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Abdoulaye Seck
Country Director for Bangladesh and Bhutan

15-Jul-2024

H.E. Lyonpo Lekey Dorji
Minister of Finance
Ministry of Finance
Royal Government of Bhutan
Tashichhodzong, Thimphu
Kingdom of Bhutan

Your Excellency,

Climate Resilient Debt Clause – Amendment to Financing Agreements

We refer to the Financing Agreements entered into between the Kingdom of Bhutan (the “Recipient”) and the International Development Association (the “Association”) in respect of the Credits listed in Annex 1 to this letter (the “Financing Agreements”).

In connection with the Association’s offer of the inclusion of the Climate Resilient Debt Clause (CRDC) in the Financing Agreements of certain eligible recipients, we hereby confirm the Association’s agreement to amend the relevant provisions of each of the Financing Agreements for the Credits listed in Annex 1 to this letter, so as to modify the General Conditions and Financing Agreements applicable to such Credits as provided in Annex 2 to this letter.

The amendments (set forth in Annex II to this letter) to the provisions of the Financing Agreements and the General Conditions incorporated by reference therein, are based on the versions of the General Conditions and template Financing Agreements, existing as of the date of this amendment. All Financing Agreements covered by this amendment are hereby amended in their equivalent provisions, to give full effect to the revisions set forth in Annex II hereto, regardless of differences in terminology or enumeration.

Please confirm your agreement with the foregoing by signing and dating this letter and the other enclosed original. Upon signing and dating both originals, please return to us one of the signed originals for our records and keep the other original for your records. This amendment shall become effective upon due execution by both parties.

Sincerely,
INTERNATIONAL DEVELOPMENT ASSOCIATION

By Abdoulaye Seck

Abdoulaye Seck
Country Director for Bangladesh and Bhutan
South Asia Region

AGREED:

KINGDOM OF BHUTAN

By: *dkorji*

Authorized Representative

Name: Lyonpo Lekey Dorji

Title: Finance Minister

Date: 11-Aug-2024

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ANNEX I

List of Credits by Project Name and Number

Project Id	Financier	Loan Number	Project Name
P009569	IDA	14600	FORESTRY
P009570	IDA	14160	TECHNICAL ASSISTANCE
P009571	IDA	15960	CALCIUM CARBIDE
P009574	IDA	30440	EDUCATION II
P009582	IDA	25330	Third Forestry Development Project
P057570	IDA	33100	DEVELOPMENT PROJECT
P059481	IDA	33090	RURAL ACCESS ROADS
P074114	IDA	38200	BT: Education Development Project
P087150	IDA	40400	BT: Decentralized Rural Development
P090157	IDA	47440	BT: Urban Development-II
P090157	IDA	54310	BT: Urban Development-II
P111222	IDA	45620	BT Development Policy Grant /Credit
P113069	IDA	48350	Bhutan Development Policy Credit 1
P123820	IDA	51640	BT: Remote Rural Communities Development
P126193	IDA	49830	REG: Wildlife Protection Phase 2: Bhutan
P128201	IDA	51630	BT: DPC 2
P147806	IDA	56470	BT: 2nd DPC Series
P157469	IDA	59230	Development Policy Credit 2
P164290	IDA	62080	Bhutan Programmatic DPC Series
P168166	IDA	64420	Bhutan - DPC2
P171780	IDA	65860	Bhutan - DPC 3
P173008	IDA	66220	Bhutan DPF with Cat DDO
P173787	IDA	66270	Bhutan: COVID-19 Emergency Response
P173787	IDA	70980	Bhutan: COVID-19 Emergency Response
P174399	IDA	70290	Bhutan HCRR Project
P175758	IDA	69280	Bhutan - DPC
P177712	IDA	71550	Bhutan - DPC
P178635	IDA	73910	Bhutan Green and Resilient Growth DPC-2
P178635	IDA	73920	Bhutan Green and Resilient Growth DPC-2

ANNEX II

Amendments to General Conditions applicable to Credits

1. In paragraph [4]¹ of the Appendix, the term “Amortization Schedule” is modified to read as follows:

“[4]. “Amortization Schedule” means the schedule for repayment of principal amount specified in the Financing Agreement for purposes of Sections 3.05 and 3.10.”

