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CONFORMED COPY

CREDIT NUMBER 4983-BT

Financing Agreement

(Strengthening Regional Cooperation for Wildlife Protection in Asia Project)

between

KINGDOM OF BHUTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 21, 2011

CREDIT NUMBER 4983-BT

FINANCING AGREEMENT

AGREEMENT dated July 21, 2011, entered into between KINGDOM OF BHUTAN (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral 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, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to one million four hundred thousand Special Drawing Rights (SDR 1,400,000) (variously, “Credit” and “Financing”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Payment Dates are May 15 and November 15 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

- 2.07. The Payment Currency is Dollars.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project and the Program. To this end, the Recipient shall carry out the Project in accordance with the provisions of Article IV of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

- 4.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 4.02. For purposes of Section 8.05(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 date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

- 5.01. The Recipient's Representative is the Minister of Finance.
- 5.02. The Recipient's Address is:

Ministry of Finance
Tashichhodzong
Thimphu, Kingdom of Bhutan

Cable address:	Facsimile:
Ministry of Finance	323154
Thimphu, Bhutan Ministry of Finance	

- 5.03. The Association's Address is:

International Development Association
1818 H Street, N.W.

Washington, D.C. 20433
United States of America

Cable:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI)	1-202-477-6391

AGREED at Thimphu, Bhutan, as of the day and year first above written.

KINGDOM OF BHUTAN

By

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to assist the Recipient in building and/or enhancing shared capacity, institutions, knowledge and incentives to tackle illegal wildlife trade and other selected regional conservation threats to habitats in border areas.

The Project, which constitutes a component of the Regional Program, consists of the following parts:

PART A: CAPACITY BUILDING FOR ADDRESSING ILLEGAL TRANS-BOUNDARY WILDLIFE TRADE

1. Strengthening of the information/intelligence network to contribute towards strengthening enforcement and control of illegal wildlife trade and strengthen DOFPS's effectiveness in wildlife conservation and illegal wildlife trade control.
2. Provision of training and workshops for field staff of DOFPS in (i) strengthening enforcement; and (ii) improving trans-boundary coordination.

PART B: PROMOTING WILDLIFE CONSERVATION IN ASIA

1. Virtual regional center of excellence for wildlife conservation

Provision of technical advisory services and equipment for the creation of a virtual regional center of excellence for wildlife conservation.

2. Protected areas and GRF management with regional conservation benefits

Carrying out of competitive, demand-driven pilot initiatives with a regional dimension, including, inter alia: (i) support activities that promote conservation, protection and management of PAs and GRFs.; (ii) pilot programs in conservation of endangered flagship species; (iii) pilot programs in human wildlife coexistence models and incentive schemes; (iv) development of ecotourism plans with regional conservation benefits; (v) implementation of priority activities under the ecotourism plans; and (vi) greening of infrastructure within, and in close proximity to, PAs and GRFs.

PART C: PROJECT COORDINATION AND COMMUNICATION

1. Provision of services and logistical assistance to Project staff, including Operating Costs related to the management and regional coordination of the Project.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall vest MOAF with the responsibility for the carrying out of the Project through WCD.
2. The Recipient shall establish by no later than July 31, 2011, and thereafter maintain until the completion of the Project, a Project Implementation Steering Committee chaired by the Secretary of MOAF, to be responsible for: (i) reviewing the quarterly and annual progress of the Project based on reports prepared by WCD; (ii) providing guidance to WCD on Project implementation; (iii) reviewing and approving updated procurement plans; and (iv) conducting independent field visits to the project areas to assess field implementation.

B. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

C. Resettlement, Indigenous Population, and Environment Protection

1. The Recipient shall carry out the project in accordance with the ESMF and, in so doing, shall:
 - (a) take all necessary actions to minimize, to the extent possible, any involuntary loss by persons of shelter, productive assets or access to productive assets, income or means of livelihood, temporarily or permanently; and
 - (b) for this purpose:
 - (i) prior to the commencement of any works under the Project, implement the applicable EMP, RAP and/or IPDP in a manner satisfactory to the Association; and
 - (ii) whenever modification or finalization of any activity design or implementation shall give rise to Displaced Persons, provide to the Association, for its review, an EMP, a RAP and/or IPDP, prepared in accordance with the principles and procedures set

forth in the ESMF and, thereafter, implement in a manner satisfactory to the Association.

