September 26, 2013

Khun Poldej Pinprateep
Secretary General
Local Development Foundation
693 Bumrungmuang Rd,
Pomprab district
Bangkok 10100
Thailand

Re: SPF Grant No. 13881 / TF015382
State and Peace-Building Fund Grant for State Expanding Community Approaches in Conflict Situations in Three Southernmost Provinces in Thailand Project

Dear Mr. Pinprateep:

In response to the request for financial assistance made on behalf of Local Development Foundation (“Recipient”), I am pleased to inform you that the International Bank for Reconstruction and Development (“World Bank”), acting as administrator of grant funds provided by the Development Grant Facility under the State and Peace-building Fund proposes to extend to the Recipient for the benefit of the Kingdom of Thailand (“Member Country”), a grant in an amount not to exceed four million two hundred thousand United States Dollars (US$ 4,200,000) (“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 project described in the Annex (“Project”).

This Grant is funded out of the abovementioned trust fund 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 World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is 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 Project in accordance with the terms and conditions set forth or referred to in this Agreement.

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 shall become effective as of the date of the countersignature.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

Mathew Verghis
Acting Country Director Thailand

AGREED:

LOCAL DEVELOPMENT FOUNDATION

By: 

Name: Poldej Pinprateep
Title: Secretary General
Date: Sept. 26, 2013

Enclosures:


(2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006
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 February 15, 2012 ("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.

1.03. For purposes of this Agreement, the following terms have the following meanings:

   (a) "Block Grant" means a grant made, by the Recipient under Part 1 of the Project, out of the proceeds of the Grant in accordance with the provisions of this Letter Agreement and the provisions of the Operations Manual, to a selected Block Grant Beneficiary for the purposes of carrying out a specific Sub-project under the Activities, and "Block Grants" means, collectively, the plural thereof.

   (b) "Block Grant Beneficiaries" means the beneficiaries to be selected in accordance with the selection criteria set forth in the Operations Manual to receive Block Grants for undertaking Sub-projects; and the "Block Grant Beneficiary" means any of the Block Grant Beneficiary.

   (c) "Community Driven Development" and the acronym "CDD" mean an approach that gives individuals control over decisions, resources, and implementation at the community level.

   (d) "Department of Community Development" means the Kingdom of Thailand’s Department of Community Development within the Ministry of Interior or any successor thereto.

   (e) "Department of Local Administration" means the Kingdom of Thailand’s Department of Local Administration within the Ministry of Interior or any successor thereto.

   (f) "Incremental Operating Costs" means reasonable expenditure directly related to the Project incurred by the Recipient on account of implementation, management and coordination, monitoring and evaluation of the Project, including expenditure on travel, lodging and per diems; consumable materials, office supplies and equipment, communication services (including postage handling, telephone and internet costs), office and vehicle rental, utilities, operations and maintenance of office equipment and vehicle, publications, translation, and the Recipient’s Project Management Fee which includes institutional fee and staff salaries, staff
insurance, and the Recipient’s contribution to staff and consultant social security, but excluding salaries of civil servants of the Kingdom of Thailand.

(g) “Ministry of Finance” means the Kingdom of Thailand’s Ministry of Finance or any successor thereto.

(h) “Ministry of Labor” means the Kingdom of Thailand’s Ministry of Labor or any successor thereto.

(i) “National Economic and Social Development Board” means the Kingdom of Thailand’s National Economic and Social Development Board or any successor thereto.

(j) “Operational Manual” means the updated Operational Manual developed under the Piloting Community Approaches in Conflict Situation in Three Southern Provinces in Thailand Project dated April 17, 2009 as updated by the Recipient pursuant to Section 2.03.(c) of this Annex and satisfactory to the World Bank.

(k) “Peace-building Partnership Fund” and the acronym “PPF” mean a fund from which a grant made, by the Recipient, out of the proceeds of the Grant in accordance with the provisions of this Letter Agreement and the provisions of the Operations Manual, to a selected civil society organization or a civil society network for the purposes of carrying out a specific Sub-project under the Activities.

(l) “Peace-building Partnerships Grants” means grants made, by the Recipient, under Part 2 of the Project.

(m) “Project Advisory Committee” and the acronym “PAC” mean the committee referred to in Section 2.03.(a) of this Annex.

(n) “Southern Border Province Administration Center” and the acronym “SBPAC” mean the Kingdom of Thailand’s Southern Border Province Administration Center or any successor thereto.

(o) “Southern Provinces” means Yala, Narathiwat and Pattani which have been defined by the Government as conflict-affected provinces.

(p) “Sub-project” means a specific project (including rehabilitation of development of public goods, livelihood assistance to households, and peace-building activities) selected for financing under the project in accordance with the provisions of this Letter Agreement, the provisions of the Operations Manual and “Sub-projects” means collectively, the plural thereof.

