

CONFORMED COPY

OTF GRANT NUMBER TF021999 IN

Ozone Projects Trust Fund
Grant Agreement

(Second Montreal Protocol Ozone Depleting Substances Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Acting as Trustee of the Ozone Projects
Trust Fund

and

INDUSTRIAL DEVELOPMENT BANK OF INDIA

Dated May 9, 1995

OTF GRANT NUMBER TF 021999 IN

OZONE PROJECTS TRUST FUND GRANT AGREEMENT

AGREEMENT, dated May 9, 1995, between 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 (the Protocol) into the Ozone Projects Trust Fund (OTF) (the Trustee) and the INDUSTRIAL DEVELOPMENT BANK OF INDIA (IDBI) (the Recipient) of the other part.

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 Global Environment Trust Fund (GET), Cofinancing Arrangements with the GET and 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 Protocol have established the Multilateral Fund (the Fund) for the implementation of the 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;

WHEREAS (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 to 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;

WHEREAS (E) the Recipient represents that there are not impediments, under the laws of India, for the Recipient to carry out the Project and perform each of its obligations under this Agreement; and

WHEREAS (F) the Trustee has agreed, on the basis, inter alia, of the foregoing, 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), (e), (i) and (k), 6.03, 6.04 and 6.06;
- (vii) Sections 9.01 (a), 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09;
- (viii) Sections 10.03 and 10.04;
- (ix) Article XI; and
- (x) Sections 12.03 and 12.04.

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

- (i) the term "Bank", wherever used in the General Conditions, other than in Section 2.01 (8) 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", 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 preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

- (a) "Beneficiary" means any entity in the public or private sector which shall carry out a Subproject;
- (b) "Country Program" means the Country Program for ODS phase out in India, as approved by the Executive Committee from time to time;
- (c) "MFEC" means the Executive Committee;
- (d) "ODS" means ozone depleting substances;
- (e) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;
- (f) "Subgrant" means a grant to be provided under a Subgrant Agreement to finance a Subproject;
- (g) "Subgrant Agreement" means the agreement referred to in Section 3.04 (a) of this Agreement;
- (h) "Subproject" means a project, selected and prepared in accordance with Subproject Guidelines, and approved by the Trustee or the Executive Committee, as the case may be, consisting of investments and other activities eligible under the Protocol which result in reduction of ODS use or in the substitution of non-ozone depleting technologies for ozone depleting technologies; and
- (i) "Subproject Guidelines" means the guidelines referred to in Schedule 4 to this Agreement governing selection, preparation and implementation of subprojects for financing under the Grant.

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 fifty million dollars (\$50,000,000).

Section 2.02. (a) 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.

(b) The Recipient shall, for the purposes of the Project, open and maintain in dollars a special deposit account in a commercial bank acceptable to the Trustee 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 5 to this Agreement.

Section 2.03. The Closing Date shall be September 30, 2000 or such later date as the Trustee shall establish. The Trustee shall promptly notify the Recipient of such later date.

Section 2.04. Notwithstanding any other provision of this Agreement, the Trustee shall not be obligated to make any payment under this Agreement except to the extent it shall have received funds for the purpose of the Project from the Executive Committee.

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 the Project with due diligence and efficiency and in accordance with the criteria set forth in the Report of the Second Meeting of the Parties to the Montreal Protocol on Substances that Deplete the Ozone Layer (London, June 27 to 29, 1990 - UNEP/OZL. 2/3, Annex IV pages 42 to 44), as the same may be amended from time to time by the Parties to the Protocol, and in conformity with appropriate administrative and financial 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 the goods, works 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. (a) Promptly after receiving notification from the Trustee that the Trustee or the Executive Committee (as the case may be, pursuant to paragraph 2 (b) and (c) of Schedule 1 to this Agreement) has approved a proposed Sub-project, the Recipient shall (i) appraise such Sub-project in accordance with criteria and procedures satisfactory to the Trustee as set forth or referred to in this Agreement; and thereafter (ii) furnish to the Trustee an application, in form and substance satisfactory to the Trustee, containing (aa) an appraisal of the Subproject and a description of the expenditures proposed to be financed out of the proceeds of the OTF Grant; (bb) a description of how such Subproject meets the criteria and requirements set forth in the Subproject Guidelines; and (cc) such other information as the Trustee or the Executive Committee shall reasonably request in respect of such Subproject.

(b) Applications and requests made pursuant to the provisions of sub-paragraph (a) of this paragraph shall be presented to and received by the Trustee on or before March 31, 1998.

