Khun Chakkrit Parapuntakul  
Director General  
Public Debt Management Office  
Ministry of Finance  
Rama 6 Road, Phayathai  
Bangkok 10400  
Kingdom of Thailand  

AND

Khun Tussanai Buranupakorn  
Mayor  
Chiang Mai Municipal Office  
Wang Sing Kham Road  
Chiang Mai 50300  
Kingdom of Thailand

Re: Thailand: GEF Grant for Chiang Mai Sustainable Urban Transport  
Project GEF MSP Grant No. TF099285

Dear Sirs:

In response to the request for financial assistance made on behalf of Chiang Mai Municipality (the “Recipient”), I am pleased to inform you that the International Bank for Reconstruction and Development (“World Bank”), as administrator of grant funds provided by the Global Environment Facility (“GEF”), proposes to extend to the Recipient, for the benefit of the Kingdom of Thailand, a grant in an amount not to exceed seven hundred twenty nine thousand six hundred thirty United States Dollars (US$729,630) (“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 therein. 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 Project in accordance with the terms and conditions set forth in this Agreement.
Please confirm the Recipient's agreement with the foregoing by having an authorized official of the Recipient and of the Kingdom of Thailand 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 by all parties.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
Acting as the Implementing Agency of the Global Environment Facility

By

Annette Dixon
Country Director, Thailand
East Asia and Pacific Region

AGREED:
Kingdom of Thailand

By: Suwit Rojanavanich
Authorized Representative
Name: Mr. Suwit Rojanavanich
Title: Deputy Director-General for Director-General, Public Debt Management office, Ministry of Finance
Date: February 13, 2012

AGREED:
Chiang Mai Municipality

By: [Signature]
Authorized Representative
Name: Tussanai Buranupakorn
Title: Mayor of Chiang Mai Municipality
Date: February 17, 2012

Enclosures:

(1) Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 31, 2010

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

Article II
Project Execution

2.01. **Project Objectives and Description.** The objective of the Project is to improve the technical capacity of Chiang Mai Municipality (the "CMM") for sustainable urban transport development, through technical support to integrated land use and sustainable urban transport planning and pilot demonstration of non-motorized transport ("NMT") improvement.

The Project consists of the following parts:

**Part 1: Integrated land use and sustainable urban transport planning**

Provision of technical advisory services and other material support, *inter alia:* (i) for development of a strategic plan to integrate land use and sustainable urban transport planning for Chiang Mai City; and (ii) build technical capacity and skills in urban transport planning and management for Recipient’s staff.

**Part 2: Area improvement for NMT**

Provision of technical assistance, investment support and other material support to implement area improvement in selected sites in Muang Kao, with a focus on improvement in NMT.

**Part 3: Project management support**

Provision of technical assistance and other material support for the overall management and implementation of Project activities, monitoring and evaluation, and coordination with various stakeholders, as well as external audit.

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: (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.** The Recipient shall bear the overall responsibility for Project implementation and shall carry out the Project with the Office of Transport and Traffic Policy and Planning (the “OTP”) as its implementing partner, in accordance with World Bank’s guidelines and procedures; and to that end shall:

(a) ensure that all street modification and renovation works to be executed under Part 2 of the Project shall be carried in accordance with domestic laws and regulations and this Agreement; and shall include all applicable environment mitigation measures in accordance with domestic laws and regulations as part of the contractor’s contract;

(b) cause the OTP to provide overall policy guidance, technical assistance and supervision support in designing and implementing the area improvement for NMT under Part 2 of the Project; ensure that the Project activities are aligned with Kingdom of Thailand’s policy, and take lead in disseminating and replicating experiences from Chiang Mai to relevant cities in Thailand and Mekong region;

(c) carry out the Project with broad based participation from various local stakeholders, including Chiang Mai University, provincial administration, police authority, and interest groups;

(d) establish, by no later than two months after the Effective Date a Steering and Management Committee (the “SMC”) which shall provide policy guidance for Project implementation; be chaired by the Mayor of Chiang Mai, and comprise a representative of OTP and management level staff of CMM;

(e) establish, by no later than two months after the Effective Date an Implementation, Monitoring and Evaluation Committee (the “IMEC”), which shall bear responsibility for Project implementation, including Project monitoring and evaluation, preparation of Project reports; be chaired by Director of Public Work Bureau;

(f) shall appoint, by no later than three months after the Effective Date, and maintain throughout the period of implementation of the Project, a financial officer, under terms of reference acceptable to the World Bank, for preparing withdrawal applications and supporting statements, as well as managing payments and Project bank accounts;

(g) shall appoint, by no later than three months after the Effective Date, and maintain throughout the period of implementation of Project, a professional accountant, under terms of reference acceptable to the World Bank, to maintain Project records, documentation, and financial reports; and

(h) shall hire by no later than six (6) months after the Effective Date, and thereafter maintain throughout the period of implementation of Project, an experienced and qualified auditor, under terms of reference satisfactory to the World Bank, to carry out annual external audits of Project accounts.
2.04. **Project Monitoring, Reporting and Evaluation.** 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 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.

