Global Environment Facility
Trust Fund Grant Agreement

(Sustainable Land Management Project)

between

KINGDOM OF BHUTAN

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

(acting as an Implementing Agency of the Global Environment Facility)

Dated February 17, 2006
GEF TRUST FUND GRANT NUMBER TF055967-BHU

TRUST FUND GRANT AGREEMENT

AGREEMENT, dated February 17, 2006, between KINGDOM OF BHUTAN (the Recipient) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) acting as an implementing agency of the Global Environment Facility (GEF) in respect of grant funds provided to the GEF Trust Fund by certain members of the Bank as participants of the GEF.

WHEREAS (A) the Bank, pursuant to Resolution No. 91-5 of March 14, 1991, of the Executive Directors of the Bank, established the GEF to assist in the protection of the global environment and promote thereby environmentally sound and sustainable economic development;

(B) following the restructuring of the GEF, such arrangements continued in place on the basis set forth in Resolution No. 94-2 of May 24, 1994, of the Executive Directors of the Bank which, inter alia, established the GEF Trust Fund and appointed the Bank as trustee of the GEF Trust Fund (Resolution 94-2);

(C) the Recipient, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), has requested assistance from the resources of the GEF Trust Fund for funding the Project, and said request having been approved in accordance with the provisions of the Instrument for the Establishment of the Restructured Global Environment Facility approved under Resolution 94-2; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the GEF Trust Fund 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 for Single Currency Loans” of the Bank, dated May 30, 1995, (as amended through May 1, 2004), 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 (2), (3), (4), (5), (6), (7), (8), (14), (15), (16), (18) and (21), 2.02 and 2.03;

(iii) Section 3.01;

(iv) Sections 4.01 and 4.06;
(v) Article V;

(vi) Sections 6.01, 6.02 (a), (c), (d), (e), (f), (i), (l), (m), (n), (o) and (p), 6.03, 6.04 and 6.06;

(vii) Section 8.01 (b);

(viii) Sections 9.01 (a) and (c), 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09;

(ix) Sections 10.01, 10.03 and 10.04;

(x) Article XI; and

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

(i) the term “Bank”, wherever used in the General Conditions, other than in Sections 2.01(6), 6.02(f) and 5.01(a) thereof, means the Bank acting as an implementing agency of the GEF, except that in Section 6.02, the term “Bank” shall also include the Bank 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” and “loan”, wherever used in the General Conditions, means the GEF Trust Fund Grant; the term “Loan Account”, wherever used in the General Conditions, means the GEF Trust Fund Grant Account;

(v) Section 5.08 of the General Conditions is amended to read as follows:

“Section 5.08. Treatment of Taxes

Except as otherwise provided in the GEF Trust Fund Grant Agreement, the proceeds of the GEF Trust Fund Grant may be withdrawn to pay for taxes levied by, or in the territory of, the Recipient on the goods or services to be financed under the GEF Trust Fund Grant, or on their importation, manufacture, procurement or supply. Financing of such taxes is subject to the Bank’s policy of requiring economy and efficiency in the use of the proceeds of its loans. To that end, if the Bank shall at any time determine that the amount of any taxes levied on or in respect of any item to be financed out of the proceeds of the GEF Trust Fund Grant is excessive or otherwise unreasonable, the Bank may, by notice to the Recipient, adjust the percentage for withdrawal set forth or referred
to in respect of such item in the GEF Trust Fund Grant Agreement as required to be consistent with such policy of the Bank.”

(vi) a new subparagraph is added after subparagraph (o) in Section 6.02 of the General Conditions, as follows: “an extraordinary situation shall have arisen in which any further disbursement under the GEF Trust Fund Grant would exceed the resources available for disbursement from the GEF”; and

(vii) the words “corrupt or fraudulent” in paragraph (c) of Section 6.03 are replaced with the words “corrupt, fraudulent, collusive or coercive”.

