Project Agreement

(Chiller Energy Efficiency Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT
acting as Implementing Agency of
(1) the Global Environment Facility; and
(2) the Ozone Projects Trust Fund

and

IDBI BANK LIMITED

Dated August 26, 2009
PROJECT AGREEMENT

AGREEMENT ("Project Agreement") dated August 26, 2009, entered into between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("World Bank"), acting as Implementing Agency of: (1) the Global Environment Facility; and (2) the Ozone Projects Trust Fund, and IDBI BANK LIMITED ("Project Implementing Entity") in connection with:

(a) the Global Environment Facility ("GEF") Agreement ("GEF Grant Agreement"), of same date as this Agreement, between INDIA ("Recipient") and the World Bank acting as an implementing agency of GEF; and

(b) the Ozone Projects Trust Fund ("OTF") Agreement ("OTF Grant Agreement"), also of same date as this Agreement, between the Recipient and the World Bank acting as an Implementing Agency of OTF.

The World Bank and the Project Implementing Entity hereby agree as follows:

ARTICLE I – GENERAL CONDITIONS; DEFINITIONS

1.01. The Standard Conditions (as defined in Section 1.01 of the GEF Grant Agreement and OTF Grant Agreement, respectively) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in: (a) this Agreement, including the Appendix to this Agreement; (b) the Standard Conditions; (c) the GEF Grant Agreement; or (d) the OTF Grant Agreement, as the case may be.

ARTICLE II – PROJECT

2.01. The Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall carry out the Project in accordance with this Agreement and the provisions of Article II of the Standard Conditions, and shall provide, promptly as needed, the services, facilities and other resources required for the Project.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the World Bank and the Project Implementing Entity shall otherwise
agree, the Project Implementing Entity shall carry out the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III – REPRESENTATIVE; ADDRESSES

3.01. The Project Implementing Entity’s Representative is its Executive Director.

3.02. The World Bank’s Address is:

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

Cable: INTBAFRAD  
Telex: 248423(MCI) or 64145(MCI)  
Facsimile: 1-202-477-6391

3.03. The Project Implementing Entity’s Address is:

IDBI Bank Limited.,  
IDBI Tower, WTC Complex  
Cuffe Parade,  
Mumbai – 400005  
India

Facsimile: (91-22) 2215 5742
AGREED at New Delhi, India, as of the day and year first above written.

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

By /s/  N. Roberto Zagha
Authorized Representative

IDBI BANK LIMITED

By /s/  B. K. Batra
Authorized Representative
SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

1. Subject to the overarching authority of MoEF to provide policy guidance and strategic oversight, the Project shall be implemented under the control and authority of a National Project Director to be appointed by MoEF, and in accordance with annual work plans to be prepared by the Project Implementing Entity and approved by MoEF.

2. The Project Implementing Entity shall:

   (a) establish a Project Management Unit (“PMU”), with terms of reference, membership and composition acceptable to the World Bank, to be responsible for the day-to-day implementation of the Project, including marketing activities, coordination with chiller suppliers and manufacturers, review of Subproject proposals and supervision of Subprojects, disbursement of proceeds of the Grant or Deferred Revenues accruing on account of each Subproject, management of reporting, verification and auditing requirements, and coordination with MoEF on any policy and regulatory issues that may arise; and

   (b) ensure that the PMU shall be headed by a manager whose qualifications, experience and terms of reference shall be acceptable to the World Bank, who shall be supported by technical, financial management and procurement experts in adequate numbers, whose qualifications, experience and terms of reference shall also be acceptable to the World Bank, and support staff as needed.

B. Implementation Obligations

1. The Project Implementing Entity:

   (a) shall prepare and adopt a Project Implementation Manual acceptable to the World Bank (“Project Implementation Manual”), giving details of guidelines and procedures agreed with the World Bank for the implementation, supervision, and monitoring and evaluation, of the Project, including: (i) institutional and staffing arrangements; (ii) reporting requirements and performance indicators as set forth in Part A.1(a) and (b), respectively, of Section II of this Schedule; (iii) financial management procedures and audit procedures as set forth in
Part B of Section II of this Schedule; (iv) procurement procedures as set forth in Section III of this Schedule; (v) details of the Environmental Management Plan; (vi) procedures for the identification and selection of Beneficiaries, and terms and conditions governing approval of Subprojects and award of Financial Incentives; (vii) procedures for the reallocation and utilization of Deferred Revenues foregone pursuant to Part D.1(c) of this Section I of this Schedule; and (viii) details of the Governance and Accountability Action Plan.

