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CONFORMED COPY

GEF TRUST FUND GRANT NUMBER TF056520-TH

Global Environment Facility Trust Fund Grant Agreement

(Livestock Waste Management in East Asia Project)

between

THE KINGDOM OF THAILAND

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

acting as an Implementing Agency of the Global Environment Facility

Dated May 15, 2006

GEF TRUST FUND GRANT NUMBER TF056520-TH

GLOBAL ENVIRONMENT FACILITY TRUST FUND GRANT AGREEMENT

AGREEMENT, dated May 15, 2006, between THE KINGDOM OF THAILAND (Thailand) 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) Thailand, 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 its Respective Parts of 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;

(D) Thailand will carry out its Respective Parts of the Project, in conjunction with the carrying out by the People's Republic of China, the Socialist Republic of Vietnam and the Food and Agriculture Organization of the United Nations, each of their Respective Parts of the Project under a separate GEF grant agreement with the Bank (the China GEF Grant Trust Fund Agreement, the Vietnam GEF Trust Fund Grant Agreement and the Food and Agriculture Organization GEF Grant Letter Agreement, respectively), of even date herewith;

(E) by an agreement of even date herewith between the Recipient and the Bank, as administrator of grant funds provided by Japan under the Japan Policy and Human Resources Development Fund (PHRD), the Recipient will receive a grant in an amount not exceeding two hundred fifty thousand United State dollars (US\$250,000) (the PHRD Grant) to assist in financing, under the Livestock Waste Management Initiative, activities complementary to the Project; and

WHEREAS the Bank has agreed, on the basis, *inter alia*, of the foregoing, to extend the GEF Trust Fund Grant to Thailand 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 (c), (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
 - (xi) Sections 12.01 (c), 12.03 and 12.04.
- (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 Thailand;
- (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;
- (v) the term “Loan Account”, wherever used in the General Conditions, means the GEF Trust Fund Grant Account; and
- (vi) 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) “Chulalongkorn University” means the Schools of Veterinary Sciences of Chulalongkorn University, located in Bangkok, Thailand.

(b) “Department of Livestock Development” means Thailand’s Department of Livestock Development within MOAC, and any successor thereto.

(c) “Displaced Persons” means persons who, on account of the execution of Thailand’s Respective Parts of the Project, have experienced or would experience direct economic and social impacts caused by: (i) the involuntary taking of land, resulting in: (A) relocation or loss of shelter; (b) loss of assets or access to assets; or (C) loss of income sources or means of livelihood, whether or not such persons must move to another location; or (ii) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such persons; and “Displaced Person” means any of such Displaced Persons.

(d) “Environmental Impact Assessment” means the environmental impact assessment to be prepared in respect of any Sub-project in accordance with the Enhancement and Conservation of National Environmental Quality Act, dated March 29, 1992, and the provisions of paragraph 6(a) of Schedule 4 to this Agreement, for the purposes of reviewing the Sub-project’s likely positive and negative environmental impact on the Selected Project Areas.

(e) “Environmental Management Plan” means the environmental management plan to be prepared in respect of any selected Sub-project in accordance with the respective Environmental Impact Assessment, as determined in paragraph 6(a) of Schedule 4 to this Agreement, and providing for the monitoring and mitigation of the environmental impact of such Sub-project, including, without limitation, impacts on cultural heritage sites, as said plan may be amended from time to time with the prior concurrence of the Bank.

(f) “Ethnic Minorities Development Plan” means the plan to be adopted by Thailand in respect of a selected Sub-project in accordance with the Strategy for Ethnic Minority Development and the provisions of paragraph 6(c) of Schedule 4 to this Agreement, providing for the special planning measures or actions to be undertaken by Thailand, aimed at: (i) ensuring that the ethnic minorities residing in the Selected Project Areas receive the benefits from the Project in a culturally compatible manner; and (ii) reducing, mitigating and offsetting any adverse impacts due to the implementation of such Sub-project, as said plan may be amended from time to time with the prior concurrence of the Bank.

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

(h) “Food and Agriculture Organization” and the acronym “FAO” mean the Food and Agriculture Organization of the United Nations and any successor thereto.

(i) “Master Capacity-Building Development Plan” means Thailand’s capacity-building plan, included in the Project Implementation Plan in accordance with paragraph 3(a)(iii) of Schedule 4 to this Agreement, as said plan may be amended from time to time with the prior concurrence of the Bank.

(j) “Ministry of Agriculture and Cooperatives” and the acronym “MOAC” mean Thailand’s Ministry of Agriculture and Cooperatives and any successor thereto.

(k) “Ministry of Energy” and the acronym “MOE” mean Thailand’s Ministry of Energy and any successor thereto.

(l) “Ministry of Natural Resources and Environment” and the acronym “MONRE” mean Thailand’s Ministry of Natural Resources and Environment and any successor thereto.

(m) “Ministry of Public Health” and the acronym “MOPH” mean Thailand’s Ministry of Public Health and any successor thereto.

(n) “Monitoring and Evaluation Plan” means Thailand’s monitoring and evaluation plan included in the Project Implementation Plan in accordance with

paragraph 3(a)(v) of Schedule 4 to this Agreement, as said plan may be amended from time to time with the prior concurrence of the Bank.

(o) “Participating Countries” means, collectively, Thailand, the People’s Republic of China, and the Socialist Republic of Vietnam; and a “Participating Country” means any of the Participating Countries.