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions and in the Recitals to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) “Development Plans” means the Ninth Five Year Plan (as hereinafter defined), Tenth Five Year Plan (as hereinafter defined) and Eleventh Five Year Plan (as hereinafter defined), collectively;

(b) “Dzongkhag” means a district administrated under the Recipient’s Dzongkhag Yargye Tshogchung Chathrim;

(c) “Eleventh Five Year Plan” means the Recipient’s Eleventh Five-Year Plan for socio-economic development;

(d) “Eligible Category” means the Category set forth in the table in Part A.1 of Schedule 1 to this Agreement;

(e) “Eligible Expenditures” means the expenditures for goods, works and services referred to in Section 2.02 of this Agreement;

(f) “Environmental Management Framework” means the framework dated March 24, 2005, prepared by the Recipient satisfactory to the Bank, including any amendments to such framework as may be agreed between the Bank and the Recipient, including, inter alia: (i) the identification and assessment of the potential environmental impact of activities to be carried out under the Project; and (ii) an evaluation of alternative measures to mitigate the Project’s possible adverse impact on the environment, consisting of process guidelines for the management of environmental aspects under the Project, and which includes mitigation measures in respect of pest management and forests issues;

(g) “Financial Monitoring Report” or “FMR” means each report prepared in accordance with Section 4.02 of this Agreement;

(h) “Financial Rules and Regulations” means the Recipient’s Financial Rules and Regulations (dated July 2001), as amended to the date of this agreement, satisfactory to the Bank, containing policies and procedures relating to budgeting, accounting, financial management and procurement;
(i) “Fiscal Year” means the fiscal year of the Recipient beginning on July 1 of a
calendar year and ending on June 30 of the following calendar year;

(j) “Geogs” means administrative units within Dzongkhags administrated under the
Recipient’s Geog Yargye Tshogchung Chathrim;

(k) “MOA” means the Recipient’s Ministry of Agriculture or any successor entity
thereto;

(l) “Ninth Five Year Plan” means the Recipient’s Ninth Five-Year Plan for socio-
economic development;

(m) “Operational Manual” means the Recipient’s Operational Manual dated
November 22, 2005, satisfactory and acceptable to the Bank, including any amendments made to
such plan, from time to time, satisfactory to the Bank, that sets forth the investment plan for
carrying out the Project activities;

(n) “Process Framework” means the framework submitted by the Recipient in
March 2005, satisfactory to the Bank, including any amendments to such framework as may be
agreed between the Bank and the Recipient setting forth a process by which members of local
communities participate in designing, planning and implementing of SLM (as hereinafter defined)
practices;

(o) “Procurement Plan” means the Recipient’s procurement plan, dated
November 22, 2005, covering the initial eighteen (18) month period of Project implementation,
and as the same shall be updated from time to time in accordance with the provisions of Section
3.02 to this Agreement, to cover succeeding eighteen (18) month periods (or longer) of Project
implementation;

(p) “PMT” means the Project Management Team established within MOA for
assisting in carrying out the Project;

(q) “SLM” means the sustainable land management practices under the Project; and

(r) “Tenth Five Year Plan” means the Recipient’s Tenth Five-Year Plan for socio-
economic development.

ARTICLE II

The GEF Trust Fund Grant

Section 2.01. The Bank agrees to make available to the Recipient, on the terms and
conditions set forth or referred to in this Agreement, the GEF Trust Fund Grant in an amount
equal to seven million six hundred sixty thousand Dollars ($7,660,000).

Section 2.02. The amount of the GEF Trust Fund Grant may be withdrawn from the GEF
Trust Fund Grant Account in accordance with the provisions of Schedule 1 to this Agreement for
expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of
goods, works and services required for the Project and to be financed out of the proceeds of the GEF Trust Fund Grant.

Section 2.03. The Closing Date shall be December 31, 2012, or such later date as the Bank shall establish. The Bank shall promptly notify the Recipient of such later date.

ARTICLE III

Execution of the Project

Section 3.01. (a) 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 through MOA with due diligence and efficiency and in conformity with appropriate administrative, financial and technical 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.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Recipient and the Bank shall otherwise agree, the Recipient shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. (a) Except as the Bank shall otherwise agree, procurement of the goods, works and services required for the Project and to be financed out of the proceeds of the GEF Trust Fund Grant shall be governed by the provisions of Schedule 3 to this Agreement, as said provisions may be further elaborated in the Procurement Plan.

(b) The Recipient shall update the Procurement Plan in accordance with guidelines acceptable to the Bank, and furnish such update to the Bank not later than twelve (12) months after the date of the preceding Procurement Plan, for the Bank’s approval.

