February 6, 2012

Honourable Minister Wangdi Norbu
Minister of Finance
Ministry of Finance
Royal Government of Bhutan
Tashichhodzong
Thimphu, Kingdom of Bhutan

Re: Bhutan: Grant for Preparation Sustainable Financing for Biodiversity Conservation and Natural Resource Management in Bhutan Project
GEF PPG Grant No. TF010597

Dear Sir:

In response to the request for financial assistance made on behalf of the Kingdom of Bhutan ("Recipient"), I am pleased to inform you that the International Bank for Reconstruction and Development ("World Bank"), acting as Implementing Agency of the Global Environment Facility ("GEF"), proposes to extend to the Recipient, a grant in an amount not to exceed one hundred thirty thousand United States Dollars (U.S.$130,000) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in the financing of the activities described in the Annex ("Activities"). This Grant is funded out of the GEF for which the World Bank receives periodic contributions. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the Recipient may withdraw the Grant proceeds subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Activities in accordance with the terms and conditions set forth or referred to in this Agreement. The award of the Grant does not constitute or imply any commitment on the part of the World Bank, either as Implementing Agency of the GEF or in its own capacity, to assist in the financing of any project which may result from the Activities financed by the Grant.

It is the Bank's policy to make publicly available this GEF Letter Agreement and any information related thereto. By confirming its agreement below, the Kingdom of Bhutan consents to disclosure of this Letter of Agreement after it has become effective.
Please confirm the Recipient’s agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement will become effective upon the Recipient’s countersignature and the Subsidiary Grant Agreement being executed on behalf of the Recipient and the Project Implementing Entity, as defined in the Annex to this Agreement.

Very truly yours,
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
Acting as Implementing Agency of the Global Environment Facility

By
Acting Country Director, Bhutan
South Asia Region

AGREED:

KINGDOM OF BHUTAN

By
Authorized Representative
Name
Title FINANCE SECRETARY
Date: 19.13.2012

Enclosures:


2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006
GEF PPG Grant No. TF010597

ANNEX

Article I
Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank Out of Various Funds dated July 31, 2010 ("Standard Conditions") constitute an integral part of this Agreement.

1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement; provided that for the purposes of this Agreement the term "Project", whenever used in the Standard Conditions, shall mean the Activities referred to in Section 2.01 of this Annex.

The following definitions also apply to this Agreement:

(a) "Project Implementing Entity" means the Bhutan Trust Fund for Environmental Conservation, established as a grant-making organization under the Royal Charter of 1996; and

(b) "Subsidiary Grant Agreement" means the agreement referred to in Section 2.03 of the Annex to this Agreement.

Article II
Grant Execution

2.01. **Grant Objectives and Description.** The objective of the Grant is to assist the Recipient in the preparation of the Sustainable Financing for Biodiversity Conservation and Natural Resources Management in Bhutan Project (the Project), which has as main objectives of improving the operational effectiveness and sustainability of the Bhutan Trust Fund for Environment Conservation (BTFEC). The activities (the Activities) for which the Grant is given consist of the following parts: provision of technical assistance, including workshops, to:

(a) conduct an assessment of the Recipient including, *inter alia*, the grant making procedures and systems;

(b) strengthen the capacity of the Recipient in, *inter alia*:

(i) the prioritization of threats and opportunities for addressing environmental and biodiversity needs;

(ii) transparency and competiveness of grant making procedures; and

(iii) governance, operational and financial procedures, and monitoring of outcomes of grants;

(c) design investments for the high altitude northern areas for improving biodiversity conservation and natural resources outcomes; and
(d) support preparatory activities including, *inter alia*:

(i) collecting baseline information;

(ii) identifying gaps and gathering key data and information for the design of the Project;

(iii) designing social and environmental framework for the Project;

(iv) conducting stakeholder consultations; and

(v) assessing the need of potential implementing partners, and identify and secure partnerships and other sources of financing for the Project.

2.02. *Grant Execution Generally.* The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall cause the Project Implementing Entity to carry out the Activities in accordance with:

(a) the provisions of Article II of the Standard Conditions;

(b) the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 (“Anti-Corruption Guidelines”); and

(c) this Article II.