Section 3.04. (a) Upon approval by the Trustee of the application referred to in Section 3.03(a)(ii) of this Agreement (or, to the extent that the Trustee shall otherwise agree, prior to such approval), the Recipient shall enter into an agreement (the Subgrant Agreement) with each Beneficiary, under terms and conditions satisfactory to the Trustee, including those set forth in Schedule 4 to this Agreement, providing for the transfer, on a grant basis, of the proceeds of the OTF Grant allocated to such Beneficiary's Subproject and the obligation of the Beneficiary to carry out such Subproject.

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

Section 3.05. The Trustee shall pay the Recipient, in consideration of the services provided by the Recipient under this Agreement, three percent (3%) of the amount disbursed to Beneficiaries out of Subgrants, such fee to be paid out of the proceeds of the OTF Grant as follows: (i) one per cent of the amount of each Sub-grant upon signature of the relevant Sub-grant agreement between the Recipient and the relevant Enterprise; and (ii) the remaining amount on a six monthly basis, pro rata to disbursements of the relevant Subgrant, with the amount of each payment being reasonably determined by the Trustee.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Recipient shall: (i) maintain records and separate accounts adequate to reflect in accordance with sound accounting practices its operations, resources and expenditures in respect of the Project; and (ii) cause each Beneficiary to maintain records and separate accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures of such Beneficiary in respect of its Subproject.

(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 Trustee;
- (ii) furnish to the Trustee as soon as available, but in any case not later than nine 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 separate accounts reflecting such expenditures;
- (ii) retain or cause to be 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 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

Remedies of the Trustee

Section 5.01. Pursuant to Section 6.02 (k) 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: (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 VI

Arbitration

Section 6.01. Any dispute arising out of or relating to this Agreement which is not settled by agreement of the parties shall be finally settled by arbitration in accordance with the UNCITRAL Arbitration Rules in force on the date of this Agreement. In the event of a conflict between the UNCITRAL Arbitration Rules and the terms of this Agreement, the terms of this Agreement shall prevail.

ARTICLE VII

Effectiveness; Termination

Section 7.01. The following event is specified as a condition to the effectiveness of the OTF Grant Agreement, namely, that a model form of the Subgrant Agreements, satisfactory to the Trustee, has been furnished to the Trustee.

Section 7.02. 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 7.03. 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 VIII

Representative of the Recipient; Addresses

Section 8.01. The Chairman and Managing Director, or any Executive Director, of the Recipient is designated as representative of the Recipient for the purposes of Section 11.03 of the General Conditions.

Section 8.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Recipient:

Industrial Development Bank of India
IDBI Tower, Cuffee Parade
Bombay - 400005
India

Telex:

0118-6866

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 as of the day and year first above written.

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

By /s/ H. Vergin

Director
Country Department II
South Asia Region

INDUSTRIAL DEVELOPMENT BANK OF INDIA

By /s/ V.J. B. Andrews

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the OTF Grant

1. The table below sets forth the Category 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) Subgrants	48,500,000	100% of amounts disbursed
(2) Fee referred to in Section 3.05 of this Agreement	1,500,000	100%
TOTAL	50,000,000	

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures:

(a) prior to the date of this Agreement, except that withdrawals may be made up to \$10,000,000 equivalent on account of payments made before the date of this Agreement but after September 17, 1992;

(b) under a Subproject estimated to cost the equivalent of \$500,000 or more, unless the Executive Committee has approved such Subproject;

(c) under a Subproject estimated to cost the equivalent of less than \$500,000, unless the Trustee has approved such Subproject;

(d) under any Subproject, unless the respective Subgrant Agreement has been entered into between the parties thereto; and

(e) in respect of incremental costs for operation and maintenance or services except in respect of such costs as are stipulated by the Trustee as eligible for this purpose.

3. Notwithstanding the provisions of paragraph 1 above, if the Trustee shall have determined at any time that any payments from the OTF Grant Account were used for an expenditure not eligible for financing under this Schedule or used in any manner contrary to the provisions of this Agreement, the Recipient shall, promptly upon notice from the Trustee, refund to the Trustee, for deposit in the OTF Grant Account, an amount equal to the amount so used or the portion thereof specified by the Trustee.

4. The Trustee may require withdrawals from the Trust Account to be made on the basis of statements of expenditures for expenditures under contracts for goods not exceeding \$3,000,000 equivalent and under contracts with consultants' firms not exceeding \$100,000 equivalent and individual consultants not exceeding \$50,000 equivalent, under such terms and conditions as the Trustee shall specify by notice to the Recipient.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist in the effort to eliminate ODS consumption in India.

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

Provision of Subgrants for Subprojects in all ODS user and production industries including refrigeration/air conditioning, foam, aerosols, solvents and halons, non-ODS production; ODS closure; and switching from ODS to non-ODS technology.

