Supervision Fee" means the fee payable to the Ozone Office pursuant to the carrying out of its responsibilities under the Project and representing the reimbursement to the Ozone Office of the amount of incremental operating expenses incurred by the Ozone Office in respect of the Project, computed according to a methodology acceptable to the Bank, and shall consist of the reasonable and necessary fees and expenses payable by the Ozone Office, including inter alia: (i) bank fees; (ii) international telecommunications; (iii) travel expenses (including expenses for operation of vehicles) of Ozone Office staff and consultants associated with the Project; (iv) legal, auditing and procurement advisory services; and (v) such other expenses as may be agreed with the Bank; but in no event shall such supervision fees be construed to include any expenditure made for the acquisition of or investment in land, office space, securities or financial assets, or for staff salaries, benefits, or other compensation.

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, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 400,000, may be made in respect of Category (1) on account of payments made of expenditures before that date but after January 1, 1997.

4. The Bank may require withdrawals from the GEF Trust Fund Grant Account to be made on the basis of statements of expenditure for expenditures under contracts: (i) for goods not exceeding \$100,000 equivalent; and (ii) for consultants' services not exceeding \$100,000 in the case of consulting firms, and \$50,000 in the case of individuals, all under such terms and conditions as the Bank shall specify by notice to the Recipient.

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

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Recipient in its Program to phase out ODS consumption in a manner consistent with internationally recognized technical standards.

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

Part A: ODS Consumption Phase-Out

The implementation, for phase-out of ODS consumption, of: (a) one Sub-project in the refrigeration manufacturing sector; (b) one Sub-project in the sector of refrigeration services; and (c) four Sub-projects in the solvent sector.

Part B: Technical Assistance and Training

(1) Implementation, under a Sub-project to be implemented by the Recipient's Institute of Ecology, of a training program to introduce fire protection technologies (non-halon systems) that do not consume ODS.

(2) The provision of equipment, technical and accounting consultancy services, regulatory support, and training under a Sub-project to be implemented by the Ozone Office.

\* \* \*

The Project is expected to be completed by February 29, 2000.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods

Part A: General

Goods shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996 (the Guidelines) and the following provisions of this Section, as applicable.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territories of the Recipient and to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

Part C: Other Procurement Procedures

1. Limited International Bidding

Goods which the Bank agrees can only be purchased from a limited number of suppliers, regardless of the cost thereof, may be procured under contracts awarded in accordance with the provisions of paragraph 3.2 of the Guidelines.

2. International Shopping

Goods estimated to cost more than \$50,000 but less than \$400,000 equivalent per contract, may be procured under contracts awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. National Shopping

Goods estimated to cost the equivalent of \$50,000 or less may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

Part D: Review by the Bank of Procurement Decisions

1. Prior Review

(a) With respect to each contract to be awarded in accordance with the procedures referred to in Parts B.1 and C.1 of this Schedule, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.



(b) With respect to the first three contracts to be awarded according to the procedures referred to in Part C.2 of this Schedule, the following procedures shall apply:

- (i) prior to the selection of any supplier, the Recipient shall provide to the Bank a report on the comparison and evaluation of quotations received;
- (ii) prior to the execution of any contract, the Recipient shall provide to the Bank a copy of the specifications and draft contract; and
- (iii) in addition, the procedures set forth in paragraphs 2(f), 2(g) and 3 of Appendix 1 to the Guidelines shall apply.

## 2. Post Review

With respect to each contract not governed by paragraph 1 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

## Section II. Employment of Consultants

1. Consultants' services shall be procured under contracts awarded in accordance with the provisions of the "Guidelines for the Use of Consultants by World Bank Borrowers and by The World Bank as Executing Agency" published by the Bank in August 1981 (the Consultant Guidelines). For complex, time-based assignments, such contracts shall be based on the standard form of contract for consultants' services issued by the Bank, with such modifications thereto as shall have been agreed by the Bank. Where no relevant standard contract documents have been issued by the Bank, other standard forms acceptable to the Bank shall be used.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Bank review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts, shall not apply to: (a) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each; or (b) contracts for the employment of individual consultants estimated to cost less than \$50,000 equivalent each. However, said exceptions to prior Bank review shall not apply to: (a) the terms of reference for such contracts; (b) single-source selection of consulting firms; (c) assignments of a critical nature, as reasonably determined by the Bank; (d) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above; or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

## SCHEDULE 4

### Implementation Program

#### A. Responsibilities for Project Implementation

1. The Recipient shall assign the general responsibility for Project Implementation to MNREP and shall, for this purpose, make the proceeds of the GEF Trust Fund Grant available to MNREP as and when needed for financing eligible activities under the Project.