2. The Recipient shall:
 - (a) maintain policies and procedures adequate to enable the Recipient to monitor and evaluate, in accordance with guidelines acceptable to the Association, the implementation of the relevant ESMF, EMPs, RAPs and IPDPs (collectively, the “Safeguards Instruments”) and the achievement of the objectives thereof; and
 - (b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association by January 1 of each year, commencing on January 1, 2012, semi-annual reports of the results of the monitoring and evaluation activities with respect to the relevant Safeguards Instruments, together with any revisions proposed to be introduced into said instruments in order to achieve their respective objectives.
3. The Recipient shall provide to the Association, for its prior concurrence, any proposed modification or waiver of any provision of any of the Safeguards Instruments, and put such modification or waiver into effect only after receiving the Association’s written consent thereto.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators acceptable to the Association. Each Project Report shall cover the period of one (1) calendar quarter, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association, not later than forty-five (45) days after the end of each quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.

3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. **Goods, Works and Non-consulting Services.** All goods, works and non-consulting services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods, Works and Non-consulting Services

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works and non-consulting services. The Procurement Plan shall specify the circumstances under which such methods may be used:

Procurement Methods
(a) National Competitive Bidding (NCB), subject to procedures listed in the Annex to this Schedule
(b) Shopping
(c) Direct Contracting

C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.
2. **Other Methods of Procurement of Consultants' Services.** The following table specifies methods of procurement, other than Quality- and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Methods
(a) Quality-Based Selection (QBS)
(b) Least-Cost Selection (LCS)
(c) Selection Under a Fixed Budget (FB)
(d) Selection Based on the Consultants' Qualifications (CQS)
(e) Single-Source Selection (SSS)

D. Review by the Association of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. Except as the Association shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the Association: (a) each contract for goods estimated to cost more than \$100,000, procured under NCB; (b) each contract for works estimated to cost more than \$200,000, procured under NCB; (c) all contracts procured under the Direct Contracting method, regardless of value; (d) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$200,000 or more; (e) each contract for consultants' services, estimated to \$50,000 or more, provided by an individual consultant; and (f) all Single-Source Selection of consultancy services irrespective of the contract value. All other contracts shall be subject to Post Review by the Association

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Association and as made applicable to

this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing (“Category”), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Grant Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works, consultants’ services, Training and Workshops, and Operating Costs (under all Parts of the Project, except Part B.2)	91,000	100%
(2) Goods, works, consultants’ services, Training and Workshops, and Operating Costs (under Part B.2 of the Project)	1,309,000	100%
TOTAL AMOUNT	1,400,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments: (i) made prior to the date of this Agreement; and (ii) under Category (2), unless the Recipient has prepared and adopted the Operational Manual, in form and substance satisfactory to the Association.
2. The Closing Date is August 31, 2016.

ANNEX to SCHEDULE 2**National Competitive Bidding Procedures**

In order to ensure economy, efficiency and transparency and broad consistency with the provisions of Section I of the Procurement Guidelines the following should be followed:

- (a) invitations to bid shall be advertised in at least one (1) widely circulated national newspaper, at least thirty (30) days prior to the deadline for the submission of bids;
- (b) bid documents shall be made available, by mail or in person, to all who are willing to pay the required fee;
- (c) evaluation of bids shall be made in strict adherence to the criteria disclosed in the bidding documents, in a format and specified period agreed with the Association;
- (d) bids shall be opened in public in one place, immediately after the deadline for submission of bids;
- (e) foreign bidders shall not be precluded from bidding and no preference of any kind shall be given to national bidders;
- (f) qualification criteria (in case pre-qualifications were not carried out) shall be stated in the bidding documents, and if a registration process is required, a foreign firm declared as the lowest evaluated bidder shall be given a reasonable opportunity of registering, without let or hindrance;
- (g) contracts shall be awarded to the lowest evaluated bidders;
- (h) post-bidding negotiations shall not be allowed with the lowest evaluated bidders or any other bidders;
- (i) bids shall not be rejected merely on the basis of a comparison with an official estimate without the prior concurrence of the Association;
- (j) annual rate contracts entered into by the implementing entity shall not be acceptable as a substitute for National Competitive Bidding Procedure; such contracts shall be acceptable for any procurement under Shopping as one of the quotation;
- (k) re-bidding shall not be carried out without the prior concurrence of the Association;

- (l) all bidders/contractors shall provide bid/performance security as indicated in the bidding/contract documents;
- (m) a bidder's bid security shall apply only to a specific bid, and a contractor's performance security shall apply only to the specific contract under which it was furnished;
- (n) split award or lottery in award of contracts shall not be carried out when two (2) or more bidders quote the same lowest price, an investigation shall be made to determine any evidence of collusion, following which:
 - (i) if collusion is determined, the parties involved shall be disqualified and the award shall then be made to the next lowest evaluated and qualified bidder; and
 - (ii) if no evidence of collusion can be confirmed, then fresh bids shall be invited after receiving the concurrence of the Association;
- (o) extension of bid validity shall not be allowed without the prior concurrence of the Association: (i) for the first request for extension if it is longer than eight (8) weeks, and (ii) for all subsequent requests for extension irrespective of the period;
- (p) bids shall not be invited on the basis of percentage premium or discount over the estimated cost; and
- (q) there shall not be any restrictions on the means of delivery of the bids except electronic submission of bidding documents.