Section 3.03. For the purposes of Section 9.08 of the General Conditions and without limitation thereto, the Recipient shall:

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Recipient and the Bank, a plan for the future operation of the Project; and

(b) afford the Bank a reasonable opportunity to exchange views with the Recipient on said plan.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Recipient shall maintain a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied
accounting standards acceptable to the Bank, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Recipient shall:

(i) have the financial statements referred to in paragraph (a) of this Section for each Fiscal Year (or other period agreed to by the Bank) audited, in accordance with consistently applied auditing standards acceptable to the Bank, by independent auditors acceptable to the Bank;

(ii) furnish to the Bank as soon as available, but in any case not later than six (6) months after the end of each such year (or such other period agreed to by the Bank): (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Bank), as so audited; and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Bank; and

(iii) furnish to the Bank such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Bank may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the GEF Trust Fund Grant Account were made on the basis of statements of expenditure or on the basis of Report-Based Disbursements, the Recipient shall:

(i) retain until at least one (1) year after the Bank has received the audit report for, or covering, the fiscal year in which the last withdrawal from the GEF Trust Fund Grant Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(ii) enable the Bank’s representatives to examine such records; and

(iii) ensure that such reports and statements of expenditure are included in the audit for each fiscal year (or other period agreed to by the Bank), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Recipient’s progress reporting obligations set out in paragraph 3 of Schedule 4, the Recipient shall prepare and furnish to the Bank a Financial Monitoring Report, in form and substance satisfactory to the Bank, which:

(i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the GEF Trust Fund Grant, and explains variances between the actual and planned uses of such funds; and

(ii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.
(b) The first FMR shall be furnished to the Bank not later than forty five (45) days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Bank not later than forty five (45) days after each subsequent calendar quarter, and shall cover such calendar quarter.

ARTICLE V

Effectiveness, Termination

Section 5.01. This Agreement shall become effective upon its execution by the parties.

Section 5.02. This Agreement shall continue in effect until the GEF Trust Fund Grant has been fully disbursed and the parties to this Agreement have fulfilled all their obligations hereunder.

ARTICLE VI

Representative of the Recipient; Addresses

Section 6.01. The Minister of Finance of the Recipient is designated as representative of the Recipient for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Recipient:

Ministry of Finance
Tashichhodzong
Thimphu, Kingdom of Bhutan

Cable address: Ministry of Finance
Telex: 890-201
Facsimile: 323154

For the Bank:

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

Cable address: INDEVAS
Telex: 248423 (MCI) or 64145 (MCI)
Facsimile: (202) 477-6391
IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Palais des Nations, Geneva, as of the day and year first above written.

KINGDOM OF BHUTAN

By /s/ Lyonpo Wangdi Norbu

Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
(as an Implementing Agency of the Global Environment Facility)

By /s/ Alastair J. McKechnie

Authorized Representative
SCHEDULE 1

Withdrawal of the Proceeds of the GEF Trust Fund Grant

A. General

1. The table below sets forth the Category of items to be financed out of the proceeds of the GEF Trust Fund Grant, the allocation of the amounts of the GEF Trust Fund Grant to such Category and the percentage of expenditures for items so to be financed in such Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the GEF Trust Fund Grant Allocated (Expressed in Dollars)</th>
<th>% of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods, works, non-consultants’ services, consultants’ services, incremental operating costs, and training and workshops</td>
<td>7,660,000</td>
<td>100%</td>
</tr>
</tbody>
</table>

TOTAL: 7,660,000

2. For the purposes of this Schedule, the term “incremental operating costs” means hiring of vehicles, vehicle maintenance, fuel, insurance, supervision field visits (travel and per diem), office rental, office supplies, utilities, subscription of technical journals, advertisement costs, and communications expenses, including internet connections.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of twenty thousand dollars ($20,000) may be made on account of payments made for expenditures before that date but after January 1, 2006.

4. The Bank may require withdrawals from the GEF Trust Fund Grant Account to be made on the basis of statements of expenditure for expenditures under contracts for: (a) works costing less than $500,000 equivalent per contract; (b) non-consultants’ services costing less than $500,000 equivalent per contract; (c) goods costing less than $200,000 equivalent per contract; (d) services of individual consultants costing less than $50,000 equivalent per contract; (e) services of consulting firms under contracts costing less than $100,000 equivalent per contract; (f) training and workshops; and (g) incremental operating costs, all under such terms and conditions as the Bank shall specify by notice to the Recipient.

5. The Recipient may request withdrawals from the GEF Trust Fund Grant Account to be made on the basis of reports to be submitted to the Bank in form and substance satisfactory to the Bank, such reports to include the FMR and any other information as the Bank shall specify by
notice to the Recipient (Report-based Disbursements). In the case of the first such request
submitted to the Bank before any withdrawal has been made from the GEF Trust Fund Grant
Account, the Recipient shall submit to the Bank only a statement with the projected sources and
applications of funds for the Project for the six-month period following the date of such request.

