

CONFORMED COPY

GET GRANT NUMBER 28602 BH

(Environmental Conservation Trust Fund Project)

between

KINGDOM OF BHUTAN

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

acting as Trustee of the Global Environment
Trust Fund

Dated May 22, 1992

GET GRANT NUMBER 28602 BH

GLOBAL ENVIRONMENT TRUST FUND GRANT AGREEMENT

AGREEMENT, dated May 22, 1992, between KINGDOM OF BHUTAN (the Recipient) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT acting as Trustee of grant funds provided by Participants of the Global Environment Facility into the Global Environment Trust Fund (GET) (the Trustee).

WHEREAS (A) the International Bank for Reconstruction and Development (the Bank) pursuant to Resolution No. 91-5 of March 14, 1991, of the Executive Directors of the Bank (the Resolution), established the Global Environment Facility consisting of the GET, Cofinancing Arrangements with the GET and the Ozone Projects Trust Fund, to assist in the protection of the global environment and promote thereby environmentally sound and sustainable economic development;

WHEREAS (B) certain members of the Bank and Switzerland (the Participants) have provided resources by way of grant into the GET and the Participants have requested and the Bank has agreed, to administer such grant funds as Trustee, for the purposes of, and in accordance with, provisions of the Resolution;

WHEREAS (C) the Recipient has agreed to cooperate with the United Nations Development Programme (UNDP) and the World Wildlife Fund and the Conservation

Foundation, now known as the World Wildlife Fund, Inc. (WWF), through a Trust Fund for Environmental Conservation in Bhutan (BTF), to identify appropriate activities to be carried out under the Recipient's program for environmental conservation of its extensive forest cover and abundant biodiversity (the Program) and to raise the necessary financial resources for their implementation;

WHEREAS (D) the Recipient, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested assistance from the resources of the GET in the financing of the Project, and the Trustee has determined that such assistance would be in accordance with the provisions of the Resolution;

WHEREAS (E) certain other donors (the Other Donors) intend to provide assistance in the financing of the Project in an aggregate amount equivalent to at least two million dollars (\$2,000,000) (the Other Contributions); and

WHEREAS the Trustee has agreed, on the basis, inter alia, of the foregoing, to extend the GET Grant to the Recipient in two tranches 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 of the Bank, dated January 1, 1985, 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 (1), (2), (3), (4), (6), (8), (9), (10), (11), (15), (18) and (20), 2.02 and 2.03;
- (iii) Section 3.01;
- (iv) Section 4.01 and the first sentence of Section 4.09;
- (v) Article V;
- (vi) Sections 6.01, 6.02 (c), (d), (e), (f), (i) and (k), 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
- (xi) Section 12.04.

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

- (i) a new paragraph shall be added to the end of Section 2.01 to read as follows: "the term "Special Drawing Rights" and the symbol "SDR" mean special drawing rights as valued by the International Monetary Fund in accordance with its Articles of Agreement";
- (ii) the term "Bank", wherever used in the General Conditions, other than in Sections 2.01 (8) and 6.02 (f) thereof and the last use of such term in Section 5.01 thereof, means the Trustee except that in Section 6.02, the term "Bank" shall also include the International Bank for Reconstruction and Development acting in its own capacity;
- (iii) the term "Borrower", wherever used in the General Conditions, means the Recipient;

- (iv) the term "Loan Agreement", wherever used in the General Conditions, means this Agreement;
- (v) the term "Loan" and "loan" wherever used in the General Conditions, means the GET Grant; and
- (vi) the term "Loan Account" wherever used in the General Conditions, means the GET Grant Account.

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) "DOF" means the Department of Forestry of the Recipient;
- (b) "WLD" means the Wildlife Division of DOF;
- (c) "NCD" means the Nature Conservation Division of DOF to be established under Part A.1 of the Program;
- (d) "BFI" means the Bhutan Forestry Institute;
- (e) "MOU" means the Memorandum of Understanding, dated March 6, 1991, among the Recipient, WWF and UNDP for establishing BTF;
- (f) "MB" means the Management Board of BTF;
- (g) "PC" means the Program Coordinator referred to in paragraph 3 of Schedule 4 to this Agreement;
- (h) "NGO" means a Non-Governmental Organization;
- (i) "GIS" means Geographic Information System;
- (j) "Guidelines" means the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985; and
- (k) "FY" or "fiscal year" means the Recipient's fiscal year covering the period July 1 through June 30 of each year.