(p) “Pig Development Committee” means Thailand’s development committee established within MOAC on June 4, 2003, pursuant to MOAC’s Order Number 259/2546, and any successor thereto.

(q) “Procurement Plan” means Thailand’s procurement plan, dated August 2, 2005, covering the initial eighteen month period (or longer) of implementation of Thailand’s Respective Parts of the Project, 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 month periods (or longer) of Project implementation.

(r) “Project Implementation Plan” means the plan dated September 2, 2005, adopted by Thailand for the implementation of its Respective Parts of the Project pursuant to paragraph 3 of Schedule 4 to this Agreement; as such plan may be amended from time to time with the prior concurrence of the Bank.

(s) “Project Management Office” and the acronym “PMO” mean the office established within the Department of Livestock Development pursuant to the DLD Decision 109/2004, and referred to in paragraph 1(b) of Schedule 4 to this Agreement, responsible for coordinating the day-to-day implementation of Thailand’s Respective Parts of the Project.

(t) “Provincial Livestock Office” means each of Thailand’s livestock offices in the Project Selected Areas, established within the DLD pursuant to Administrative Decree, dated July 20, 1973, responsible for the procurement of livestock waste management technologies for Sub-projects, pursuant to paragraph 1(c) of Schedule 4 to this Agreement, and the acronym “PLOs” means collectively all such offices.

(u) “Regional Coordination Group” means the group to be assisted and coordinated by FAO pursuant to paragraph 2.2(a) of the Annex to the FAO GEF Grant Letter Agreement, comprising representatives of the Participating Countries and FAO, for the purposes of coordinating, integrating and implementing Project activities at a regional level.

(v) “Resettlement Plan” means the resettlement action plan to be prepared in respect of a selected Sub-project in accordance with the Resettlement Policy Framework and the provisions of paragraph 6(b) of Schedule 4 to this Agreement, which sets out the principles and procedures governing land acquisition, resettlement and compensation, as

well as reporting and monitoring arrangements to ensure compliance with said plan, as the same may be amended from time to time with the prior concurrence of the Bank.

(w) “Resettlement Policy Framework” means the resettlement policy framework dated October 12, 2005, prepared and adopted by the DLD’s Resolution AC0616, dated August 27, 2005, in respect of Sub-projects, which sets forth the policies and procedures for acquisition, compensation and rehabilitation of Displaced Persons, and guidelines for the preparation of each Resettlement Plan, as said policy framework may be amended from time to time with the prior concurrence of the Bank.

(x) “Respective Parts of the Project” means, in respect of:

- (i) Thailand, Parts A.1(b) and B.1(b) of the Project and the respective activities under Parts A.2, B.2, and C of the Project;
- (ii) the People’s Republic of China, Parts A.1(a) and B.1(a) of the Project, and the respective activities under Parts A.2, B.2, and C of the Project;
- (iii) the Socialist Republic of Vietnam, Parts A.1(c) and B.1(c) of the Project, and the respective activities under Parts A.2, B.2, and C of the Project; and
- (iv) FAO, Part D of the Project.

(y) “Selected Beneficiary” means any farmer, group of farmers or farm producers that own or exploit a pig farm in Thailand’s Selected Project Areas, selected pursuant to the procedures and criteria set forth in the Project Implementation Plan, and to whom a Sub-grant is made for the purposes of carrying out a Sub-project; and “Selected Beneficiaries” means more than one Selected Beneficiary.

(z) “Selected Project Areas” means in respect of:

- (i) Thailand, Ratchaburi and Chonburi Provinces and any other provinces selected from time to time by Thailand with the prior concurrence of the Bank;
- (ii) the People’s Republic of China, Boluo County in Guangdong Province, and any other counties in Guangdong Province selected from time to time by Guangdong Province with the prior concurrence of the Bank; and
- (iii) the Socialist Republic of Vietnam, Ha Tay and Dong Nai Provinces, and any other provinces selected from time to time by

the Socialist Republic of Vietnam with the prior concurrence of the Bank.

(aa) “Special Accounts” means the accounts referred to in Section 2.02(b) of this Agreement.

(bb) “Stakeholders Participation Plan” means the Thailand’s consultation arrangements included in the Project Implementation Plan in accordance with paragraph 3(a)(vi) of Schedule 4 to this Agreement, as said arrangements may be amended from time to time with the prior concurrence of the Bank.

(cc) “Standard Farm Regulations” means the farm standards approved by the Department of Livestock Development of the MOAC, through MOAC’s Resolution P-PIG-INS-001, dated November 3, 1999, and effective since April 1, 2003, applicable to pig, poultry and cattle farms.

(dd) “Strategy for Ethnic Minority Development” means Thailand’s strategy dated October 12, 2004, adopted by Thailand through DLD’s Resolution AC0616, dated August 27, 2005, in respect of Sub-projects, which sets out the principles and procedures for: (i) the informed involvement of the ethnic minorities, through a process of informed consultation, in the design and implementation of Sub-projects in locations in which such people reside or which they use for their livelihood; and (ii) the design, preparation and implementation of the Ethnic Minorities Development Plans, as said strategy may be amended from time to time with the prior concurrence of the Bank.