2. The Recipient shall ensure the maintenance of the existence of the Ozone Office throughout the period of project implementation and the assignment to it of the staff, facilities and other resources required for its performance of the following functions under the Project:

(a) preparation of a plan, including a time schedule, for Project implementation;

(b) preparation of the Sub-project Agreements to be concluded between MNREP and the Beneficiaries in accordance with the provisions set forth in Part B of this Schedule;

(c) coordination of environmental approvals required for Sub-project implementation;

(d) management, with the assistance of a financial expert to be employed by MNREP prior to the start of Sub-projects implementation, of all financial matters

under the Project, including: (i) maintenance of the records and accounts of the Project; (ii) approval of expenditures under the Sub-projects and preparation of applications for disbursement of the GEF Trust Fund Grant proceeds in connection therewith; (iii) supervision of the procurement procedures to be followed by the Beneficiaries; (iv) monitoring expenditures by Beneficiaries on account of the Sub-projects; and (v) arranging for audit of the Project account in accordance with the provisions of Section 4.01 of this Agreement;

(e) management, with the assistance of a procurement expert to be employed by MNREP prior to the start of Sub-project implementation, of all contractual matters under the Project, including: (i) assistance to Beneficiaries to ensure that their procurement of goods or services to be financed from the proceeds of the GEF Trust Fund Grant are made in accordance with the procedures set forth in Schedule 3 to the Agreement; and (ii) assistance to Beneficiaries in bid package preparation, bid evaluation and contract award and administration;

(f) preparation and furnishing to the Bank of monthly reports on the status of project implementation; and

(g) regulatory functions concerning the licensing and import/export control of ODS.

3. The Recipient shall:

(a) ensure the inclusion in the monthly status reports referred to in paragraph (1) (f) of this Part A of this Schedule, of adequate information concerning the financial position of Beneficiaries; and

(b) suspend disbursement of the GEF Trust Fund Grant proceeds on account of any Sub-project, should it be determined by the Bank on the basis of such information that the Beneficiary under such Sub-project has lost its financial viability.

B. Sub-project Agreements

1. Each Sub-project under Part A of the Project shall be implemented under a Sub-project Agreement acceptable to the Bank, to be concluded between MNREP and the Beneficiary concerned upon completion by MNREP of an environmental review of the Sub-project. Among the principal terms and conditions of each Sub-project Agreement shall be included, inter alia:

(a) a description of the activities included in the Sub-project;

(b) an estimate of the cost of carrying out the Sub-project and identification of the portion thereof: (i) to be financed from the GEF Trust Fund Grant proceeds; and (ii) to be financed from other resources of the Beneficiary;

(c) a provision whereby the Recipient shall retain the right to suspend disbursement of the proceeds of the GEF Trust Fund Grant on account of the Sub-project should it be determined, as indicated in paragraph 3(b) of Part A of this Schedule, that the relevant Beneficiary has lost its financial viability;

(d) the obligations of the Beneficiary: (i) to follow the procurement procedures set forth in Schedule 3 to this Agreement with respect to the procurement of goods or services to be financed from the proceeds of the GEF Trust Fund Grant; (ii) to make withdrawals from the proceeds of the GEF Trust Fund Grant on account of the Sub-project through the Ozone Office; (iii) to maintain adequate records and accounts for the Sub-project; (iv) to provide to the Ozone Office all information and documents required for the preparation by the Ozone Office of the progress reports referred to in Part A (2)(f) of this Schedule, including quarterly updates of financial statements; and (v) to abide by an agreed plan, to be included in the Sub-project Agreement, for the dismantling/destruction of ODS dedicated equipment; and

(e) a commitment by the Beneficiary, in case of its impending insolvency or discontinuation of its activities, to make arrangements with MNREP to ensure that equipment and materials included in the Sub-project and financed wholly or partly from the proceeds of the GEF Trust Fund Grant shall continue to be utilized for purposes consistent with the objectives of the Project.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2) and (3) 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 to be financed out of the proceeds of the GEF Trust Fund 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 \$370,000 to be withdrawn from the GEF Trust Fund 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 Bank 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 Bank a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Recipient, withdraw from the GEF Trust Fund Grant Account and deposit into 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 Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.

(ii) Prior to or at the time of each such request, the Recipient shall furnish to the Bank 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 Bank shall, on behalf of the Recipient, withdraw from the GEF Trust Fund 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 Bank from the GEF Trust Fund 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 Bank shall reasonably request, furnish to the Bank 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 Bank shall not be required to make further deposits into the Special Account:

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

(b) if the Recipient shall have failed to furnish to the Bank, within the period of time specified in Section 4.01(b)(ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Bank shall have notified the Recipient of its intention to suspend in whole or in part the right of the Recipient to make withdrawals from the GEF Trust Fund Grant Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the GEF Trust Fund Grant allocated to the eligible Categories minus the total amount of all outstanding special

commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the GEF Trust Fund Grant Account of the remaining unwithdrawn amount of the GEF Trust Fund Grant allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Recipient. Such further withdrawals shall be made only after and to the extent that the Bank 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 Bank shall have determined at any time that any payment out of 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 Bank, the Recipient shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank 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 Bank 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 Bank, refund to the Bank such outstanding amount.

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

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

