Financing Agreement

(Development Policy Financing with a Catastrophe Deferred Drawdown Option)

between

KINGDOM OF BHUTAN

and

INTERNATIONAL 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).

(A) 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; and

(B) the Association has also decided to provide to the Recipient access to the resources from the Pandemic Emergency Financing (PEF) Facility on the basis of the actions taken under this Program, to address escalating disease outbreaks pursuant to the terms of the grant agreement entered into between the Recipient and the Association of the same date as this Agreement, as such agreement may be amended from time to time ("Grant Agreement").

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 ten million nine hundred thousand Special Drawing Rights (SDR 10,900,000) (variously, "Credit" and "Financing").

2.02. The Service Charge is three-fourths of one percent (3/4 of 1%) per annum on the Withdrawn Credit Balance.
2.03. The Payment Dates are March 1 and September 1 in each year.

2.04. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 2 to this Agreement and subject to the provisions of Section 2.08 below.

2.05. The Payment Currency is Dollar.

2.06. 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.

2.07 (a) If, prior to the Closing Date, the Recipient requests an extension of the Closing Date, the Association may provide such extension only once and for a maximum withdrawal period of six (6) years after the Signature Date and on such Credit terms and conditions as agreed with the Association; and

(b) notwithstanding the provisions of sub-paragraph (a) above, the Closing Date shall not be extended if at the time of Recipient's request, the events specified in sub-paragraph (b) (i) (A) and (B) of Section 3.05 of the General Conditions have occurred.

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 1 of Schedule 1 to this Agreement.
ARTICLE IV — REMEDIES OF THE ASSOCIATION

4.01. The Additional Event of Suspension consists of the following, namely that a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Condition of Effectiveness consists of the following, namely that 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:

<table>
<thead>
<tr>
<th>Telex:</th>
<th>Facsimile:</th>
<th>E-mail:</th>
</tr>
</thead>
<tbody>
<tr>
<td>248423 (MCI)</td>
<td>1-202-477-6391</td>
<td><a href="mailto:mtembon@worldbank.org">mtembon@worldbank.org</a></td>
</tr>
</tbody>
</table>
AGREED as of the Signature Date.

KINGDOM OF BHUTAN

By

[Signature]

Authorized Representative

Name: Lyonpo Namgay Tshering
Title: Finance Minister
Date: May 20, 2020

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]

Authorized Representative

Name: Tenzin Lhaden
Title: Acting Resident Representative
Date: May 20, 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 A: Integrating Climate and Disaster Resilience into the Built Environment**

1. The Recipient, through its Cabinet, has approved the National Construction Industry Policy on February 4, 2020, which promotes the quality of construction towards a safe, resilient and energy efficient built environment; as evidenced by letter Ref C-3/49/2020/462 dated February 26, 2020.

2. The Recipient, through its Cabinet, has approved the revised National Housing Policy, on February 4, 2020, which promotes the safe and resilient housing development for the urban poor; as evidenced by the letter Ref C-3/49/2020/462 dated February 26, 2020.

**Pillar B: Strengthening Bhutan’s institutional and technical capacity for emergency preparedness and response**

3. The Recipient, through its NDMA chaired by the Prime Minister, has designated the NCHM as the ‘National Hydromet Hazard Early Warning Service Provider’, pursuant to Section 108 of the Disaster Management Act’ to ensure clear and systematic early warning and notification to vulnerable populations and government agencies of threatening hydrometeorological hazards, disaster situations or events in the country as evidenced by the Executive Order (C-2/2019/369) issued by the NDMA dated December 5, 2019.

4. The Recipient, through its MoH, has approved the Bhutan Pandemic Preparedness and Response Plan (BPPRP) and Standard Operating Procedures (SOPs) on March, 2020 which enhances the Recipient’s preparedness and response capacities; as evidenced by letter Ref. MoH/DoPH/ZDCP(12)/2019-2020/11502 dated March 11, 2020.

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>10,900,000</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>10,900,000</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 based on evidence satisfactory to it, that in response to a Natural Disaster: (a) (i) a declaration of disaster has been made pursuant to the provisions of the Disaster Management Act; or (ii) the Prime Minister, in his capacity as the ex-officio Chairperson of the NDMA has declared a disaster; or (b) the MoF has, on the recommendation of the NDMA acting under the relevant provisions of the Disaster Management Act, issued in accordance with Section 66 of the Public Finance Act, 2007, an order to authorize use of public funds to be drawn down for the purpose of mobilizing financial resources to respond to such a Natural Disaster; each in such manner as the Recipient deems appropriate.

2. Notwithstanding the foregoing, if at any time prior to the receipt by the Association of a request for withdrawal of an amount of the Financing, the Association determines that a review of the Recipient’s progress in carrying out the Program is warranted, the Association shall give notice to the Recipient to that effect. Upon the giving of such notice, no withdrawals shall be made of the Unwithdrawn Financing Balance unless and until the Association has notified the Recipient of its satisfaction, after an exchange of views as described in paragraphs (a) and (b) of Section 3.01 of Article III of this Agreement, with the progress achieved by Recipient in carrying out the Program.

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, 2023.
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 March 1 and September 1:</td>
<td></td>
</tr>
<tr>
<td>commencing September 1, 2030 to and including March 1, 2040</td>
<td>1%</td>
</tr>
<tr>
<td>commencing September 1, 2040 to and including March 1, 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.
Section I. Definitions

1. "BTN" means Bhutanese Ngultrum.

2. "Bhutan Pandemic Preparedness and Response Plan" or "BPPRP" means the Recipient’s Pandemic Preparedness and Response Plan, 2020 prepared by the MoH and published on its website.

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

4. "Disaster Management Act" means the Recipient’s Disaster Management Act of 2013 effective from March 18, 2013, as amended from time to time.


6. "Grant Agreement" means the grant agreement between the Recipient and the Association for the Pandemic Emergency Financing Facility, dated the same date as this Agreement, as such grant agreement may be amended from time to time.

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

8. "Molf" means the Recipient’s Ministry of Health, or any successor thereto.


10. "NDMA" means the National Disaster Management Authority, or any successor thereto.

11. "NCHM" means the National Center for Hydrology and Meteorology, or any successor thereto.


14. “Natural Disaster” means, for the purposes of this Agreement, an imminent or occurring crisis or emergency situation arising from a cyclone, flood, storm, tsunami, drought, earthquake, volcanic eruption, plague or epidemic, or any other natural hazard, including a public-health related event, that requires the Recipient to promptly mobilize its capacity and/or financial resources under its applicable legal or administrative frameworks.

15. “Pandemic Emergency Financing Facility” means the financing facility developed by the World Bank in collaboration with the other development partners and donors to provide surge financing for disease outbreaks.


17. “Program” means: the program of objectives, policies, and actions set forth or referred to in the letter dated April 1, 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.

18. “RMA” means the Royal Monetary Authority of Bhutan, the Recipient’s central bank, or any successor thereto.

19. “Standard Operating Procedures” means the standard operating procedures prepared under the BPPRP.

20. “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.

21. “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.