(ee) “Sub-grant” means a grant made, or proposed to be made, by any Participating Countries, out of the proceeds of its GEF Trust Fund Grant Agreement, to a Selected Beneficiary, for the co-financing of a Sub-project under Parts A.1(a), A.1(b), or A.1(c) of the Project, as the case may be, in accordance with its Respective Parts of the Project; and “Sub-grants” means more than one Sub-grant.

(ff) “Sub-project” means a specific investment project on livestock waste management technology, selected by any Participating Country in accordance with its respective Project Implementation Plan for financing through a Sub-grant under Parts A.1(a), A.1(b), or A.1(c) of the Projects, as the case may be, in accordance with its Respective Parts of the Project; and “Sub-projects” means more than one Sub-project.

(gg) “Thai National Steering Committee” and the acronym “TNSC” mean the steering committee for the Livestock Waste Management Project in East Asia, established by the DLD pursuant to Resolution 109/2004, and in accordance with paragraph 1(a) of Schedule 4 to this Agreement, responsible for overseeing Thailand’s implementation of Thailand’s Respective Parts of the Project, and any successor thereto.

ARTICLE II

The GEF Trust Fund Grant

Section 2.01. The Bank agrees to make available to Thailand, on the terms and conditions set forth or referred to in this Agreement, the GEF Trust Fund Grant in an amount equal to two million Dollars (US\$2,000,000).

Section 2.02. (a) 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: (i) expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for carrying out Part B.1(b) and the respective activities under Parts A.2, B.2 and C of the Project and to be financed out of the proceeds of the GEF Trust Fund Grant; and (ii) amounts paid (or, if the Bank shall so agree, to be paid) on account of withdrawals made for Sub-grants under Part A.1(b) of the Project to meet the reasonable cost of goods and services required for the Sub-projects in respect of which withdrawals from the GEF Trust Fund Grant is requested.

(b) Thailand may, for the purposes of Parts A.1(b) and B.1(b) of the Project and the respective activities under Parts A.2, B.2, and C of the Project, open and maintain in United States Dollars a special deposit account in a commercial bank on terms and conditions satisfactory to the Bank, including appropriate protection against set off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2010, or such later date as the Bank shall establish. The Bank shall promptly notify Thailand of such later date.

ARTICLE III

Execution of the Project

Section 3.01. (a) Thailand 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, and cause the Provinces in the Project Selected Areas to carry out, its Respective Parts of the Project with due diligence and efficiency and in conformity with appropriate management, financial, engineering, and administrative practices, and sound social, public health and environmental standards acceptable to the Bank, and shall provide, promptly as needed, the funds, facilities, services, staff, and other resources required for Thailand's Respective Parts of the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as Thailand and the Bank shall otherwise agree, Thailand shall carry out its

Respective Parts of 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 Thailand's Respective Parts of 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) Thailand 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, Thailand shall:

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

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

ARTICLE IV

Financial Covenants

Section 4.01. (a) Thailand 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 its Respective Parts of the Project.

(b) Thailand 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 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, Thailand shall:

- (i) retain, until at least one 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 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 Thailand's progress reporting obligations set out in paragraph 9 of Schedule 4 to this Agreement, Thailand 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;
- (ii) describes physical progress in the implementation of the Project, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project Implementation; and
- (iii) sets forth the status of procurement under the Project as at the end of the period covered by said report.

(b) The first Financial Monitoring Report shall be furnished to the Bank not later than forty-five days after the end of the first calendar semester 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 Financial Monitoring Report shall be furnished to the Bank not later than forty-five days after each subsequent calendar semester, and shall cover such calendar semester.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02(p) of the General Conditions, the following additional event is specified, namely, that Thailand shall have taken any action to impair or suspend the operations of the Regional Coordination Group, or otherwise affect its ability to perform any of its obligations under the Project, or to achieve the objectives of the Project.

ARTICLE VI

Effectiveness; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the GEF Trust Fund Grant within the meaning of Section 12.01(c) of the General Conditions:

(a) the PMO has been staffed, pursuant to paragraph 1(b) of Schedule 4 to this Agreement, and the PMO's Project Director and other key operational staff, all of them with relevant experience and sufficient qualifications, have been appointed with terms of reference satisfactory to the Bank;

(b) the PMO's relevant staff have completed their financial and procurement training, in a manner and substance satisfactory to the Bank; and

(c) Thailand's nominees for the Regional Coordination Group have been appointed pursuant to paragraph 1(d) of Schedule 4 to this Agreement.

Section 6.02. The date ninety 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 GEF Trust Fund Grant has been fully disbursed and the parties to this Agreement have fulfilled their obligations hereunder.

ARTICLE VII

Representative of Thailand; Addresses

Section 7.01. The Director-General of the Public Debt Management Office of the Ministry of Finance of Thailand is designated as representative of Thailand 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 Thailand:

Director-General
Public Debt Management Office
Ministry of Finance
Rama VI Road
Bangkok 10400
The Kingdom of Thailand

Facsimile:

(662) 273-9144 / 9109

For the Bank:

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

Cable address:

Telex:

Facsimile:

INTBAFRAD
Washington, D.C.

248423 (MCI)
64145 (MCI)

(1-202) 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 Bangkok, Kingdom of Thailand, as of the day and year first above written.