(b) shall proceed thereafter to implement the Project in accordance with the Project Implementation Manual, and, except as the World Bank shall otherwise agree, shall not amend or waive any provision thereof if, in the opinion of the World Bank, such amendment or waiver may materially and adversely affect the implementation of the Project.

2. For purposes of Part A of the Project, the Project Implementing Entity shall apply the proceeds of the Grant allocated to Category (1) to provide Financial Incentives to support Subprojects for the benefit of Beneficiaries in accordance with such guidelines, procedures and criteria as may have been agreed with the Recipient and the Bank, and the additional terms and conditions set forth in Part D of this Section.

3. In order to have a common basis for cooperation with chiller suppliers and energy service companies in general, and facilitate effective market penetration of the Project, the Project Implementing Entity may enter into one or more agreements, on terms and conditions acceptable to the World Bank, in the form of a Memorandum of Understanding (“MOU”) with chiller suppliers and energy service companies, pursuant to which chiller suppliers and energy service companies may be required to assist in identifying potential Beneficiaries, disseminate Project offerings to potential Beneficiaries, and assist them in the preparation of their submissions to the Project Implementing Entity, implement terms and conditions for baseline power measurement, and monitoring of performance of new chillers, and supply new chillers and monitoring equipment in accordance with general specifications established by the Project.

4. For purposes of Part B of the Project, the Project Implementing Entity shall procure the services of a consultant firm to develop and maintain a management information system to collect and process data generated under individual Subprojects, using it as a tool to generate all technical reports required under the Project, and to estimate the value of CER units accrued for verification by a third party under the Project prior to submission to the CDM-EB for certification.

5. (a) The Project Implementing Entity shall, not later than June 30, 2012, undertake, in conjunction with the Recipient and the World Bank, a midterm review, during which they shall exchange views generally on all
matters relating to the progress of the Project, and the performance by the Project Implementing Entity of its obligations under this Agreement, including the progress achieved by the Project Implementing Entity, having regard to the performance indicators referred to in Part A.1(b) of Section II of this Schedule.

(b) Not later than one (1) month prior to the review, the Project Implementing Entity shall furnish to Recipient and the World Bank, for comments, a report, in such detail as the Recipient and the World Bank shall reasonably request, on the progress of the Project, and giving details of the various matters to be discussed at such review.

(c) Following the review, the Project Implementing Entity undertakes to act promptly and diligently in order to take any corrective action deemed necessary to remedy any shortcoming noted in the implementation of the Project, or to implement such other measures as may have been agreed upon among the parties in furtherance of the objectives of the Project.

C. Anti-Corruption

The Project Implementing Entity shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

D. Additional Terms and Conditions Governing Financial Incentives

1. No Subproject shall be eligible for financing out of the proceeds of the Grant allocated to Category (1) unless the corresponding Subproject proposal has been processed and submitted, and the review of the proposal and grant of Financial Incentives undertaken, in accordance with the guidelines, procedures and selection criteria agreed for this purpose with the Recipient and the World Bank, and set forth in the Project Implementation Manual, including but not limited to the following:

(a) Such proceeds of the Grant shall be applied exclusively to provide Financial Incentives for the replacement of centrifugal chillers with new non-CFC-based centrifugal chillers, with specific energy consumption equal or lower than 0.63 kW/RT at full load, and rated capacity within 5% of the baseline capacity.

(b) Financial Incentives shall be in the form of either of the following two (2) options, with Beneficiaries having to make an upfront choice between the two (2) options:

(i) Option A: an upfront subsidy of 20% of the normative cost of new energy efficient centrifugal chillers ("Subsidy"); or
(ii) Option B: deferred revenues from future sales of CER units accruing on account of one or more Subprojects, and calculated on a pro-rata basis (“Deferred Revenues”).