ARTICLE II

The GET Grant

Section 2.01. The Trustee agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, the GET Grant in an amount in various currencies equivalent to seven million three hundred thousand Special Drawing Rights (SDR 7,300,000).

Section 2.02. The amount of the GET Grant may be withdrawn from the GET Grant Account in accordance with the provisions of Schedule 1 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 1997 or such later date as the Trustee shall establish. The Trustee 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 with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and social 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 Trustee 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. The Recipient shall make the proceeds of the GET Grant available to BTF for use by BTF for the purposes of the Program in accordance with, and subject to, the terms and conditions approved by the Trustee, including those set forth in MOU.

Section 3.03. Except as the Trustee shall otherwise agree, procurement of the goods and works required for the Program and to be financed out of the funds provided by BTF shall be governed by the provisions of Schedule 3 to this Agreement.

ARTICLE IV

Financial and Other Covenants

Section 4.01. (a) The Recipient shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Program of the departments or agencies of the Recipient responsible for carrying out the Program or any part thereof.

(b) The Recipient shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Trustee;
- (ii) furnish to the Trustee as soon as available, but in any case not later than six months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Trustee shall have reasonably requested; and
- (iii) furnish to the Trustee such other information concerning said records and accounts and the audit thereof as the Trustee shall from time to time reasonably request.

(c) The Recipient shall also furnish to the Trustee as soon as available the report of audit of the records and accounts maintained by BTF for each fiscal year.

Section 4.02. (a) The Recipient and the Trustee shall from time to time, at the request of either party, exchange views on the progress achieved in carrying out the Program and the actions specified in Schedule 5 to this Agreement.

(b) Prior to each such exchange of views, the Recipient shall furnish to the Trustee for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Trustee shall reasonably request.

ARTICLE V

Remedies of the Trustee

Section 5.01. Pursuant to Section 6.02 (k) of the General Conditions, the following additional event is specified, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

ARTICLE VI

Effectiveness; Termination

Section 6.01. The following events are specified as conditions to the effectiveness of the GET Grant Agreement:

(a) the MOU has been amended so as to provide for (i) BTF to become effective upon donor contributions thereto reaching the equivalent of \$9,000,000 in the aggregate, and (ii) the principal of BTF to be invaded so long as the value thereof does not fall below the equivalent of \$8,500,000;

(b) the Other Contributions have been received by BTF;

(c) PC has been appointed, has entered upon his or her duties and has been provided an office in DOF staffed with a secretary and a part-time accountant; and

(d) the upgrading of WLD into an NCD under Part A.1 of the Program has been completed, including the appointment therein of a Joint Director as head, two additional professional staff and one support staff.

Section 6.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 6.03. This Agreement shall continue in effect until the GET Grant has been fully disbursed and the parties to this Agreement have fulfilled all their obligations hereunder.

ARTICLE VII

Representative of the Recipient; Addresses

Section 7.01. 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 7.02. 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
THIMPHU, BHUTAN

Telex:

890-201

For the Trustee:

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

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

197688 (TRT),
248423 (RCA),
64145 (WUI) or
82987 (FTCC)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

KINGDOM OF BHUTAN

By /s/ Dasho Sangay Ngedup

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT as Trustee of
the Global Environment Trust Fund