KINGDOM OF THAILAND

By /s/ Pannee Sathavarodom

Authorized Representative

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

By /s/ Ian C. Porter

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the GEF Trust Fund Grant

1. The table below sets forth the Categories 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 each Category and the percentage of expenditures for items so to be financed in each Category:

| <u>Category</u> | <u>Amount of the GEF Trust Fund Grant Allocated (in United States Dollars)</u> | <u>% of Expenditures to be Financed</u> |
|---|--|--|
| (1) Sub-grants under Part A.1.(b) of the Project | 1,103,400 | 100% of Sub-grant amount disbursed |
| (2) Goods for Thailand's Respective Parts of the Project (except Part A.1(b)) | 33,800 | 100% of foreign expenditures and 100% of local expenditures (ex-factory cost) and 75% of local expenditures for other items procured locally |
| (3) Consultants' services for Thailand's Respective Parts of the Project | 531,500 | 92% |
| (4) Training and Workshops for Thailand's Respective Parts of the Project | 231,300 | 100% of foreign expenditures and 80% of local expenditures |
| (5) Incremental Operating Costs | <u>100,000</u> | 100% |
| Total | <u>2,000,000</u> ===== | |

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of Thailand for goods or services supplied from the territory of any country other than that of Thailand;

(b) the term “local expenditures” means expenditures in the currency of Thailand or for goods or services supplied from the territory of Thailand; and

(c) the term “Incremental Operating Costs” means the reasonable costs of incremental expenditures incurred by Thailand in the implementation of its Respective Parts of the Project, which expenditures would not have been incurred absent the Project, including per diem field allowances, travel expenses, costs for vehicle operation and maintenance, office consumables (except office equipment), communication expenses, printing expenses, and local contractual staff, but excluding salaries and salary supplements of civil servants.

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 US\$24,000, may be made in respect of Categories (3) and (5) on account of payments made for expenditures before that date but after August 1, 2005.

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) goods costing less than US\$100,000 equivalent per contract; (b) services of individual consultants costing less than US\$50,000 equivalent per contract; (c) services of consulting firms costing less than US\$100,000 equivalent per contract; (d) goods and works under Sub-grants and costing less than US\$100,000 equivalent per contract; (e) training and workshops; and (f) Incremental Operating Costs; all under such terms and conditions as the Bank shall specify by notice to Thailand.

5. If the Bank shall have determined at any time that any amount of the GEF Trust Fund Grant was used in a manner inconsistent with the provisions of this Agreement, Thailand shall, promptly upon notice from the Bank, refund to the Bank for deposit into the GEF Trust Fund Grant Account, an amount equal to the amount so used.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Participating Countries and the Food and Agriculture Organization, in coordination with one another, to reduce: (i) the negative environmental and health impacts of livestock-induced pollution on water bodies; and (ii) the environmental degradation of the South China Sea.

The Project consists of the following parts, subject to such modifications thereof as the Participating Countries, FAO and the Bank may agree upon from time to time to achieve such objectives.

Part A. Livestock Waste Management Technology Demonstration

1. Developing country-specific livestock waste management strategies in the Selected Project Areas in each Participating Country, for the construction of cost-effective and replicable manure management facilities and the implementation of manure management systems, consisting of:

(a) *In the People's Republic of China*

The provision of Sub-grants to Selected Beneficiaries for: (i) the construction or rehabilitation of manure treatment systems (including lagoons, fish ponds, composting facilities and biogas digesters); and (ii) the recycling of treated manure.

(b) *In the Kingdom of Thailand*

The provision of Sub-grants to Selected Beneficiaries for: (i) the construction or rehabilitation of manure treatment systems (including lagoons, sedimentation tanks, composting facility and biogas digesters); and (ii) the recycling of treated manure.

(c) *In the Socialist Republic of Vietnam*

The provision of Sub-grants to Selected Beneficiaries for: (i) the construction or rehabilitation of household manure treatment systems (including lagoons, sedimentation tanks, fish ponds, composting facilities and biogas digesters); and (ii) the recycling of treated manure.

2. Providing training, including study tours, and technical support to farmers, farmers' associations, animal husbandry extension agents, and government officials, for the improvement of on-farm manure management practices and the strengthening of their capacities, in accordance with the respective Master Capacity-Building Development Plan.

Part B. Policy and Replication Strategy Development

1. Developing and implementing country-specific policies and regulatory frameworks for livestock waste management practices in each Participating Country, consisting of:

(a) *In the People's Republic of China*

- (i) The development and implementation of a Project replication strategy;
- (ii) The review and revision of existing livestock related environmental regulations and the drafting and testing of a new policy framework, farm licensing procedures and codes of practices;
- (iii) The adoption of global information system techniques for data collection, processing and analysis, and the preparation of zoning maps for livestock production; and
- (iv) The strengthening of policies promoting manure commercialization.

(b) *In the Kingdom of Thailand*

- (i) The development and implementation of a Project replication strategy;
- (ii) The revision and implementation of the Standard-Farm Regulations;
- (iii) The development and implementation of livestock waste management and related environmental policy frameworks, farm licensing procedures and codes of practices;
- (iv) The adoption of global information system techniques for data collection, processing and analysis, and the preparation of zoning maps for livestock production; and
- (v) The strengthening of policies promoting manure commercialization.