(c) In the case of a Beneficiary opting for Option A, the Beneficiary shall be required to forego Deferred Revenues generated by the Subproject to be used to provide additional Financial Incentives to other Beneficiaries.

(d) To be eligible for replacement under the Project: (i) centrifugal chillers must have been installed after 1993, or have residual technical life of more than five (5) years; and (ii) chiller replacement must have taken place on or after January 1, 2009.

(e) Procurement of new centrifugal chillers shall be carried out by Beneficiaries in accordance with procedures consistent with Section III of this Schedule and set forth in the Project Implementation Manual.

2. Upon the disbursement of funds on account of Deferred Revenues accrued under the ERPA, the Project Implementing Entity shall, subject to any deductions to be made to cover its management and administrative costs, and other eligible costs:

(a) settle the amount of Deferred Revenues due to Beneficiaries who have opted for Option B; and

(b) in the case of Deferred Revenues foregone pursuant to Part D.1(c) of this Section I of this Schedule, reallocate the balance of such Deferred Revenues to be applied for the same purposes and to finance the same activities as under Part A of the Project.

3. (a) For purposes of every Subproject, a Financial Incentive Agreement shall be signed into between the Project Implementing Entity and the Beneficiary, setting forth the respective obligations of the parties thereunder, including:

(i) details of the Financial Incentive, agreed disbursement schedule and the Beneficiary’s obligations under the Subproject;

(ii) in the case of a Beneficiary who has opted for Option A, an agreement to forego all rights to Deferred Revenues accruing under the Subproject;

(iii) in the case of a Beneficiary who has opted for Option B, the value of each CER unit, the percentage to be deducted on account of the Project Implementing Entity’s management and
administrative costs, and other eligible costs, and the period for which Deferred Revenues will be provided; and

(iv) in either case, an undertaking on the part of Beneficiary to allow representatives of the Project Implementing Entity to have access to the chillers for the purpose of establishing the baseline power consumption and determining and verifying CER units accrued during the agreed period.

(b) No Subproject shall be eligible for a Financial Incentive under the Project unless a Financial Incentive Agreement has been concluded to this effect on terms and conditions acceptable to the World Bank and in accordance with the provisions of this Agreement.

4. The Project Implementing Entity shall be entitled to apply an amount not exceeding the aggregate amount of the Grants allocated to Category (2) (management fee) under the GEF Grant Agreement, and Category (3) (management fee) under the OTF Grant Agreement, respectively, exclusively to cover its indirect costs of management and supervision of the Project, without prejudice to any additional claims arising on account of other Eligible Expenditures under the remaining Categories and attributable to the direct costs of the Project.

E. Safeguards

1. The Project Implementing Entity shall implement the Project in accordance with the Environmental Management Plan (“EMP”).

2. Without limitation upon its other reporting obligations under this Agreement, the Project Implementing Entity shall regularly collect, compile and submit to the World Bank on a six-monthly basis reports on the status of compliance with the EMP, giving details of:

(a) measures taken in furtherance of the EMP;

(b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the EMP; and

(c) remedial measures taken or required to be taken to address such conditions.
Section II.  Project Monitoring, Reporting and Evaluation

A.  Project Reports

1.  (a) The Project Implementing Entity shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the indicators set forth below in sub-paragraph (b) of this paragraph. Each such Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the World Bank not later than two (2) weeks after the end of the period covered by such report.

   (b) The performance indicators referred to above in sub-paragraph (a) consist of the following:

<table>
<thead>
<tr>
<th></th>
<th>YR 1</th>
<th>YR 2</th>
<th>YR 3</th>
<th>YR 4</th>
<th>YR 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of new energy efficient chillers installed</td>
<td>50</td>
<td>100</td>
<td>150</td>
<td>70</td>
<td>0</td>
</tr>
<tr>
<td>Cumulative direct emission reductions achieved by chillers replaced under the Project (GEF method of accounting) (% target value)</td>
<td>0</td>
<td>9.8</td>
<td>47</td>
<td>64.5</td>
<td>74</td>
</tr>
<tr>
<td>Ozone-depleting substances (ODS) consumption phase-out due to replacement of chillers</td>
<td>0</td>
<td>22</td>
<td>42</td>
<td>64</td>
<td>30</td>
</tr>
</tbody>
</table>

2.  The Project Implementing Entity shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six (6) months after the Closing Date.