By /s/ Jochen Kraske

SCHEDULE 1

Withdrawal of the Proceeds of the GET Grant

1. Subject to the provisions set forth or referred to in this Schedule, the proceeds of the GET Grant may be withdrawn from the GET Grant Account for expenditures to be made in respect of the contributions required to be made to BTF for the execution of the Program and to be financed out of such proceeds.
2. No withdrawal shall be made and no commitment shall be entered into to pay amounts to or on the order of the Recipient in respect of expenditures to be financed out of the proceeds of the GET Grant after the aggregate of the proceeds of the GET Grant withdrawn from the GET Grant Account and the total amount of such commitments shall have reached the equivalent of \$7,000,000, unless the Trustee shall be satisfied, after an exchange of views as described in Section 4.02 of this Agreement based on evidence satisfactory to the Trustee: (a) with the progress achieved by the Recipient in the carrying out of the Program, and (b) that the actions described in Schedule 5 to this Agreement have been taken.
3. If, after the exchange of views described in paragraph 2 above, the Trustee shall have given notice to the Recipient that the progress achieved and actions taken are not satisfactory and, within 90 days after such notice, the Recipient shall not have achieved progress and taken actions satisfactory to the Trustee, then the Trustee may, by notice to the Recipient, cancel the unwithdrawn amount of the GET Grant or any part thereof.
4. If the Trustee shall have determined at any time that any payment made from the GET Grant Account was used for any expenditure not consistent with the provisions of this Agreement, the Recipient shall, promptly upon notice from the Trustee, refund to the Trustee for deposit into the GET Grant Account, an amount equal to the amount so used or the portion thereof as specified by the Trustee.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Recipient: (a) in initiating a comprehensive nation-wide environmental conservation program, and, to that end, (b) in testing the feasibility of the trust fund as a mechanism for providing long-term and sustainable support for conservation of biological diversity.

The Project consists of the provision of financing for BTF which would, in turn, finance the Program consisting, inter alia, of the following parts, subject to such modifications thereof or additions thereto as the Recipient and the Trustee may agree upon from time to time to achieve such objectives:

Part A: Institution Building and Human Resource Development

1. Reorganization and upgrading of DOF's Wildlife Division (WLD) into a Nature Conservation Division (NCD), headed by a Joint Director and comprising initially an Inventory and Management Planning Unit (IMPU) and an Extension Education Unit (ECU) at headquarters, and a Deputy Director in charge in each protected area under NCD's management.
2. Strengthening of DOF's data collection, storage, and monitoring capability to incorporate biological diversity parameters, through the establishment within DOF's Forest Management Division (FMD) of a digitized Geographic Information System (GIS), based on additional equipment, including computers, digitizer, scanners and related software, where needed, and provision of short-term training to existing staff and overseas training to new staff in photo interpretation and GIS database development.
3. Provision of support to BFI to enable it to: (a) revise its curriculum to incorporate subjects such as wildlife conservation, protected areas management, and community relations; (b) give, in addition to the training it traditionally gives to forest guards, short-term refresher courses to high-level staff, including Deputy Directors, District Forest Officers and foresters, on specific technical subjects such as park management, ecology, wildlife, silviculture, extension, buffer zone management, and survey and inventory methodologies; and (c) assist its trainers in developing pedagogic skills through (i) training in such subjects as speaking and

presentational skills, and the use of teaching aids, including video equipment, and (ii) attendance, either in-country or, in some cases, within the Asia region or overseas, at short-courses, seminars and workshops on conservation and park management.

Part B: Establishment of a National System of Protected Areas

Establishment of a new national system of protected areas (including national parks, wildlife sanctuaries and forest reserves), based on major revisions to the existing system both in terms of area and biological diversity, and including the carrying out of surveys and inventories, development of categories of protection and procedures for official gazetting and approval of protected areas, official gazetting initially of four priority areas and the preparation, in consultation with local communities and government officials, of a detailed management plan for one gazetted area (under Part D of the Program) for possible replication for other gazetted areas.

Part C: Management of Certain Existing Protected Areas

1. Royal Manas National Park. Carrying out of a program, based initially on a demonstration project involving a local community, for the protection of park areas against incursions from humans and domestic animals, including the conducting of study tours of the park areas to inculcate in local community elders a sense of conservation; the taking of measures which would, in exchange for the local communities' commitment to conservation, help promote their interests, such as the carrying out of community reforestation programs based on valuable tree species, the introduction into farming systems of crops or activities less prone to damage by wildlife and the provision, where necessary, of suitable facilities to protect community areas against incursions from wildlife; and the improvement of park infrastructure and provision of additional staff, training, inventories and research facilities.

2. Jigme Dorji Wildlife Sanctuary. Carrying out of a program, similar to that for the Royal Manas National Park set forth in Part C.1 of the Program, based initially on a demonstration project involving local communities, for the protection of park areas against incursions from humans and domestic animals, in priority areas which could include Chomolhari, Lingshi and Gasa/Laya, including the improvement of park infrastructure and provision of additional staff, training, inventories and research facilities.