(q) “Sub-project Agreement” means an agreement between the beneficiary of a Block Grant or the civil society organization receiving a Peace-building Partnerships Grant and the Recipient for undertaking the agreed Sub-project in accordance with the Operational Manual.
"Technical Working Group" and the acronym "TWG" mean the working group referred to in Section 2.03.(b) of this Annex.

"Training and Workshops" means reasonable costs incurred by the Recipient for the Project related training and workshop activities, including purchase, translation and publication of materials, rental of facilities, course fees, workshop supplies, rental of equipment, reasonable honorarium of resource persons, and travel, accommodation and subsistence of participants, including study tours in neighboring provinces and countries.

**Article II**  
**Project Execution**

2.01. *Project Objectives and Description.*

The objective of the Project is to contribute to confidence building between communities and sub-district authorities in southern Thailand through participatory local development approaches in six sub-districts, and through capacity building of selected local government officials as well as selected civil society networks and organizations.

The Project consists of the following parts:

Part 1. Community and sub-district Block Grants

Provision of:

(a) Block Grants to villages and sub-districts in the Southern Provinces to finance priority needs identified by local communities at the communities and at the sub-district levels including, *inter alia,* both basic infrastructure and livelihood projects;

(b) technical advisory support to the local communities to facilitate the CDD approach, including *inter alia* the design, implementation and monitoring of the sub-projects; and

(c) Training and Workshops on participatory planning to community and sub-district facilitators to help scale up the participatory and integrated planning process in other districts in southern Thailand.


Provision of Peace-building Partnership Grant to strengthen the capacity of:

(a) approximately four (4) civil society networks including *inter alia:* the provision of management and fiduciary training activities, the provision of support to undertake peace dialogue events on key issues such as local governance modalities, education, role of women and peace, youth and peace, access to justice, transitional justice and reintegration of war-affected populations; and
(b) approximately ten (10) civil society organizations working on issues related to peace-building, addressing grievances of the local population, and demand for good governance.

Part 3. Project Management and Learning

Provision of:

(a) technical advisory services to support to the Recipient in the implementation of the Project including inter alia: administration and logistical support for project implementation, consultants, monitoring, reporting, communications; and

(b) conducting Training and Workshops including inter alia: learning exchanges among communities and local government, south-south learning visits, lessons learned workshops, and producing a number of publications and videos to increase awareness of the challenges confronting communities and development projects in the conflict-affected areas.

2.02. Project Execution Generally.

The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project in accordance with the provisions of: (a) 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 within two (2) months of the signing of this Agreement, establish and maintain, throughout the period of implementation of the Project, a Project Advisory Committee with representation from, inter alia, the Ministry of Finance, the Ministry of Labor, the Department of Local Administration, the Department of Community Development, the Southern Border Province Administration Center and the National Economic and Social Development Board; said committee will provide, inter alia, strategic and policy advice, review annual workplans and progress reports, and coordinate the with respective agencies involved in the Project on issues related to the Project. The Project Advisory Committee will meet every six (6) months.

(b) The Recipient shall within three (3) months of the signing of this Agreement, establish and maintain, throughout the period of implementation of the Project, a Technical Working Group with representation from, technical staff of key government counterparts, and representatives from civil society and academia in the Southern Provinces; said committee will, inter alia, be responsible for overseeing the operations, addressing important implementation issues, and monitoring the progress of the project. The TWG meets every six months prior to the PAC meeting. The Local Development Foundation will act as a secretariat for the TWG.

(c) The Recipient shall update the Operations manual developed under the Piloting Community Approaches in Conflict Situation in Three Southern Provinces in Thailand
Project within one (1) month of the signature of this Agreement in a manner satisfactory to the World Bank.

(d) The Recipient shall carry out the Project in accordance with the Operational Manual which shall include: (i) criteria and procedures for the selection, approval, and supervision of Sub-projects and for selection of the Block Grant and Peace-building Partnership Fund beneficiaries; (ii) terms and conditions for using the proceeds of the Block Grants and Peace-building Partnership Fund; (iii) financial management procedures including therein reporting requirements, financial management and audit procedures, in accordance with the provisions of paragraph 2.5 of this Annex; (iv) the procurement arrangements to be followed under the Activities consistent with the provisions of paragraph 2.6 of this Annex; (v) implementation arrangements for carrying out the Project; (vi) environmental screening and mitigation criteria and measures, and a resettlement policy framework applicable to the Sub-projects design; (vii) a negative list of type of Sub-projects which will not be admissible, including Sub-projects involving involuntary land acquisition and resettlement; (viii) procedures on the acquisition of land; and (ix) the monitoring and evaluation procedures to ensure that the proceeds of the Block Grants and the Peace-building Partnership Grants are used for the intended purposes.

(e) The Recipient shall not amend, suspend, or waive the Operational Manual or any provision thereof, without the prior written concurrence of the World Bank. If there are conflicts between this Agreement and the Operational Manual, this Agreement shall prevail.