B.  Financial Management, Financial Reports and Audits

1.  The Project Implementing Entity shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the World Bank, both in a manner adequate to reflect the operations and financial condition of the Project Implementing Entity, including the operations, resources and expenditures related to the Project.

2.  The Project Implementing Entity shall prepare and furnish to the World Bank, not later than forty-five (45) days after the end of each calendar quarter, interim
unaudited financial reports for the Project, covering the quarter, and in form and substance satisfactory to the World Bank.

3. The Project Implementing Entity shall have the financial statements for the Project audited by independent auditors acceptable to the World Bank, in accordance with consistently applied auditing standards acceptable to the World Bank. Each audit of these financial statements shall cover the period of one (1) fiscal year of the Project Implementing Entity. The audited financial statements for each period shall be furnished to the Recipient and the World Bank not later than six (6) months after the end of the period.

Section III. Procurement

A. General

1. Procurement and Consultant Guidelines. All goods, works and services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

(a) Section I of the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the World Bank in May 2004 and revised in October 2006 (“Procurement Guidelines”), in the case of goods and works, and Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the World Bank in May 2004 and revised in October 2006 (“Consultant Guidelines”) in the case of consultants’ services; and

(b) the provisions of this Section III, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines (“Procurement Plan”).

2. Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Works.** Other than International Competitive Bidding, the following methods may be used for procurement of goods and works for those contracts specified in the Procurement Plan:

<table>
<thead>
<tr>
<th>(a)</th>
<th>National Competitive Bidding, subject to the additional provisions listed under Part B.3 of this Section III</th>
</tr>
</thead>
<tbody>
<tr>
<td>(b)</td>
<td>Shopping</td>
</tr>
<tr>
<td>(c)</td>
<td>Direct Contracting</td>
</tr>
</tbody>
</table>

3. **Additional Provisions Governing National Competitive Bidding.** The following additional provisions shall apply to National Competitive Bidding (“NCB”):

   (a) Only model bidding documents for NCB agreed with the Government of India Task Force (and as amended from time to time) shall be used for bidding.

   (b) Invitations to bid shall be published in at least one (1) widely circulated national daily newspaper and on the Project Implementing Entity’s website, at least thirty (30) days prior to the deadline for submission of bids.

   (c) No special preference shall be accorded to any bidder either for price or for other terms and conditions.

   (d) Except with the prior concurrence of the World Bank, there shall be no price negotiations with the lowest evaluated bidder or any other bidder.

   (e) Extension of bid validity shall not be allowed, without the prior concurrence of the World Bank: (i) for the first request for extension if it is longer than four (4) weeks; or (ii) for any subsequent request for extension irrespective of length of time (such concurrence to be considered by the World Bank only in cases of *force majeure* or other circumstances beyond the control of the Project Implementing Entity).

   (f) Re-bidding shall not be allowed without the prior concurrence of the World Bank, nor shall any mechanism which allows for the rejection of bids falling outside a pre-determined margin or ‘bracket’ of prices.

   (g) Rate contracts entered into by DGS&D shall not be acceptable as a substitute for NCB procedures.

   (h) Two or three envelope system shall not be used.
C. Particular Methods of Procurement of Consultants’ Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

2. **Other Methods of Procurement of Consultants’ Services.** Other than Quality- and Cost-based Selection, the following methods may be used for procurement of consultants’ services for those assignments which are specified in the Procurement Plan:

<table>
<thead>
<tr>
<th>(a)</th>
<th>Quality-based Selection</th>
</tr>
</thead>
<tbody>
<tr>
<td>(b)</td>
<td>Least Cost Selection</td>
</tr>
<tr>
<td>(c)</td>
<td>Selection based on Consultants’ Qualifications</td>
</tr>
<tr>
<td>(d)</td>
<td>Selection under a Fixed Budget</td>
</tr>
<tr>
<td>(e)</td>
<td>Single-source Selection</td>
</tr>
<tr>
<td>(f)</td>
<td>Selection of Individual Consultants</td>
</tr>
<tr>
<td>(g)</td>
<td>Sole Source Procedures for the Selection of Individual Consultants</td>
</tr>
</tbody>
</table>

D. Review by the World Bank of Procurement Decisions

1. The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All other contracts shall be subject to Post Review by the World Bank.
Definitions

1. “Beneficiary” means a chiller owner who is the beneficiary of a Financial Incentive and party to a Financial Incentive Agreement.

2. “Category” means a category set forth in the table in Schedule 2 to the Grant Agreement.

3. “CDM” means the Clean Development Mechanism established pursuant to the United Nations Framework Convention on Climate Change (“UNFCCC”) and defined in Article 12 of the Kyoto Protocol to the UNFCCC (“Kyoto Protocol”).

4. “CDM-EB” means the CDM Executive Board established pursuant to the Kyoto Protocol and vested with authority, under the guidance of the Conference of the Parties of the UNFCCC, to: (a) register CDM projects; (b) approve the methodology to be used to measure, validate and certify carbon credits thereunder; and (c) issue carbon credits based on the difference between the baseline estimate of future emissions without the project and actual emissions, as verified by a third party.

5. “Certified Emission Reduction” or “CER” means the value of carbon credits generated by energy savings resulting from the replacement of baseline centrifugal chillers with new energy efficient centrifugal chillers under the Project during the period ending in 2013, and determined according to a formula consistent with CDM and set forth in the ERPA.

6. “Deferred Revenues” means deferred revenues accruing from future sales of CER units and referred to under Option B.


8. “Environmental Management Plan” means the Environmental Management Plan, dated November 2008, adopted by the Project Implementing Entity, giving details of a program of actions, measures and policies designed to maximize the benefits of the Project, eliminate, offset or mitigate any adverse environmental impacts associated with the replacement of CFC-based chiller systems, or reduce such impacts to acceptable levels, or to ensure the safe handling of refrigerants, as well as the occupational health and safety of technicians involved, as such Environmental Management Plan may be amended from time to time with the prior agreement of the World Bank.
9. “ERPA” means the Emission Reductions Purchase Agreement for the India: Accelerated Chiller Replacement Project, to be concluded after the date of this Agreement between the Project Implementing Entity and the World Bank acting as trustee of the Spanish Carbon Fund.

10. “Financial Incentive” means a financial incentive provided or to be provided under the Project, whether in the form of a Subsidy or Deferred Revenues.

11. “Financial Incentive Agreement” means the agreement referred to in Part D.3 of Section I of the Schedule to this Agreement.

12. “Governance and Accountability Action Plan” or “GAAP” means a program of governance and accountability actions, measures and policies designed to reduce or eliminate fraud and corruption in all its forms under the Project, including enhanced information disclosure provisions, mitigation measures to deal with the risks associated with collusion, forgery and fraud, a complaint handling mechanism and an appropriate regime of sanctions and remedies.

13. “Grant” means the GEF Grant or OTF Grant or both, as the case may be.

14. “Grant Agreement” means the GEF Grant or OTF Grant Agreement or both, as the case may be.

15. “MoEF” means the Recipient’s Ministry of Environment and Forests, or any successor thereto.

16. “Option A” means the optional form of Financial Incentive referred to in Part D.1(b)(i) of Section I of the Schedule to this Agreement.

17. “Option B” means the optional form of Financial Incentive referred to in Part D.1(b)(ii) of Section I of the Schedule to this Agreement.

18. “Project Management Unit” or “PMU” means the Project Management Unit referred to under Part A.2(a) of Section I of the Schedule to this Agreement.

19. “Subsidy” means a subsidy provided to finance a Subproject under Option A.

20. “Subproject” means a transaction involving an investment in a chiller replacement to be undertaken by or for the benefit of a Beneficiary, and in respect of which a Financial Incentive has been or is to be provided.