B. Special Account

1. The Recipient may open and maintain in Dollars a special deposit account in the Royal
Monetary Authority on terms and conditions satisfactory to the Bank, including appropriate
protection against set-off, seizure and attachment.

2. After the Bank has received evidence satisfactory to it that the Special Account has been
opened, withdrawals from the GEF Trust Fund Grant Account of amounts to be deposited into the
Special Account shall be made as follows:

   (a) if the Recipient is not making Report-based Disbursements, withdrawals shall be
       made in accordance with the provisions of Annex A to this Schedule 1; and

   (b) if the Recipient is making Report-based Disbursements, withdrawals shall be
       made in accordance with the provisions of Annex B to this Schedule 1.

3. Payments out of the Special Account shall be made exclusively for Eligible Expenditures.
For each payment made by the Recipient out of the Special Account, the Recipient shall, at such
time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence
showing that such payment was made exclusively for Eligible Expenditures.

4. Notwithstanding the provisions of Part B.2 of this Schedule, the Bank shall not be
required to make further deposits into the Special Account:

   (a) if the Bank, at any time, is not satisfied that the reports referred to in Part A.5 of
       this Schedule 1 adequately provide the information required for Report-based Disbursements;

   (b) if the Bank determines at any time that all further withdrawals for payment of
       Eligible Expenditures should be made by the Recipient directly from the GEF Trust Fund Grant
       Account; or

   (c) if the Recipient shall have failed to furnish to the Bank, 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 Bank pursuant to said Section in respect of the audit of: (A) the records and
       accounts for the Special Account; or (B) the records and accounts reflecting expenditures with
       respect to which withdrawals were Report-based Disbursements or were made on the basis of
       statements of expenditure, as the case may be.

5. The Bank shall not be required to make further deposits into the Special Account in
accordance with the provisions of Part B.2 of this Schedule if, at any time, the Bank 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 GEF Trust Fund Grant Account pursuant to Section 6.02 of the
General Conditions. Upon such notification, the Bank shall determine, in its sole discretion,
whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Recipient of its determination.

6. (a) If the Bank determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Bank, the Recipient shall, promptly upon notice from the Bank, provide such additional evidence as the Bank may request, or deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment. Unless the Bank shall otherwise agree, no further deposit by the Bank 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 Bank determines at any time that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, the Recipient shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Recipient may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Bank made pursuant to subparagraph (a), (b) or (c) of this paragraph 6 shall be credited to the GEF Trust Fund Grant Account for subsequent withdrawal or for cancellation in accordance with the provisions of the GEF Trust Fund Grant Agreement.
Annex A  
to  
SCHEDULE 1  

Operation of Special Account  
When Withdrawals Are Not  
Report-based Disbursements  

1. For the purposes of this Annex, the term “Authorized Allocation” means the amount of $500,000 to be withdrawn from the GEF Trust Fund Grant Account and deposited into the Special Account pursuant to paragraph 2 of this Annex. 

2. 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 Bank a request or requests for deposit into the Special Account of an amount or amounts which in the aggregate do not exceed the Authorized Allocation. On the basis of each such request, the Bank shall, on behalf of the Recipient, withdraw from the GEF Trust Fund Grant Account and deposit into the Special Account such amount as the Recipient shall have requested. 

   (b) For replenishment of the Special Account, the Recipient shall furnish to the Bank requests for deposit into the Special Account at such intervals as the Bank shall specify. Prior to or at the time of each such request, the Recipient shall furnish to the Bank the documents and other evidence required pursuant to Part B.3 of Schedule 1 to this Agreement for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Recipient, withdraw from the GEF Trust Fund 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. Each such deposit into the Special Account shall be withdrawn by the Bank from the GEF Trust Fund Grant Account under one or more of the Eligible Categories. 

3. The Bank shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the GEF Trust Fund Grant minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the GEF Trust Fund Grant Account of the remaining unwithdrawn amount of the GEF Trust Fund Grant shall follow such procedures as the Bank shall specify by notice to the Recipient. Such further withdrawals shall be made only after and to the extent that the Bank 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.
Annex B
to
SCHEDULE 1

Operation of Special Account
When Withdrawals Are
Report-based Disbursements

1. Withdrawals from the GEF Trust Fund Grant Account shall be deposited by the Bank into the Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Special Account shall be withdrawn by the Bank from the GEF Trust Fund Grant Account under one or more of the Eligible Categories.