2.04. Sub-projects.

(a) The Recipient shall enter into an agreement with each Block Grant and Peace-building Partnership Fund Beneficiary under terms and conditions as specified in the Operational Manual, which shall include, inter alia, the right to: (i) suspend or terminate the right of the beneficiary of a Sub-project to use the proceeds of the Sub-financing, or all or any part of the amount of the Sub-financing then withdrawn, upon the beneficiary’s failure to perform any of its obligations under the Sub-project Agreement; and (ii) require each beneficiary to: (A) carry out its Sub-project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the World Bank, including in accordance with the provisions of the Anti-Corruption Guidelines; (B) procure the goods, works and services to be financed out of the Sub-financing in accordance with the provisions of this Agreement; and (c) prepare and furnish to the Recipient and the World Bank all such information as the Recipient or the World Bank shall reasonably request relating to the Sub-project.

(b) The Recipient shall exercise its rights under each Sub-project Agreement in such manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of the Financing. Except as the World Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive any Sub-project Agreement or any of its provisions.
The Recipient shall establish and maintain, throughout the period of implementation of the Project a committee to review and approve proposals for the Peace-building Partnerships Grants comprising of representatives from the Government of Thailand, academia, and civil society organizations; such committee will review grant proposals on the basis of project relevance, feasibility and institutional capacity and make final recommendations on awards. Request for applications would be two (2) times a year.

The Recipient shall:

(i) ensure that all Sub-projects to be financed through the Project are technically and economically viable, and have been designed and appraised, with due regard for public health, safety, social and environmental standards acceptable to the World Bank;

(ii) ensure that an environmental screening of each Sub-project has been carried out and, if necessary on the basis of such screening, an environmental impact assessment has been carried out, on terms satisfactory to the World Bank, in order to determine any measures to be taken to prevent, minimize, mitigate or compensate any environmentally adverse effects; and (ii) in the event that any Sub-project would require any such mitigation measures, prior to commencing such Sub-project or civil works, ensure that an Environmental Management Plan has been prepared by the beneficiary, and thereafter, implement the environmental management plan, in a manner and substance satisfactory to the World Bank;

(iii) adopt and implement a resettlement policy framework, which frameworks shall not be amended without prior written approval of the World Bank; and

(iv) ensure that, should land acquisition is needed in a small community infrastructure Sub-project, such acquisition be through voluntary private land donations, voluntary private long-term leases at a nominal cost, transactions between willing-seller and willing-buyer or access to vacant community or government land, all documented in accordance with the procedures set forth in the Operational Manual.

2.05. Project Monitoring, Reporting and Evaluation.

(a) The Recipient 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 indicators acceptable to the World Bank. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the World Bank not later than forty-five (45) days after the end of the period covered by such report.

(b) 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 six (6) months after the Closing Date.
2.06 Financial Management.

(a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure 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 semester, covering the semester, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

2.07. Procurement

(a) General. All goods, works, non-consulting services and consultants' 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:

(i) Section I of the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Procurement Guidelines”), in the case of goods, works and non-consulting services;

(ii) 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”) in the case of consultants’ services; and

(iii) the provisions of this Section, 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 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).

(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 and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

(c) Particular Methods of Procurement of Goods, Works and Non-consulting Services

The following methods, other than National Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts which are specified in the Procurement Plan: (A) Shopping; and (B) Community Participation procedures which have been found acceptable to the World Bank.
(d) **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, other than Quality- and Cost-based Selection, may be used for the procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (a) Selection Based on the Consultant’s Quality; (b) Selection of Individual Consultants; and (c) Single-source procedures for the Selection of Firms and Individual Consultants.

(e) **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 goods, works, non-consulting services, consultants’ services, Training and Workshops, Incremental Operating Costs, Block Grants and Peace-building Partnership Grants under the Project inclusive of Taxes.

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, except that withdrawals up to an aggregate amount not to exceed US$800,000 equivalent may be made for payments made prior to this date but on or after May 1, 2013, for Eligible Expenditures.

3.03. **Withdrawal Period.**

The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is February 29, 2016.

**Article IV**

**Additional Remedies**

4.01. **Additional Event of Suspension.**

The Additional Event of Suspension referred to in Section 4.02 (k) of the Standard Conditions consist of the following, namely that IBRD or IDA has declared the Recipient ineligible to be awarded a contract financed by IBRD or IDA.
Article V
Recipient’s Representative; Addresses

5.01. **Recipient’s Representative.**

The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is the president of the Local Development Foundation.

5.02. **Recipient’s Address.**

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

Local Development Foundation  
693 Bumrungmuang Rd,  
Pomprab district  
Bangkok 10100  
Tel: (66) 2225-7293; Fax: (66) 2226-4718

5.03. **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