

**OFFICIAL
DOCUMENTS**

CREDIT NUMBER 6208-BT

Financing Agreement

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

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). 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 1 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, deemed by the Association to be on concessional terms, as set forth or referred to in this Agreement, in an amount equivalent to twenty million six hundred thousand Special Drawing Rights (SDR 20,600,000) (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 The Service Charge is three-fourths of one percent (3/4 of 1%) per annum on the Withdrawn Credit Balance.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 February 15 and August 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 1 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 sixty (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 | _____ |

AGREED as of the Signature Date.

KINGDOM OF BHUTAN

By



Authorized Representative

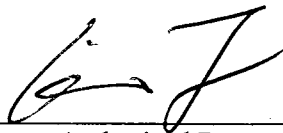
Name: NIM DORJI

Title: FINANCE SECRETARY

Date: APRIL 20, 2018

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

Name: QIMIAO FAN

Title: COUNTRY DIRECTOR

Date: APRIL 20, 2018

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

1. The Recipient through its Parliament has approved the establishment of a stabilization fund as evidenced by the Resolution No.9 of the Parliament and the letter bearing reference NAB-SG-51/2018/5816 of the Secretary General on behalf of Parliament to the MoF dated January 8 2018.
2. The Recipient through its Cabinet has approved the introduction of the GST as evidenced by the letter bearing reference C-3/140/2718 from the Cabinet Secretariat to the MoF dated August 25, 2017.
3. The Recipient through its MoF has issued administrative measures to minimize the impact on its tax revenues in response to India's GST introduction, as evidenced by the MoF notification DRC/STD/MV/06/2017/297 dated August 10, 2017.

Pillar 2: Enhancing policies to promote private sector opportunities

1. The Recipient through its MoEA has approved the Guidelines for Operation and Management of Business Incubation Centre for Cottage and Small Industries as evidenced by the approval letter of the MoEA bearing reference MoEA/DCSI/EDD/15/2018/407 dated January 24, 2018.
2. The Recipient through its Cabinet has approved the Renewable Natural Resources Marketing Policy, 2018 for agricultural products as evidenced by the letter bearing reference C-3/151/842 from the Cabinet Secretariat to the MoAF dated February 20, 2018.
3. The Recipient through its RMA Board has adopted the revised Credit Information Bureau Rules and Regulations, 2017 as evidenced by the letter from the RMA to the Association, bearing reference RMA/FRSD/51/2017-2018/2499 dated November 22, 2017.
4. The Recipient through its RMA Board has adopted the E-money Issuer Rules and Regulations, 2017 as evidenced by the letter from the RMA to the

Association, bearing reference RMA/FRSD/51/2017-2018/2499 dated November 22, 2017.

5. The Recipient through its MoE has approved the Guideline for Establishment and Operation of International Schools in Bhutan, 2017 as evidenced by the approval letter of the MoE bearing reference MoE/PPD/WB/MoF/2018/6161 dated February 9, 2018.
6. The Recipient through its MoEA has endorsed the National Energy Efficiency and Conservation Policy, 2017 and forwarded for further procedures as evidenced by the letter from the MoEA to the MoF bearing reference MoEA/SEC/MoF/20/2018/15 dated February 14, 2018.

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:

| Allocations | Amount of the Financing Allocated (expressed in SDR) |
|---------------------------|---|
| Single Withdrawal Tranche | 20,600,000 |
| TOTAL AMOUNT | 20,600,000 |

- 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 February 28, 2019.

SCHEDULE 2

Repayment Schedule

| Date Payment Due | Principal Amount of the Credit repayable (expressed as a percentage)* |
|---|--|
| On each February 15 and August 15: commencing August 15, 2028 to and including February 15, 2038 | 1% |
| commencing August 15, 2038 to and including February 15, 2058 | 2% |

* 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.
4. "General Conditions" means the "International Development Association General Conditions for IDA Financing, Development Policy Financing", dated July 14, 2017.
5. "MoAF" means the Recipient's Ministry of Agriculture and Forests, or any successor thereto.
6. "MoE" means the Recipient's Ministry of Education, or any successor thereto.
7. "MoEA" means the Recipient's Ministry of Economic Affairs, or any successor thereto.
8. "MoF" means the Recipient's Ministry of Finance, or any successor thereto.
9. "Parliament" means the Recipient's legislature.
10. "Program" means: the program of objectives, policies, and actions set forth or referred to in the letter dated February 27, 2018 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 1 to this Agreement, and actions to be taken consistent with the program's objectives.
11. "RMA" means the Royal Monetary Authority of Bhutan, the Recipient's central bank, or any successor thereto.
12. "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.

13. "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 1 to this Agreement.