2. Upon receipt of each application for withdrawal of an amount of the GEF Trust Fund Grant, the Bank shall, on behalf of the Recipient, withdraw from the GEF Trust Fund Grant Account and deposit into the Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Bank has determined, based on the reports referred to in Part A.5 of this Schedule 1 applicable to such withdrawal application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such reports.
SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Recipient in strengthening institutional and community capacity to anticipate and manage land degradation.

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

Part A: Pilot Projects to Demonstrate Effective Application of Land Degradation Prevention Approaches

Carrying out of pilot projects in three (3) selected Geogs to support: (a) the developing of GIS-based biophysical and socio-economic mapping, including identifying of hot-spots for degradation, and assessing of the incentives in farming practices; (b) the community decision-making and prioritization of potential SLM interventions at the village level, including preparation and implementation of village investment plans; (c) the monitoring system to validate SLM related investment; (d) the provision of training to Geog staff and selected communities to plan and implement sustainable land management activities in a multi-sectoral manner; and (e) the carrying out of national and regional level workshops to disseminate lessons learned from such pilot projects.

Part B: Mainstreaming of Practices for Protection against Land Degradation

Mainstreaming the practices for protection against land degradation in six (6) Geogs, in addition to the Geogs in Part A above, through: (a) the replication of SLM approaches; (b) the carrying out of coordination and participatory planning at the Dzongkhag level to integrate the cross sectoral impacts of development, including non-renewable natural resource sectors; (c) the resolving of inter-Dzonkhag and inter-sectoral conflicts over land use; and (d) the capacity building in, inter alia, research and awareness, geographic information systems and databases, to support replication of SLM approaches in other parts of the Recipient country.

Part C: Policy Support and Guidance for Mainstreaming Land Degradation Prevention Practices

Provision of policy support to mainstream SLM approaches in: (a) the Development Plans; (b) the Dzongkhags’ and Geogs’ five-year and annual development planning processes; (c) the integration of SLM principles into sector level policies and legislation; and (d) the local level resource management regulatory systems at the village and Geog levels.
Part D: National Level Support for Coordination of Implementation of Land Degradation
Prevention Practices

Capacity building of MOA and other relevant sector agencies for coordination and implementation of SLM approaches through the provision of operational support, equipment and information management systems, including supporting existing capacity and systems for financial management and procurement.

* * *

The Project is expected to be completed by June 30, 2012.
SCHEDULE 3

Procurement

Section I. General

A. All goods, works and services (other than consultants’ services) shall be procured in accordance with the provisions of Section I of the “Guidelines: Procurement under IBRD Loans and IDA Credits” dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants’ services shall be procured in accordance with Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Recipients” dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Bank of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

Section II. Particular Methods of Procurement of Goods, Works and Services (other than Consultants’ Services)

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Recipient and works to be carried out by domestic contractors.

B. Other Procurement Procedures

1. National Competitive Bidding. Goods estimated to cost less than $200,000 equivalent per contract and works estimated to cost less than $500,000 equivalent per contract, may be procured under contracts awarded on the basis of National Competitive Bidding and the following additional provisions:

   (i) invitations to bid shall be advertised in at least one widely circulated national newspaper, at least thirty (30) days prior to the deadline for the submission of bids;

   (ii) bid documents shall be made available, by mail or in person, to all who are willing to pay the required fee;

   (iii) evaluation of bids shall be made in strict adherence to the criteria disclosed in the bidding documents, in a format and specified period agreed with the Bank;

   (iv) bids shall be opened in public in one place, immediately after the deadline for submission of bids;
(v) foreign bidders shall not be precluded from bidding and no preference of any kind shall be given to national bidders;

(vi) qualification criteria (in case pre-qualifications were not carried out) shall be stated in the bidding documents, and if a registration process is required, a foreign firm declared as the lowest evaluated bidder shall be given a reasonable opportunity of registering, without let or hindrance;

(vii) contracts shall be awarded to the lowest evaluated bidders;

(viii) post-bidding negotiations shall not be allowed with the lowest evaluated bidders or any other bidders;

(ix) bids shall not be rejected merely on the basis of a comparison with an official estimate without the prior concurrence of the Bank;

(x) contracts shall not be awarded on the basis of nationally negotiated rates;

(xi) re-bidding shall not be carried out without the prior concurrence of the Bank;

(xii) all bidders/contractors shall provide bid/performance security as indicated in the bidding/contract documents;

(xiii) a bidder’s bid security shall apply only to a specific bid, and a contractor’s performance security shall apply only to the specific contract under which it was furnished;

(xiv) split award or lottery in award of contracts shall not be carried out. When two or more bidders quote the same lowest price, an investigation shall be made to determine any evidence of collusion, following which:

(A) if collusion is determined, the parties involved shall be disqualified and the award shall then be made to the next lowest evaluated and qualified bidder; and

(B) if no evidence of collusion can be confirmed, then fresh bids shall be invited after receiving the concurrence of the Bank.

