Financing Agreement

(Third Strengthening Fiscal Management and Private Sector Employment Opportunities Development Policy Financing)
(Programmatic Development Series)

between

KINGDOM OF BHUTAN

and

INTERATIONAL DEVELOPMENT ASSOCIATION
FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between KINGDOM OF BHUTAN ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Association has decided to provide this financing on the basis, inter alia, of (i) the actions which the Recipient has already taken under the Program and which are described in Section I of Schedule I to this Agreement; and (ii) the Recipient's maintenance of an adequate macroeconomic policy framework. The Recipient and the Association therefore hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

2.01. The Association agrees to extend to the Recipient a credit, which is deemed as Concessional Financing for purposes of the General Conditions, in an amount equivalent to Twenty-Nine Million and Two Hundred Thousand Special Drawing Rights (SDR 29,200,000) (variously, "Credit" and "Financing").

2.02. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.

2.03. The Service Charge is three-fourths of one percent (3/4 of 1%) per annum on the Withdrawn Credit Balance.

2.04. The Payment Dates are January 15 and July 15 in each year.

2.05. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 2 to this Agreement.

2.06. The Payment Currency is Dollar.
2.07. Without limitation upon the provisions of Section 5.05 of the General Conditions, the Recipient shall promptly furnish to the Association such information relating to the provisions of this Article II as the Association may, from time to time, reasonably request.

ARTICLE III — PROGRAM

3.01. The Recipient declares its commitment to the Program and its implementation. To this end, and further to Section 5.05 of the General Conditions:

(a) the Recipient and the Association shall from time to time, at the request of either party, exchange views on the Recipient’s macroeconomic policy framework and the progress achieved in carrying out the Program;

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

(c) without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Recipient shall promptly inform the Association of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program including any action specified in Section I of Schedule I to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

4.01. The Additional Event of Suspension consists of the following:

(a) A situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

4.02. The Additional Event of Acceleration consists of the following:

(a) Any event specified in paragraph (a) of Section 4.01 of this Agreement occurs and is continuing for a period of (60) days after notice of the event has been given by the Association to the Recipient.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Condition of Effectiveness consists of the following:
(a) The Association is satisfied with the progress achieved by the Recipient in carrying out the Program and with the adequacy of the Recipient’s macroeconomic policy framework.

5.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.

5.03. For purposes of Section 10.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the Signature Date.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01 The Recipient’s Representative is its Minister of Finance

6.02 For purposes of Section 11.01 of the General Conditions:

(a) the Recipient’s address is:

Ministry of Finance
Tashichhodzong
Thimphu, Kingdom of Bhutan; and

(b) the Recipient’s Electronic Address is:

Facsimile:
00975-2-323154

6.03. For purposes of Section 11.01 of the General Conditions:

(a) The Association’s address is:

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

(b) the Association’s Electronic Address is:

Telex: Facsimile: E-mail:
248423 (MCI) 1-202-477-6391 mtembon@worldbank.org
AGREED as of the Signature Date.

KINGDOM OF BHUTAN

By

[Signature]

Authorized Representative

Name: Namgay Tshering
Title: Finance Minister
Date: April 27, 2020

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]

Authorized Representative

Name: Tenzin Lhadan
Title: Acting Resident Representative
Date: April 27, 2020
SCHEDULE 1
Program Actions; Availability of Financing Proceeds

Section I. Actions under the Program

Actions Taken Under the Program. The actions taken by the Recipient under the Program include the following:

Pillar 1: Strengthening the policy framework to improve fiscal management


2. The Recipient has submitted the “Goods and Services Tax (GST) Bill” for Royal Assent, following Parliamentary approval.

3. The Recipient, through its MoF, has established interconnectivity of new/existing PFM information systems for automated exchange of data; as evidenced by the notification Ref MOF/DPAe-payment/2019/318, dated September 9, 2019.

4. The Recipient, through its MoF, has adopted the cash-based “International Public Sector Accounting Standards” (IPSAS) beginning with the annual financial statement for FY 2019-2020 as evidenced by the notification Ref MOF/DPA(IPSAS)/2019-20/7006, dated January 13, 2020.