2. In paragraph [57] of the Appendix, the term “Financing Payment” is modified to read as follows:

“[57]. “Financing Payment” means any amount payable by the Recipient to the Association pursuant to the Financing Agreement, including (but not limited to) any amount of the Withdrawn Credit Balance, the Service Charge, the Interest Charge, any deferred amount pursuant to the Financing Agreement and any interest thereon, the Front-end Fee, the Commitment Charge, any prepayment premium, any transaction fee for a Conversion or early termination of a Conversion, any premium payable upon the establishment of an Interest Rate Cap or Interest Rate Collar, any Unwinding Amount payable by the Recipient, and any refund of the Withdrawn Grant Balance payable by the Recipient, as applicable.”

3. The following definitions of new terms are inserted in the Appendix as paragraphs [120-127], respectively:

“[120]. “CRDC” or “Climate Resilient Debt Clause” means a mechanism established in the Financing Agreement allowing the eligible Recipient to defer certain payments of principal and/or interest (and other Credit charges) during a Deferral Period upon occurrence of an Eligible Event.

[121]. “CRDC Terms and Conditions” means the Climate Resilient Debt Clause terms and conditions, as issued and revised from time to time, by the Bank and the Association, in effect at the time of the Payment Deferral request.

[122]. “Deferral Period” means the period of up to 24 (twenty-four) months, during which the Payment Deferral is activated pursuant to the provisions of the Financing Agreement.

[123]. “Eligible Event” means (i) an earthquake; and/or (ii) a tropical cyclone affecting the Recipient, corresponding to the parameters established by the Association in the CRDC Terms and Conditions, which may constitute a Payment Deferral Trigger.

[124]. “Interest Payment Deferral” means a one-time temporary deferral of payment of Interest and other applicable Credit charges during a Deferral Period, requested by the

¹ References to the sections here and the remainder of the document are to references to the relevant provisions in the General Conditions for IDA Financing Investment Project Financing, dated December 14, 2018 (Last revised on July 15, 2023). Amended terms apply to the corresponding equivalent provisions in the General Conditions of other vintages as applicable, with appropriate adjustment to their terminology or enumeration. To account for such differences in terminology or enumeration, references herein are placed in brackets.

Recipient, and activated by the Association pursuant to the provisions of the Financing Agreement.

[125]. “Payment Deferral” means a Principal Payment Deferral and/or Interest Payment Deferral, requested by the Recipient and activated by the Association pursuant to the provisions of the Financing Agreement.

[126]. “Payment Deferral Triggers” means the set of primary and secondary triggers based on the Eligible Events established by the Association in the CRDC Terms and Conditions, which, upon verification by the Association in accordance with the CRDC Terms and Conditions, serve as the basis for an activation of a Payment Deferral.

[127]. “Principal Payment Deferral” means the one-time temporary deferral of repayments of the Withdrawn Credit Balance during a Deferral Period, requested by the Recipient, and activated by the Association pursuant to the provisions of the Financing Agreement.”

Amendments to Financing Agreements²

1. Relevant Sections of the Financing Agreements relating to the repayment obligations of the Recipient are modified to read as follows:

“[2.07]. Except as provided in Section [2.08] below, the principal amount of the Credit shall be repaid in accordance with Section [3.05³/3.10⁴] of the General Conditions and Schedule [3] to this Agreement.”