(xv) extension of bid validity shall not be allowed without the prior concurrence of the Bank: (i) for the first request for extension if it is longer than four (4) weeks; and (ii) for all subsequent requests for extension irrespective of the period;

(xvi) bids shall not be invited on the basis of percentage premium or discount over the estimated cost; and

(xvii) there shall not be any restrictions on the means of submission of the bids.

2. **Shopping.** Goods and works estimated to cost less than $30,000 equivalent per contract may be procured under contracts awarded on the basis of Shopping.
3. **Direct Contracting.** Goods and works which the Bank agrees meet the requirements for Direct Contracting may be procured in accordance with the provisions of said procurement method.

**Section III. Particular Methods of Procurement of Consultants’ Services**

A. **Quality- and Cost-based Selection.** Except as otherwise provided in Part B of this Section, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than $200,000 equivalent per contract may comprise entirely national consultants.

B. **Other Procedures**

1. **Least-cost Selection.** Services for assignments which the Bank agrees meet the requirements of paragraph 3.6 of the Consultant Guidelines may be procured under contracts awarded on the basis of Least-cost Selection in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. **Selection Based on Consultants’ Qualifications.** Services estimated to cost less than $200,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

3. **Single Source Selection.** Services for tasks in circumstances which meet the requirements of paragraph 3.10 of the Consultant Guidelines for Single Source Selection, may, with the Bank’s prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.

4. **Individual Consultants.** Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis.

**Section IV. Review by the Bank of Procurement Decisions**

1. Except as the Bank shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the Bank:

   (a) each contract for goods estimated to cost the equivalent of $200,000 or more, procured on the basis of International Competitive Bidding;

   (b) each contract for works estimated to cost the equivalent of $500,000 or more, procured on the basis of International Competitive Bidding;

   (c) each contract for non-consultants’ services estimated to cost the equivalent of $500,000 or more, procured on the basis of International Competitive Bidding;
(d) each contract for goods and works regardless of value procured on the basis of Direct Contracting;

(e) each contract for consultants’ services: (i) estimated to cost the equivalent of $100,000 or more and provided by a firm; or (ii) estimated to cost the equivalent of $50,000 or more and provided by an individual consultant; and

(f) each contract for consultants’ services procured on a single source basis.

2. All other contracts shall be subject to Post Review by the Bank.
SCHEDULE 4

Implementation Program

1. The Recipient shall:
   (a) implement the Project in accordance with the Operational Manual and the Financial Rules and Regulations agreed with the Bank, and except as the Bank shall otherwise agree, the Recipient shall not amend or waive any provision thereof if, in the opinion of the Bank, such amendment or waiver may materially and adversely affect the implementation of the Project;
   
   (b) implement in a manner satisfactory to the Bank, the environmental mitigation, monitoring and other measures set forth in the Environmental Management Framework in accordance with the objectives, policies, procedures, time schedule and other provisions set forth therein, and shall not take or permit to be taken any action which would prevent or interfere with such implementation;
   
   (c) implement in a manner satisfactory to the Bank, the participation process for local communities to carry out SLM activities set forth in the Process Framework, and except as the Bank shall otherwise agree, the Recipient shall not amend or waive any provision thereof if, in the opinion of the Bank, such amendment or waiver may materially and adversely affect the implementation of the Project.

2. The Recipient shall:
   (a) maintain a PMT, within MOA, for the overall coordination and management of the Project, and ensure that the PMT is adequately staffed with individuals having qualifications and experience satisfactory to the Bank (including a project director, project manager, and accountant) throughout the implementation of the Project; and
   
   (b) ensure that SLM coordinators, suitably qualified and experienced and acceptable to the Bank, shall be assigned to each of the three (3) pilot Geogs for the first three years of the implementation of the Project.

3. The Recipient shall:
   (a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Bank, the carrying out of the Project and the achievement of the objectives thereof;
   
   (b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about December 31, 2007, a first report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date;
(c) review with the Bank, by March 31, 2008, or such later date as the Bank shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank’s views on the matter.

(d) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about December 31, 2009, a second report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(e) review with the Bank, by March 31, 2010, or such later date as the Bank shall request, the report referred to in paragraph (d) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank’s views on the matter.