Pillar 2: Enhancing policies to promote private sector opportunities

5. The Recipient, through its Royal Monetary Authority’s Executive Committee, has approved the “Payment Systems Oversight Framework” for the National Payments System, which establishes a dedicated unit for this purpose; as evidenced by the letter Ref RMA/DPSS/OSU/19-20/4272 dated December 25, 2019.

6. The Recipient, through its Cabinet, has approved the revised “Foreign Direct Investment (FDI) Policy” on July 8, 2019; as evidenced by the letter Ref C-3/30/289 dated September 18, 2019.

8. The Recipient, through its MoH, has approved the Operational Manual for implementing the Accelerating Mother and Child Health Program (AMCHP) on January 22, 2020; as evidenced by letter Ref MOH-PPD/PPMS/26/2020/9895 of the same date.


Section II. Availability of Financing Proceeds

A. General. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of this Section and such additional instructions as the Association may specify by notice to the Recipient.

B. Allocation of Financing Amounts. The Financing is allocated in a single withdrawal tranche, from which the Recipient may make withdrawals of the Financing proceeds. The allocation of the amounts of the Financing to this end is set out in the table below:

<table>
<thead>
<tr>
<th>Allocations</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Withdrawal Tranche</td>
<td>29,200,000</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>29,200,000</td>
</tr>
</tbody>
</table>
C. **Withdrawal Tranche Release Conditions.**

1. No withdrawal shall be made of the Single Withdrawal Tranche unless the Association is satisfied: (a) with the Program being carried out by the Recipient; and (b) with the adequacy of the Recipient’s macroeconomic policy framework.

D. **Deposit of Financing Amounts.**

1. The Recipient, within thirty (30) days after the withdrawal of the Financing from the Financing Account, shall report to the Association: (a) the exact sum received into the account referred to in Section 2.03 (a) of the General Conditions; (b) the details of the account to which the BTN equivalent of the Financing proceeds will be credited; (c) the record that an equivalent amount has been accounted for in the Recipient’s budget management systems; and (d) the statement of receipts and disbursement of the account referred to in Section 2.03 (a) of the General Conditions.

E. **Closing Date.** The Closing Date is June 30, 2021.
SCHEDULE 2

Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each January 15 and July 15: Commencing July 15, 2030 to and including January 15, 2040</td>
<td>1%</td>
</tr>
<tr>
<td>commencing July 15, 2040 to and including January 15, 2060</td>
<td>2%</td>
</tr>
</tbody>
</table>

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.05 (b) of the General Conditions.
APPENDIX

Section I. Definitions

1. "BTN" means Bhutanese Ngultrum.

2. "Cabinet" means the Recipient’s council of ministers as set forth in the Recipient’s constitution, or any successor thereto.

3. "Cabinet Secretariat" means the secretariat of the Recipient’s cabinet of ministers, or any successor thereto.


5. "MoE" means the Recipient’s Ministry of Education, or any successor thereto.

6. "MoF" means the Recipient’s Ministry of Finance, or any successor thereto.

7. "MoH" means the Recipient’s Ministry of Health, or any successor thereto.


9. "Program" means: the program of objectives, policies, and actions set forth or referred to in the letter dated March 6th, 2020 from the Recipient to the Association declaring the Recipient’s commitment to the execution of the Program, and requesting assistance from the Association in support of the Program during its execution and comprising actions taken, including those set forth in Section I of Schedule I to this Agreement, and actions to be taken consistent with the program’s objectives.

10. "RMA" means the Royal Monetary Authority of Bhutan, the Recipient’s central bank, or any successor thereto.

11. "Signature Date" means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applies to all references to “the date of the Financing Agreement” in the General Conditions.

12. "Single Withdrawal Tranche" means the amount of the Financing allocated to the category entitled “Single Withdrawal Tranche” in the table set forth in Part B of Section II of Schedule I to this Agreement.