2.05. **Project Report.**

(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(b)(i) of the Standard Conditions and on the basis of indicators set forth below in sub-paragraph (b) of this paragraph. Each Project Report shall cover the period of 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 performance indicators referred to above in sub-paragraph (a) consist of the following:

- (i) key technical gaps filled in Chiang Mai land use and sustainable urban transport planning process;
- (ii) technical skills acquired by CMM for the planning, design and implementation of NMT improvement; and
- (iii) share of person trips by non-motorized transport within the historical city center of Chiang Mai increased to 10%, from baseline of 4%.

2.06 **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 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 semester, as part of the Project Reports, covering the semester, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements for the Project audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each audit of the Financial Statements shall cover the period of one (1) 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 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 in:

(i) Section I of the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006 and May 2010 (“Procurement Guidelines”), in the case of goods and works;

(ii) Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006 and May 2010 (“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 the Procurement Plan, or the Consultant Guidelines, as the case may be.

(c) **Particular Methods of Procurement of Goods and Works**

(i) Except as otherwise provided in sub-paragraph (ii) below, goods, and works shall be procured under contracts awarded on the basis of National Competitive Bidding for which the e-auction process cannot be applied and will be subject to the following additional procedures:

(A) each bidding opportunity shall be advertised in the national circulation newspaper of the Recipient, and posted in the Recipient’s e-procurement website. In addition, bidders should be given no less than thirty (30) days to prepare their bids;

(B) foreign contractors from World Bank eligible member countries shall be allowed to participate in bidding for contracts under the Project without being compelled to associate with local firms;

(C) explicit bid evaluation criteria shall be clearly stated in the bidding documents;

(D) foreign firms shall not be required prior registration, licensing and/or other governmental authorizations or approvals for the purposes of participating in bidding competitions;
(E) the bid security of all bidders shall be kept by the Executing Agency and returned to the bidders: after awarding the contract to the successful bidder; or at the end of the bid validity period specified in the tender document;

(F) the price escalation factor will not be applied to contracts whose duration is less than 18 months;

(G) transport of imports for the contracts shall not be restricted to Thai vessels only;

(H) the bid validity period shall not exceed 180 days; and

(I) a bidder shall not be required, as a condition of award, to modify the bid as originally submitted.

(ii) The following methods, other than National Competitive Bidding, may be used for procurement of goods and works for those contracts specified in the Procurement Plan: (A) Shopping; and (B) Direct Contracting.

(d) **Particular Methods of Procurement of Consultants' Services**

(i) Except as otherwise provided in sub-paragraph (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) Least Cost Selection; (B) Selection based on Consultants’ Qualifications; and (C) Single Source Selection.

(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 Eligible Expenditures as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, Works, Consultants' Services, Training and Workshops, Study Tours, and Incremental Operating Costs</td>
<td>729,630</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>729,630</td>
<td></td>
</tr>
</tbody>
</table>

For the purposes of this table:

"Incremental Operating Costs" means reasonable expenditures directly related to the Project, incurred by the Recipient (which expenditures would not have been incurred absent the Project), based on an annual budget for such costs approved ex-ante in writing by the World Bank, including expenditures for Project staff travel, lodging and per diem, consumable materials, office supplies, communications services (including postage handling, telephone and internet costs), publication services, translation services, but excluding salaries, bonuses, fees and honoraria of members of the Recipient’s civil service.

"Training and Workshops” means the costs of training in Thailand based on annual work plans and budgets as approved by the World Bank, and attributable to seminars, workshops, and study tours, along with travel and subsistence allowances for training participants, services of trainers, rental of training facilities, preparation and reproduction of training materials, and other activities directly related to course preparation and implementation.

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 July 31, 2013.

**Article IV**  
Recipients’ Representative; Addresses

4.01. **Recipient’s Representative.** The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is the Mayor of Office of Chiang Mai Municipality.

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

Chiang Mai Municipal Office  
Wang Sing Kham Road  
Chiang Mai 50300  
Kingdom of Thailand
Telex: Facsimile:
(66) 053-259-121 (66) 053-876-237

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: Telex: Facsimile:
INTBAFRAD 248423 (MCI) or 1-202-477-6391
Washington, D.C. 64145 (MCI)