2. Article [II] of the Credit Agreements are modified by adding new Sections at the end, in accordance with the applicable numbering sequence, as follows:

“[2.--]. (a) Upon occurrence of an Eligible Event and issuance of a government declaration of national emergency, the Recipient may request the Association to activate: (i) the Principal Payment Deferral in respect of a portion or all of the Withdrawn Credit Balance; and/or (ii) Interest Payment Deferral; for the Deferral Period, provided that such request shall be made no earlier than in respect of the first Principal Payment Date and no later than the fifth anniversary prior to the final maturity of the Credit. Such request and any activation shall be made in accordance with the CRDC Terms and Conditions in effect at the time of the submission of the request, the provisions of which are hereby incorporated by reference and form an integral part of this Agreement. The activation of the Payment Deferral may occur only once during the term of the Credit.

(b) At the time of requesting the Principal Payment Deferral pursuant to the provisions of paragraph (a) of this Section 2.0[8], the Recipient may also request repayment provisions different from those set out in Schedule [3] to this Agreement for a portion or all of the

² References to the sections here and the remainder of the document are to references to the relevant provisions in the Financing Agreements model as of the date of this amendment. Amended terms apply to the corresponding equivalent provisions in the individual Financing Agreements as applicable, with appropriate adjustment to their terminology or enumeration. To account for such differences in terminology or enumeration, references herein are placed in brackets.

³ Applicable to IDA Concessional Financing Credits.

⁴ Applicable to IDA Non-concessional Financing Credits.

Withdrawn Credit Balance for which Principal Payment Deferral is requested, provided that: (i) the average maturity of the Withdrawn Credit Balance after the Deferral Period equals the original average maturity of such Withdrawn Credit Balance prior to the Principal Payment Deferral request and the final maturity of the Withdrawn Credit Balance after the Deferral Period will not exceed the original final maturity of such Withdrawn Credit Balance prior to the Principal Payment Deferral request; and (ii) such repayment provisions have been agreed between the Recipient and the Association.

(c) Upon verification by the Association of the occurrence of the applicable Payment Deferral Trigger, the Association shall take such actions as necessary to implement the Payment Deferral in accordance with the terms of this Agreement and the CRDC Terms and Conditions. Effective the date of the activation of the Payment Deferral as notified by the Association to the Recipient, the provisions of this Agreement providing for repayment of the proceeds of the Credit, including the provisions of Schedule [3], shall be deemed to have been modified, as applicable. The Association shall notify the Recipient of the applicable financial terms of the Credit, including any revised amortization provisions, if applicable, at the time of the Payment Deferral activation or promptly thereafter.

(d) In the event the Interest Payment Deferral is activated, the Recipient shall pay to the Association interest on any such deferred amount at the rate [which is the sum of rates set forth in Sections [2.04] and [2.05] of this Agreement]⁵ / [set forth in Section [2.05] of this Agreement]⁶ until such time as the deferred amount is fully paid to the Association. Such interest shall accrue from the respective dates when the relevant amounts are deferred after the Interest Payment Deferral is activated and shall be payable on the remaining Payment Dates after the Deferral Period.

(e) The Payment Deferral shall not be activated, if the events specified in Section [8.02 (a)] or [8.06 (a)] of the General Conditions occurs and is continuing, provided, however, that the Payment Deferral, upon its activation, shall not constitute an event described in Sections [8.02 (a)] or [8.06 (a)] of the General Conditions. Furthermore, the Recipient shall continue to pay all applicable and accrued Financing Payments during the Deferral Period, except the amounts that have been deferred pursuant to the activated Payment Deferral as described herein.

(f) If the Withdrawn Credit Balance or any interest and other applicable Credit charges, to which the request for Payment Deferral relates, is subject to a Currency Conversion then in effect, the Recipient and the Association shall agree to amend or terminate such Currency Conversion. In the event of an early termination of such Currency Conversion prior to the end of its Conversion Period as a result of the Payment Deferral, the provisions of Section [4.06(b)] of the General Conditions shall apply.”

⁵ Applicable to IDA Concessional Financing Credits.

⁶ Applicable to IDA Non-concessional Financing Credits.