SCHEDULE 3
Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each May15 and November 15:	
commencing November 15, 2021, to and including May 15, 2031	5%

* 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 3.03(b) of the General Conditions.

APPENDIX**Section I. Definitions**

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006, and revised in January 2011.
2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” published by the Bank in January 2011.
4. “DOFPS” means the Recipient’s Department of Forests and Park Services, or any of its successors.
5. “Displaced Persons” means persons who, on account of the execution of the Project, have experienced or would experience direct economic and social impacts caused by: (a) the involuntary taking of land resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; or (iii) loss of income sources or means of livelihood, whether or not such persons must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such persons; and a “Displaced Person” means any of such Displaced Persons.
6. “EMP” means a specific Environmental Management Plan to be prepared by the Recipient, on the basis of the provisions of the ESMF (as hereinafter defined), and to be approved by the Association, prior to carrying out any activity under the Project, such plan to set out the environmental protection measures in respect of the activity under the Project, as well as administrative and monitoring arrangements to ensure the implementation of said plan, as said plan may be revised from time to time with the agreement of the Association.
7. “ESMF” means the Environmental and Social Management of April 2011, and disclosed on May 19, 2011, which describes the environmental, social and indigenous people’s safeguard policies, procedures and institutional framework applicable to the Project, including identification, assessment and mitigation of potential environmental and social impacts arising from the Project, measures to protect the indigenous population and cultural property, carrying out consultations, processing and redressing grievances, monitoring related impacts, and, where applicable, resettlement and rehabilitation action plans, and other development plans and entitlement frameworks for people adversely affected as a

result of Project implementation, as such framework may be revised from time to time with prior mutual consent of the Recipient and the Association.

8. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010.
9. “GRF” means Government Reserve Forests, under the Recipient’s Forest and Nature Conservation Act of 1995, and include any land or water body (excluding Thromde Institutions and private forests), the ownership of which is not vested in any person and is under the custody of the MOAF (as hereinafter defined).
10. “IPDP” means an indigenous people’s development plan to be prepared by the Recipient, on the basis of the provisions of the ESMF, and to be approved by the Association, prior to carrying out any activity under the Project, such plan to set out actions and measures to protect the indigenous population residing around PAs and GRFs, as said plan may be revised from time to time with the agreement of the Association.
11. “MOAF” means the Recipient’s Ministry of Agriculture and Forest, or any of its successors.
12. “Operating Costs” means Project-related incremental operating costs incurred on account of implementation, management and monitoring, dissemination of Project-related information, office rental and office equipment purchase or leasing, maintenance and repair, vehicle leasing, equipment maintenance and repair, travel, including travel to Project sites, security, communication, commercial bank charges, advertizing, data gathering through individuals and other costs directly associated with the Project, but excluding the salaries of the Recipient’s civil servants.
13. “Operational Manual” means the Recipient’s manual, which sets out, inter alia, the terms, conditions and procedures for carrying out Part B.2 of the Project, as such manual may be revised from time to time with the prior written consent of the Association.
14. “Participating Countries” means the countries participating in the Regional Program (as hereinafter defined).
15. “Procurement Guidelines” means the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” published by the Bank in January 2011.
16. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated May 18, 2011, and referred to in paragraph 1.16 of the Procurement

Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

17. “Protected Areas” or “PAs” mean the areas so designated by the Recipient’s Forest and Nature Conservation Act of 1995, and including a defined geographical space, recognized, dedicated and managed through legal or other effective means to achieve the long term conservation of nature with associated ecosystem services and cultural values, as such designation may be revised from time to time by the Recipient.
18. “Regional Program” means the regional program to help improve the effectiveness of wildlife and habitat conservation by addressing key regional threats in the Participating Countries, which include the Kingdom of Bhutan, the People’s Republic of Bangladesh, India and Nepal and any other additional country that wishes to participate in said program.
19. “Resettlement Action Plan” or the acronym “RAP” means a plan to be prepared by the Recipient on the basis of the provision of the ESMF, and to be approved by the Association, for carrying out activities under Part B.2 of the project, and which sets out the principles and procedures governing the acquisition of land and other assets, and the resettlement, compensation and rehabilitation of Displaced Persons on account of the implementation of the Project, as well as monitoring and reporting arrangements to ensure compliance with said plans, as the same may be revised from time to time with the prior agreement of the Association.
20. “Training and Workshops” means reasonable and necessary costs of training related to Project implementation, including the fees of educational or other institutions that provide training, costs related to attendance or organization of conferences, seminars, study tours and workshops, and the trainees’ cost of travel, boarding, lodging and per diem allowances.
21. “WCD” means the Recipient’s Wildlife Conservation Division within DOFPS, or any of its successors.