(c) *In the Socialist Republic of Vietnam*

- (i) The development and implementation of a Project replication strategy;
- (ii) The development and implementation of livestock waste management and related environmental policy frameworks (including livestock waste discharge and recycling standards) and codes of practices;
- (iii) The adoption of global information system techniques for data collection, processing and analysis, and the preparation of zoning maps for livestock production; and
- (iv) The development of policies promoting the production of organic fertilizers.

2. (a) Carrying out of a public awareness campaign on the environmental impact of livestock waste management, including the development and publication of environmental regulations and promotional materials, and the coordination of a network of agricultural research and educational institutions; and

(b) Providing training to government officials of each Participating Country in spatial analysis, environmental impact assessment, monitoring techniques, manure and nutrient management, and the use of decision making tools.

Part C. Project Management and Monitoring

1. Strengthening the institutional capacity of the Participating Countries' PMOs and implementing agencies at local levels, for the management and implementation of the Respective Parts of the Project.

2. Strengthening the monitoring and evaluation skills of the Participating Countries' PMOs and implementing agencies at local levels, to enable them to carry out their respective Monitoring and Evaluation Plan to, *inter alia*: (i) supervise and assess the capacity of local laboratories to conduct, soil water and public health monitoring sample analysis; (ii) carry out baseline surveys and inventories to determine the environmental and social conditions in Selected Project Areas; (iii) develop timelines and site-specific technical, environmental and social indicators for Project activities, and determine any changes in their qualitative or quantitative values; (iv) carry out extensive water quality testing; and (v) develop and organize training programs for Project related agencies.

Part D. Regional Support Services

1. Providing regional support for: (i) the development and implementation of decision-making tools in each Participating Country; (ii) the coordination of a regional group of experts to carry out field-based monitoring activities in the Selected Project Areas; and (iii) the development of regional training modules and packages for trainers, farmers, government officials and Project implementing agencies in each Participating Country.

2. Facilitating cross-country dissemination and sharing of Project's outcomes, through, *inter alia*: (i) the development and implementation of annual work programs; (ii) the organization of the annual meetings of the Regional Coordination Group; (iii) the coordination and cooperation with related projects and programs already existing or under way in the East Asia region; (iv) the coordination of study tours and workshops for government officials, experts, policy-makers and other key stakeholders of the South China Sea riparian countries; and (v) the development of a Project-related Internet portal and publications.

* * *

The Project is expected to be completed by June 30, 2010.

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 Borrowers" 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 Thailand.

B. Other Procurement Procedures

1. National Competitive Bidding. Goods estimated to cost less than US\$200,000 equivalent per contract, and works, may be procured under contracts awarded on the basis of National Competitive Bidding, and the additional provisions set forth in the Attachment to this Schedule.

2. Shopping. Goods and works estimated to cost less than US\$100,000 equivalent per contract may be procured under contracts awarded on the basis of Shopping.

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 US\$500,000 equivalent per contract may comprise entirely national consultants.

B. Other Procedures

1. Quality-based Selection. Services for assignments which the Bank agrees meet the requirements set forth in paragraph 3.2 of the Consultant Guidelines may be procured under contracts awarded on the basis of Quality-based Selection in accordance with the provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications. Services estimated to cost less than US\$100,000 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 Consultants' 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 subject to prior approval of the Bank.

Section IV. Review by the Bank of Procurement Decisions

Except as the Bank shall otherwise determine by notice to Thailand, the following contracts shall be subject to Prior Review by the Bank: (a) all contract for goods, services other than consultants' services and works awarded on the basis of International Competitive Bidding and National Competitive Bidding; (b) the first contract for goods, the first contract for services other than consultants' services, and the first contract for works, procured under shopping procedures in each calendar year; (c) the first contract for consultants' services to be provided by a firm and thereafter, all contracts for the employment of consulting firms awarded on the basis of Single Source Selection or estimated to cost the equivalent of US\$100,000 or more. In addition, with

respect to: (d) the first contract for the employment of individual consultants and, thereafter; (e) all contracts for individual consultants awarded on a sole-source basis, as well as; (f) all contracts for the employment of individual consultants estimated to cost the equivalent of US\$50,000 or more, the report on the qualifications and experience of all evaluated candidates, the terms of reference and the terms of employment of the consultants shall be subject to prior approval by the Bank. All other contracts shall be subject to Post Review by the Bank.

Attachment to Schedule 3

National Competitive Bidding

In addition and without limitation or restriction to any other provision set forth in this Schedule or the Procurement Guidelines, Thailand represents that the procedures to be followed for National Competitive Bidding shall be those set forth in the Regulation of the Office of the Prime Minister on Procurement B.E. 2535; and, in order to ensure economy, efficiency and transparency and broad consistency with the provisions of Section I of the Procurement Guidelines (as required by paragraph 3.3 of the Procurement Guidelines), goods and works for which this Schedule allows procurement shall be procured in accordance with paragraphs 3.3 and 3.4 of the Procurement Guidelines and the following paragraphs.

a) All invitations to bid shall be advertised in at least one widely circulated national newspaper, or posted on Thailand's free and open access websites. Such advertisement shall be made in sufficient time for prospective bidders to obtain prequalification or bidding documents and prepare and submit their responses. In any event, a minimum of thirty (30) days shall be given to bidders for the preparation and submission of bids. The advertisement and bidding documents shall specify the bids submission deadline.