2.03. *Institutional and Other Arrangements.* (a) The Recipient shall make the proceeds of the Grant available to the Project Implementing Entity in accordance with a Subsidiary Grant Agreement to be entered into between the Recipient and the Project Implementing Entity in accordance with terms and conditions satisfactory to the World Bank.

(b) The Grant shall be made available in U.S. Dollars, if required, or otherwise in Ngultrum determined on the date, or respective dates, of withdrawal from the Grant Account of the value of the currency or currencies so withdrawn.

(c) Other terms of the Subsidiary Grant Agreement shall include the following:

(i) the Project Implementing Entity shall undertake to carry out the Project with due diligence and efficiency and in accordance with appropriate management, financial, engineering and public utility practices, and social and environmental standards acceptable to the World Bank, and shall provide, promptly as needed, the funds, facilities and other resources required for the purpose;

(ii) the Project Implementing Entity shall undertake to procure the consultants’ services to be financed out of the proceeds of the Grant in accordance with the provisions of Section 2.05 of this Annex, and utilize such consultants’ services exclusively in the carrying out of the Project;
(d) The Project Implementing Entity shall undertake to:

(i) maintain a financial management system and records and accounts adequate to reflect sound accounting practices, its operations and financial condition;

(ii) retain all records (contracts, orders, invoices, bills, receipts and other documents) evidencing expenditures under the Project until at least the later of: (a) one (1) year after the Recipient and the World Bank have received the audited financial statements covering the period during which the last withdrawal from the Grant Account was made; and (b) two (2) years after the Closing Date;

(iii) enable the Recipient and the World Bank's representatives to examine such records; and

(iv) monitor and evaluate the progress of the Project in accordance with the provisions of the Standard Conditions.

(e) The Recipient shall have the right to suspend or terminate the right of the Project Implementing Entity to the use of the proceeds of the Grant made available under the Subsidiary Grant Agreement upon failure by the Project Implementing Entity to perform its obligations under such agreement.

(f) The Recipient shall exercise its rights under the Grant Agreement in such manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of the Project. Except as the World Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Grant Agreement or any of its provisions.

2.04. **Completion Report.** The Recipient 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 sixty (60) days after the Closing Date.

2.05. **Financial Management.**

(a) The Recipient shall and shall cause the Project Implementing Entity to maintain a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall cause the Project Implementing Entity to prepare that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than forty five (45) days after the end of each calendar quarter or such period as may be advised by the Bank, covering the said period, in form and substance satisfactory to the World Bank.

(c) The Recipient shall cause the Project Implementing Entity to have its Financial Statements for the Project audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. The audit of the Financial Statements shall cover the period beginning from
the Grant signing date to the end of disbursement grace period. The audited Financial Statements for such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

2.06. **Procurement**

(a) **General.** All services required for the Activities 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: Sections I and IV of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Consultant Guidelines”).

(b) **Definitions.** The capitalized terms used in the following paragraphs of 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 Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

(c) **Particular Methods of Procurement of Consultants’ Services**

(i) Except as otherwise provided in item (ii) below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods may be used for the procurement of consultants’ services for those assignments which the World Bank agrees meet the requirements set forth in the Consultant Guidelines for their use: (A) Quality-based Selection; (B) Selection under a Fixed Budget; (C) Least Cost Selection; (D) Selection based on Consultants’ Qualifications; (E) Single-source Selection of consulting firms; (F) Selection of Individual Consultants; and (G) Single-source procedures for the Selection of Individual Consultants.

(d) **Review by the World Bank of Procurement Decisions.** 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.

**Article III**

**Withdrawal of Grant Proceeds**

3.01. **Eligible Expenditures.** The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of:

(a) Article III of the Standard Conditions;

(b) this Section; and

(c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant
to such instructions), to finance 100% of Eligible Expenditures consisting of consultant services and workshops.

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is January 3, 2013.

**Article IV**  
**Recipient’s Representative; Addresses**

4.01. **Recipient’s Representative.** The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is the Minister of Finance.

4.02. **Recipient’s Address.** The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

Ministry of Finance  
Tashichhodzong  
Thimphu, Kingdom of Bhutan

Facsimile: 323154

4.03. **World Bank’s Address.** The World Bank’s Address referred to in Section 7.01 of the Standard Conditions 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