* * *

The Project is expected to be completed by March 31, 2000.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods and works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the Guidelines), and in accordance with the following additional procedures:

(a) When contract award is delayed beyond the original bid validity period, such period may be extended once, subject to and in accordance with the provisions of paragraph 2.59 of the Guidelines, by the minimum amount of time required to complete the evaluation, obtain necessary approvals and clearances and award the contract. The bid validity period may be extended a second time only if the bidding documents or the request for extension shall provide for appropriate adjustment of the bid price to reflect changes in the cost of inputs for the contract over the period of extension. Such an increase in the bid price shall not be taken into account in the bid evaluation. With respect to each contract made subject to the Trustee's prior review in accordance with the provisions of Part D.2 (a) of this Section, the Trustee's prior approval will be required for (i) a first extension of the bid validity period if the period of extension exceeds sixty (60) days, and (ii) any subsequent extension of the bid validity period.

(b) For fixed-price contracts, the invitation to bid referred to in paragraph 2.13 of the Guidelines shall provide that, when contract award is delayed beyond the original bid validity period, the successful bidder's bid price will be increased for each week of delay by two predisclosed correction factors acceptable to the Trustee, one to be applied to all foreign currency components and the other to the local currency component of the bid price. Such an increase shall not be taken into account in the bid evaluation.

(c) In the procurement of goods in accordance with this Part A, the Recipient shall use the relevant standard bidding documents issued by the Trustee, with such modifications thereto as the Trustee shall have agreed to be necessary for the purposes of the Project. Where no relevant standard bidding documents have been issued by the Trustee, the Recipient shall use bidding documents based on other internationally recognized standard forms agreed with the Trustee.

2. In the procurement of goods in accordance with this Part A, the Recipient shall use or cause to be used the relevant standard bidding documents issued by the Trustee for the use of the recipients of its grants, with such modifications thereto as the Trustee shall have agreed to be necessary for the purposes of the Project. Where no relevant standard bidding documents have been issued by the Trustee, the Recipient shall use or cause to be used standard bidding documents based on other internationally recognized standard forms agreed with the Trustee.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in India may be granted a margin of preference in accordance with and subject to the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

1. Civil works and goods to be procured by Beneficiaries, estimated to cost the equivalent of \$3,000,000 or less but \$200,000 equivalent or more per contract, may be procured under contracts awarded on the basis of comparison of three quotations obtained from at least three contractors or suppliers from at least two countries, in accordance with procedures satisfactory to the Trustee.

2. Civil works and goods to be procured by Beneficiaries, estimated to cost \$200,000 equivalent or less; and may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three contractors or suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Trustee.

3. Civil works, goods and technology licenses, estimated to cost \$50,000 equivalent or less per contract shall be procured by Beneficiaries at a reasonable price in accordance with established commercial practices acceptable to the Trustee, account being taken also of other relevant factors such as time of delivery and efficiency and reliability of the equipment and availability of maintenance facilities and spare parts therefor.

4. Proprietary items, including technology licenses, estimated to cost \$50,000 equivalent or more per contract shall be procured by Beneficiaries through direct contracts with the manufacturers of such equipment or the owners of such licences in accordance with procedures satisfactory to the Trustee.

Part D: Review by the Trustee of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract estimated to cost the equivalent of \$3,000,000 or more as well as each contract governed by paragraph 4 of Part C of this Schedule, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Trustee pursuant to said paragraph 2 (d) shall be furnished to the Trustee prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, said procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Trustee pursuant to said paragraph 3 shall be furnished to the Trustee as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 5 to this Agreement.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

1. In order to assist the Recipient and the Beneficiaries in the carrying out of the Project, the Recipient shall employ or cause to be employed 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 Recipients and by the World Bank as Executing Agency" published by the Trustee in August 1981 (the Consultants Guidelines).

2. For complex, time-based assignments, the Recipient shall employ or cause to be employed such consultants under contracts using the standard form of contract for consultant's services issued by the Trustee, with such modifications as shall have been agreed by the Trustee. Where no relevant standard contract documents have been issued by the Trustee, the Recipient shall use or cause to be used other standard forms agreed with the Trustee.

3. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultants Guidelines requiring prior Trustee 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 individuals estimated to cost less than \$50,000 equivalent each. However, said exceptions to prior Trustee 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 Trustee, (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

Terms and Conditions of Subgrants

1. Subgrants shall be provided in respect of Subprojects which comply with

guidelines and criteria acceptable to the Trustee (Subproject Guidelines) including the following:

(a) Subprojects shall have been confirmed (i) by MOEF as essential to India's Country Program and shall have been approved by the Executive Committee or the Trustee pursuant to paragraph 2(b) and 2(c) of Schedule 1 to this Agreement; and (ii) by MOEF, the Executive Committee or the Trustee as the case may be as complying with or including the criteria set forth or referred to in sub-paragraphs (b), c (ii) and c(iv) of this paragraph.

(b) Subprojects shall have a direct or indirect demonstrable result in reducing ODS consumption and production, consistent with the terms approved by MOEF, the Executive Committee or the Trustee as the case may be;

(c) Subprojects shall (i) be cost-effective, duly taking into account national industrial policy; (ii) based on environmentally sound technologies for substances controlled by the Montreal Protocol consistent with the terms approved by MOEF, the Executive Committee or the Trustee as the case may be; (iii) comply with applicable environmental laws and regulations of India; and (iv) include environmentally sound methods for the disposal of ODS equipment and material replaced under each of them consistent with the terms approved by MOEF, the Executive Committee or the Trustee as the case may be;

(d) Subprojects shall comply with criteria for financial viability acceptable to the Trustee;

(e) Subprojects shall not be located in an export processing zone or involve products produced exclusively for export;

(f) Subprojects shall have a financial plan acceptable to the Trustee; and

(g) Except as the Trustee shall otherwise agree, any procurement of proprietary equipment to be financed by a sub-grant under a Sub-project shall have been identified and approved by the Trustee prior to its appraisal by the Recipient.

2. Subgrants shall be provided to enterprises on terms whereby the Recipient shall obtain, through the Subgrant Agreements, rights adequate to protect the interests of the Trustee and the Recipient, including the right to:

(a) require the Beneficiary to carry out and operate the Subproject with due diligence and efficiency, in a timely manner and in accordance with sound technical, financial, managerial, environmental and ecological standards;

(b) require that:

(i) the goods, works and consultants' services to be financed out of the proceeds of the OTF Grant shall be procured in accordance with the provisions of Schedule 3 to this Agreement; and

(ii) such goods, works and consultants' services shall be used exclusively in furtherance of the objectives of the Project;

(c) require the Beneficiary to comply with the obligations set forth in Section 4.01 of this Agreement;

(d) inspect, by itself or jointly with representatives of the Trustee, if the Trustee shall so request, the goods and plants included in the Subproject, the operation thereof and any relevant records and documents;

(e) require that:

(i) the Beneficiary shall take out and maintain with responsible insurers such insurance against such risks and in such amounts, as shall be consistent with sound business practices; and

(ii) without any limitation upon the foregoing, such insurance shall cover the hazards incident to the acquisition, transportation and delivery of goods financed out of the proceeds of the OTF Grant to the place of use or installation, any indemnity thereunder to be made payable in a currency freely usable by the Beneficiary to replace or repair such goods;

(f) obtain all such information as the Trustee shall reasonably request relating to the foregoing and to the administration, operations and financial condition of the Beneficiary and to the benefits derived from the Subproject;

(g) suspend or terminate the right of the Beneficiary to the use of the proceeds of the OTF Grant upon failure by the Beneficiary to perform its obligations under the Subgrant Agreement; and

(h) require the Beneficiary to dispose of, and obtain a certificate from the relevant State Pollution Control Board or an independent firm of chartered engineers satisfactory to the Recipient and the Trustee, that the Beneficiary has disposed of, ODS equipment and material replaced under the Subproject in an environmentally sound manner consistent with the terms approved by MOEF, the Executive Committee or the Trustee as the case may be for the Sub-project.

3. The Recipient shall promptly notify MOEF and the Trustee of any failure of any Beneficiary to comply with the provisions of paragraph 2(h) of this Schedule.

4. The extent of funding provided for Subprojects through Subgrants shall be proportional to ownership of the equity of the Beneficiary by Indian nationals or nationals from developing countries, determined in accordance with methodology and criteria acceptable to the Trustee.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Category" means Category (1) 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 the Project and to be financed out of the proceeds of the OTF Grant allocated from time to time to the eligible Category in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$3,500,000 to be withdrawn from the OTF 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 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 Trustee shall, on behalf of the Recipient, withdraw from the OTF 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 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 OTF 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 OTF Grant Account under the eligible Category, 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 OTF 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 Trustee, 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 Trustee pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Trustee 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 OTF Grant Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the OTF Grant allocated to the eligible Category, minus the total amount of all outstanding special commitments 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 OTF Grant Account of the remaining unwithdrawn amount of the OTF Grant allocated to the eligible Category 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 OTF Grant Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

[REDACTED]