b) Foreign bidders shall be eligible to participate in bidding under the same conditions as local bidders, and they shall not be required, in order to participate in bidding or as a condition of award of the contract or during execution of the contract, to enter into a joint venture with a local bidder, or to subcontract part of their contract to a local bidder.

c) The evaluation criteria shall be clearly specified in the bidding documents, and the evaluation criteria other than the price shall be quantified in monetary terms. All evaluation criteria so specified, and only the evaluation criteria so specified, shall be taken into account in bid evaluations.

d) Price escalation factor shall not be applied for contracts with a duration of less than eighteen months.

e) Foreign bidders shall be allowed to participate in bidding without being required to register, request a license and/or any other governmental approvals or authorizations for the purpose of their participation.

f) The bid security of all bidders shall be kept by the PMO 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. The bid validity period shall in no case exceed one hundred and eighty days.

g) Transport of imports for the contracts awarded through National Competitive Bidding shall not be restricted to Thai vessels only;

h) A bidder shall not be required, as a condition for award, to undertake obligations not specified in the bidding documents, or otherwise to modify the bid as originally submitted.

SCHEDULE 4

Implementation Program

Project Management

1. Thailand shall:

(a) maintain, throughout the period of implementation of Thailand's Respective Parts of the Project, the Thai National Steering Committee, chaired by the Director-General of the DLD or his/her representative, including representation from, *inter alia*, the MONRE, the Chulalongkorn University, the MOAC, the MOE and the MOPH, and assigned with such functions and responsibilities, satisfactory to the Bank, as shall be required for the overall coordination and oversight of the implementation of Thailand's Respective Parts of the Project, including: (i) reviewing and approving of the annual work programs proposed by the PMO; (ii) ensuring budget allocations for the Project; (iii) providing guidance to the PMO on national policies and priorities related to livestock waste management; and (iv) integrating efforts and activities among Project related agencies;

(b) maintain throughout the period of implementation of Thailand's Respective Parts of the Project, a Project Management Office, headed by a qualified and experienced Project Director, with experience in projects' management and expertise in livestock waste management and related environmental issues, provided with sufficient resources and competent staff in adequate numbers and under terms of reference satisfactory to the Bank, and assigned with such functions and responsibilities, satisfactory to the Bank, as shall be required for the day-to-day implementation of Thailand's Respective Parts of the Project, including the carrying out of financial management, procurement, training coordination, monitoring, evaluation and reporting activities under Thailand's Respective Parts of the Project, and the liaison with the TNSC, the PLOs and district level officials;

(c) maintain throughout the period of implementation of Thailand's Respective Parts of the Project, a Provincial Livestock Office in each of the Selected Project Areas, to be provided with sufficient resources and competent staff in adequate numbers and under terms of reference satisfactory to the Bank, and assigned with such functions and responsibilities, satisfactory to the Bank, as shall be required to assist the PMO with: (i) the implementation of Thailand's Respective Parts of the Project; and (ii) the procurement of livestock waste management technologies for the Sub-projects; and

(d) appoint delegates, to be selected by and from among the members of the TNSC and the PMO, to participate and represent Thailand in the Regional Coordination Group, for the purposes of: (i) ensuring the continuing exchange of information among Participating Countries on livestock waste management; (ii) promoting regional synergies

by coordinating Project activities among Participating Countries; (iii) promoting the inclusion of livestock waste management issues in policy and budget formulation in the Participating Countries; (iv) promoting the adoption of common environmental policies and practices; and (v) reviewing FAO's annual work program.

2. For purposes of Section 4.01 of this Agreement, Thailand shall, no later than six (6) months as of the Effective Date, select and retain an independent auditor acceptable to the Bank, under terms of reference satisfactory to the Bank, to carry out annual audits of all of Thailand's Project accounts, expenditures, Financial Monitoring Reports and financial statements.

Project Implementation

A. General

3. (a) Thailand, through the PMO, shall adopt and implement a Project Implementation Plan providing, *inter alia*:

- (i) the institutional arrangements for the implementation of Thailand's Respective Parts of the Project, acceptable to the Bank, including the procedures, conditions, and criteria for the identification, preparation, appraisal, environmental screening and selection of Sub-projects for the provision of Sub-grants under Part A.1.(b) of the Project;
- (ii) the terms and conditions of Sub-grants, acceptable to the Bank, including: (A) maximum and minimum amounts in accordance with eligible technologies; (B) procurement arrangements; (C) model sub-grant agreements to be entered in accordance with Paragraph 5 of this Schedule 4; and (D) remedies for non-compliance with any of the conditions thereof.
- (iii) a time-bound Master Capacity-Building Development Plan, satisfactory to the Bank, specifying the program to be carried out for implementing Thailand's respective activities under Parts A.2 and C of the Project;
- (iv) any arrangements, satisfactory to the Bank, for the flow of funds of the GEF Trust Fund Grant;
- (v) a Monitoring and Evaluation Plan, satisfactory to the Bank, including providing for semi-annual reports based on indicators applicable to projects in international waters; and

(vi) a Stakeholders Participation Plan, acceptable to the Bank, providing for the participation and consultation mechanisms tailored to facilitate the stakeholders' involvement in the preparation, review and implementation of the new livestock waste management policy frameworks, the codes of practices, the master plan for livestock production and the livestock waste management technology demonstrations.

(b) Thailand shall not amend, waive or abrogate any provisions of the Project Implementation Plan without the prior concurrence of the Bank.