Part D: Development of a New Protected Area (The Black Mountain)

Official gazetting and approval of The Black Mountain or another area as a new protected area and the preparation of a detailed management plan, in consultation with the local communities and government officials, staff recruitment and training and the construction of park infrastructure therefor.

* * *

The Project is expected to be completed by December 31, 1997.

SCHEDULE 3

Procurement of Good and Works

1. Vehicles and survey and GIS equipment shall be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers from at least three different countries eligible under the Guidelines, in accordance with procedures acceptable to the Trustee.

2. Other goods may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Trustee.

3. Civil works may be carried out on a force account basis in accordance with, and subject to, the provisions of paragraph 3.6 of the Guidelines.

SCHEDULE 4

Implementation Program

A. Project Implementation

1. Department of Forestry. DOF shall be responsible for the day-to-day implementation of the Program. Such responsibility shall be exercised primarily through NCD as established under Part A.1 of the Program, with other government departments and agencies and NGOs participating as necessary.

2. BTF Management Board. (a) MB shall, with respect to the Program, be responsible, subject to the provisions of MOU, for: (i) providing policy and program guidance; (ii) approving the annual work program and budget; (iii) providing annual expenditure estimates to UNDP to facilitate the timely release of funds; (iv) appointing the Program Coordinator (PC) referred to in paragraph 3 of this Schedule; and (v) reviewing the PC's status reports on the progress of activities under the Program and its financial position.

(b) MB shall initially consist of five members, three nominated by the Recipient, one of whom shall be chairman, and one each nominated by UNDP and WWF.

(c) MB shall meet at least once a year and its decisions shall require the votes of at least four out of its five members in favor. Reports of MB's decisions and proceedings shall be furnished to the Trustee.

3. Program Coordinator. (a) A Program Coordinator (PC) shall be appointed, through MB, with qualifications, experience and terms and conditions of employment satisfactory to the Trustee.

(b) PC, who shall be located in NCD, shall be responsible, inter alia, for: (i) day-to-day coordination of Program activities to be carried out by DOF and other agencies and departments of the Recipient or NGOs, as the case may be; (ii) preparation of Program proposals for funding by BTF; (iii) oversight of Program implementation, reporting and evaluation activities; (iv) reporting to MB on the status of Program activities; and (v) liaison and coordination between MB, on the one hand, and the Recipient's departments and agencies responsible for the carrying out of the Program, BTF donors and UNDP, on the other hand.

4. Consultants. The Recipient shall, not later than December 31, 1992, enter into arrangements with the Other Donors for the employment and financing from resources other than those of BTF of expatriate consultants required for the purposes of the surveys and inventories to be carried out under Part B of the Program.

B. Annual Work Program

5. The Recipient shall furnish to the Trustee, for its review and comment, each annual work program prepared by PC for the Program, prior to such work program being presented to MB for its approval.

C. Progress Reports

6. The Recipient shall furnish to the Trustee, not later than September 30 of each year, annual progress reports, in form and substance satisfactory to the Trustee, on the carrying out of the Program.

D. Mid-Term Review

7. The Recipient shall, jointly with the Trustee, UNDP and the United Nations Environment Programme (UNEP) and not later than June 30, 1995, carry out a mid-term review of the Program, and shall, on the basis thereof, propose to MB any adjustments as may be warranted in the Program activities and the related organizational and operational arrangements.

SCHEDULE 5

Actions Referred to in Paragraph 2(b) of Schedule 1 to this Agreement

1. NCD has been provided a full complement of staff consisting of 10 at headquarters and 117 in the field stations.

2. BFI's curriculum has been upgraded, to the satisfaction of the Trustee, with increased emphasis on wildlife, protected areas management and community participation.

3. A biological diversity system, satisfactory to the Trustee, has been developed within DOF.

4. A revised national protected area system plan, satisfactory to the Trustee, has been adopted by the Recipient.

5. A model detailed management plan, satisfactory to the Trustee, has been developed by the Recipient for a new protected area.

6. The management of the two existing protected areas of the Jigme Dorji Wildlife Sanctuary and the Royal Manas National Park has been strengthened by the Recipient to the satisfaction of the Trustee.

7. Four protected areas have been officially gazetted by the Recipient in a manner satisfactory to the Trustee.