4. Thailand shall:

(a) prepare, under guidelines acceptable to the Bank and in accordance with procedures set forth in the Project Implementation Plan, and furnish to the Bank for its review and comments: (i) by no later than one month after the Effective Date, a work program, identifying the activities, by component and sub-component, carried out or to be carried out starting from the Effective Date and through the end of the first calendar year of implementation of Thailand's Respective Parts of the Project; and (ii) thereafter, by no later than November 30 of each year, commencing in 2006, a work program for the following calendar year; and

(b) thereafter, carry out the Respective Parts of the Project during the following calendar year in accordance with such annual work program as shall be agreed with the Bank and approved by the TNSC.

B. Livestock Waste Management Technology Demonstration

5. Thailand, through the PMO, shall:

(a) enter into sub-grant agreements with the Selected Beneficiaries, under terms and conditions satisfactory to the Bank and in accordance with the guidelines of the Attachment to this Schedule 4 and the Project Implementation Plan, for the purposes of financing specific investment Sub-projects under Part A.1.(b) of the Project. In the event of conflict between the provisions of this Agreement and the provision of the Project Implementation Plan, the provisions of this Agreement shall prevail; and

(b) prepare, or require the Selected Beneficiaries to prepare and adopt, a sub-project implementation plan for each investment Sub-project to be financed through Sub-grant; each said sub-project implementation plan to include: (i) a description of the implemented manure management system or technology; (ii) a Sub-project-customized monitoring and evaluation plan; and (iii) any necessary statistical information for assessing the evolution and replicability of the Sub-project.

6. In carrying out Part A.1.(b) of the Project, Thailand shall ensure that all selected Sub-projects to be financed through Sub-grants are technically, commercially and financially viable, and have been designed and appraised, with due regard for public health, safety, resettlement and environmental standards acceptable to the Bank, including ensuring that:

(a) an environmental screening of each Sub-project has been done and, if necessary on the basis of such screening, a full Environmental Impact Assessment has been carried out, in terms satisfactory to the Bank, in order to determine any measures to be taken to prevent, minimize, mitigate or compensate any environmentally adverse effects. In the event that any Sub-projects would require any such mitigation measures, prior to commencing such Sub-project, prepare an Environmental Management Plan, satisfactory to the Bank, in accordance with sound environmental practices and standards acceptable to the Bank and the 1992 Enhancement and Conservation of National Environmental Quality Act, and thereafter, implement the Environmental Management Plan as approved by the Bank. Any revisions or amendments to either the Environmental Impact Assessment or the approved Environmental Management Plan shall be furnished to the Bank for its prior concurrence;

(b) all necessary actions have been taken in order to minimize to the extent possible any involuntary loss by persons of shelter, productive assets or access to productive assets, or income, or means of livelihood, temporarily or permanently. In the event that the Sub-projects would give rise to Displaced Persons, prior to commencing such Sub-projects, prepare a Resettlement Plan, satisfactory to the Bank, in accordance with the policies and procedures in the Resettlement Policy Framework, and thereafter, implement the Resettlement Action Plan as approved by the Bank. Any revisions or amendments to either the Resettlement Policy Framework or the approved Resettlement Plans shall be furnished to the Bank for its prior concurrence; and

(c) all necessary actions have been taken in order to avoid to the extent possible any socially and culturally incompatible effects on ethnic minorities' communities within the Selected Project Areas. In the event that the Sub-projects would inevitably affect ethnic minorities' communities within the Selected Project Areas, prior to commencing such Sub-projects, prepare an Ethnic Minorities Development Plan, satisfactory to the Bank, in accordance with the procedures of the Strategy for Ethnic Minority Development and ensuring meaningful consultations with and informed participation of the affected ethnic minorities' communities, and thereafter, implement the Ethnic Minority Development Plan as approved by the Bank. Any revision or amendment to either the Strategy for Ethnic Minority Development or the approved Ethnic Minorities Development Plans shall be furnished to the Bank for its prior concurrence.

C. Policy and Replication Strategy Development

7. In carrying out Part B.1.(b)(i) of the Project, Thailand shall:

(a) by no later than December 31, 2007, develop a Project replication strategy for the nation-wide scale-up of the Project;

(b) provide said strategy to the Bank for its review and comments; and

(c) thereafter, take all necessary actions to implement said strategy taking into consideration the Bank's view thereon.

8. In carrying out Parts B.1.(b)(ii), (iii) and (v) of the Project, Thailand shall apply the principles and procedures set forth in the Stakeholders Participation Plan to ensure consultations with and the participation of the representatives from the Pig Development Committee, farmers, farm producers and the associations thereof, the private sector and Thailand's Project-related agencies, in the formulation of: (a) the new environmental and livestock management policy frameworks; (b) the farm licensing procedures; (c) the revised Standard Farm Regulations; and (d) the policies favoring manure commercialization.

D. Monitoring and Evaluation

9. (a) Thailand shall maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators satisfactory to the Bank, the carrying out of Thailand's Respective Parts of the Project and the achievement of the objectives thereof;

(b) Thailand shall prepare, under the terms of reference satisfactory to the Bank, and furnish to the Bank, on or about February 15 and August 15 of each year, commencing on August 15, 2006, a semi-annual report integrating the results of the monitoring and evaluation activities performed pursuant to sub-paragraph (a) above, on the progress achieved in the carrying out of Thailand's Respective Parts of the Project during the preceding calendar semester, each such semi-annual report to integrate the Financial Monitoring Reports for the covered relevant period, in accordance with Article IV, Section 4.02 of this Agreement, and set out the measures recommended to ensure the efficient carrying out of Thailand's Respective Parts of the Project and the achievement of their objectives during the period following the date of each such report; and

(c) Promptly after their preparation, Thailand shall review with the Bank, the reports referred to in paragraph (b) above, and, thereafter, shall take all measures required to ensure the efficient completion of the Respective Parts of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said reports and the Bank's views on the matter.

Attachment to Schedule 4

**Procedures for and Terms and Conditions
of Sub-grants**

1. Sub-grants shall: (i) be made solely for Sub-projects, (ii) be denominated in Thailand Baht; and (iii) not exceed twenty five percent (25%) of the reasonably estimated overall cost of each Sub-project, including any in kind contributions from the Selected Beneficiary.
2. No expenditures required for a Sub-project shall be eligible for financing out of the proceeds of the GEF Trust Fund Grant unless:
 - (a) the relevant application for approval of the Sub-project shall have been processed in accordance with the provisions of the Project Implementation Plan and approved by the PMO; and
 - (b) Thailand, through the PMO and/or the respective PLO, has entered into the written agreement referred to in paragraph 5 of Schedule 4 to this Agreement with the Selected Beneficiary.
3. The aforementioned Sub-grant written agreement shall grant Thailand, the right to:
 - (a) require the Selected Beneficiary to carry out and operate the Sub-project with due diligence and efficiency and in accordance with sound technical, engineering, financial, environmental, social, public health and managerial standards, and the provisions of the Project Implementation Plan, and to maintain adequate records and accounts;
 - (b) require that: (i) the goods and works to be financed out of the proceeds of the Sub-grants be procured in accordance with the provisions of Schedule 3 to this Agreement with the assistance of the PMO or the PLOs, as the case may be; (ii) such goods and works be used exclusively in furtherance of the objectives of the Project; and (iii) such goods and works be neither sold nor transferred for use by any other party than the Selected Beneficiary;
 - (c) require that the Selected Beneficiary comply with all relevant environmental laws and regulations of Thailand with respect to its activities, including with respect to the Sub-project;
 - (d) inspect, by itself or jointly with representatives of the Bank, if the Bank shall so request, any such goods, technologies and production sites related to the Sub-project and the operation thereof, as well as any relevant records and documents;

(e) require that: (i) the Selected Beneficiary shall take out and maintain with responsible insurers such insurance, against such risks and in such amounts, as shall be consistent with sound business practice; and (ii) without any limitation upon the foregoing, such insurance shall cover hazards incident to the acquisition, transportation and delivery of goods financed out of the proceeds of the Sub-grant to the place of use or installation, any indemnity thereunder to be made payable in a currency freely usable by the Selected Beneficiary to replace or repair such goods;

(f) obtain all such information as the Bank shall reasonably request relating to the foregoing, and to the administration, operations and financial condition of the Selected Beneficiary and to the benefits to be derived from the Sub-project (including information required to exercise the prior review provided for in Section IV of Schedule 3 to this Agreement, and comply with Section 9.07(a)(iii) of the General Conditions);

(g) require the Selected Beneficiary to operate and maintain at all times any facilities relevant to the Sub-project, and, promptly as needed, to make or cause to be made all necessary repairs and renewals thereof; and

(h) suspend or terminate the right of the Selected Beneficiary to the use of the proceeds of the Sub-grant upon failure by the Selected Beneficiary to perform its obligations under its contract with Thailand.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term “eligible Categories” means Categories (1), (2), (3), (4) and (5) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term “eligible expenditures” means expenditures in respect of the reasonable cost of goods and services required for Thailand’s Respective Parts of the Project and to be financed out of the proceeds of the GEF Trust Fund Grant allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term “Authorized Allocation” means the amount of US\$200,000 to be withdrawn from the GEF Trust Fund Grant Account and deposited into the Special Account pursuant to paragraph 3(a) of this Schedule.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, 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, Thailand shall furnish to the Bank a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of Thailand, withdraw from the GEF Trust Fund Grant Account and deposit into the Special Account such amount or amounts as Thailand shall have requested.

(b) (i) For replenishment of the Special Account, Thailand shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.

(ii) Prior to or at the time of each such request, Thailand shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule 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 Thailand, withdraw from the GEF Trust Fund Grant Account and deposit into the Special Account such amount as Thailand 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. All such deposits shall be withdrawn by the Bank from the GEF Trust Fund Grant Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by Thailand out of the Special Account, Thailand 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.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by Thailand directly from the GEF Trust Fund Grant Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if Thailand 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 the records and accounts for the Special Account;

(c) if, at any time, the Bank shall have notified Thailand of its intention to suspend in whole or in part the right of Thailand to make withdrawals from the GEF Trust Fund Grant Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the GEF Trust Fund Grant allocated to the eligible Categories, 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 allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to Thailand. 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.

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the

Bank, Thailand shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) 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 or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until Thailand has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, Thailand shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) Thailand 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 paragraphs 6(a), (b) and (c) of this Schedule shall be credited to the GEF Trust Fund Grant Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.