

27-Oct-2023

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Hon. Lyonpo Namgay Tshering  
Minister of Finance  
Ministry of Finance  
Royal Government of Bhutan  
Tashichhodzong  
Thimphu  
Kingdom of Bhutan

Re: Bhutan: Advance Agreement for Preparation of Proposed  
Accelerating Trade and Transport in Eastern South Asia  
(ACCESS) Phase 2 Project  
Project Preparation Advance No. IDA V504-BT

Excellency:

In response to the request for financial assistance made on behalf of Kingdom of Bhutan (“Recipient”), I am pleased to inform you that the International Development Association (“Bank”) proposes to extend to the Recipient an advance out of the Bank’s Project Preparation Facility in an amount not to exceed two million five hundred thousand Dollars (\$2,500,000) (“Advance”) on the terms and conditions set forth or referred to in this letter agreement (“Agreement”), which includes the attached Annex, to assist in financing the activities described in the Annex (“Activities”). The objective of the Activities is to facilitate the preparation of a proposed project designed to increase the efficiency and resilience of trade and transport along selected corridors in Bhutan (“Project”) for the carrying out of which the Recipient has requested the Bank’s financial assistance.

The Recipient represents, by confirming its agreement below, that: (a) it understands that the provision of the Advance does not constitute or imply any commitment on the part of IDA to assist in financing the Project; and (b) it is authorized to enter into this Agreement and to carry out the Activities, repay the Advance and perform its other obligations under this Agreement, all in accordance with the provisions of this Agreement.

Please confirm the Recipient’s agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the countersignature.

Very truly yours,

INTERNATIONAL DEVELOPMENT ASSOCIATION

By Abdoulaye Seck  
Abdoulaye Seck  
Country Director for Bhutan  
South Asia Region

AGREED:  
KINGDOM OF BHUTAN

By   
\_\_\_\_\_  
Authorized Representative

Name Lyonpo Namgay Tshering

Title Minister

Date 28-Oct-2023

Enclosures:

- (1) “Standard Conditions for Advances Made by the Bank under its Project Preparation Facility”, dated August 1, 2022; and
- (2) Disbursement and Financial Information Letter for the Advance of the same date as this Agreement, together with “Disbursement Guidelines for Investment Project Financing”, dated February 2017.

**Article I**  
**Standard Conditions; Definitions**

1.01. **Standard Conditions.** The Standard Conditions (as defined in Section 1.02 below) constitute an integral part of this Agreement.

1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Section

- (a) “Anti-Corruption Guidelines” means, for purposes of paragraph 11 of the Appendix to the Standard Conditions, 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, and as of July 1, 2016.
- (b) “Category” means a category set forth in the table in Section 3.01 of this Agreement.
- (c) “Environmental and Social Commitment Plan” or “ESCP” means the environmental and social commitment plan for the Project, dated October 20, 2023 as the same may be amended from time to time in accordance with the provisions thereof, which sets out the material measures and actions that the Recipient shall carry out or cause to be carried out to address the potential environmental and social risks and impacts of the Project, including the timeframes of the actions and measures, institutional, staffing, training, monitoring and reporting arrangements, and any environmental and social instruments to be prepared thereunder.
- (d) “Environmental and Social Standards” or “ESSs” means, collectively: (i) “Environmental and Social Standard 1: Assessment and Management of Environmental and Social Risks and Impacts”; (ii) “Environmental and Social Standard 2: Labor and Working Conditions”; (iii) “Environmental and Social Standard 3: Resource Efficiency and Pollution Prevention and Management”; (iv) “Environmental and Social Standard 4: Community Health and Safety”; (v) “Environmental and Social Standard 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement”; (vi) “Environmental and Social Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources”; (vii) “Environmental and Social Standard 7: Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities”; (viii) “Environmental and Social Standard 8: Cultural Heritage”; (ix) “Environmental and Social Standard 9: Financial Intermediaries”; (x) “Environmental and Social Standard 10: Stakeholder Engagement and Information Disclosure”; effective on October 1, 2018, as published by the Bank.
- (e) “Incremental Operating Costs” means the incremental expenses incurred on account of Activities, consisting of reasonable expenditures, communication and insurance costs, banking charges, rental expenses, office and office equipment maintenance, utilities, document duplication/printing, consumables, travel costs and per diem for project staff for travel linked to the Activities, and salaries of the project’s contractual staff employed for

- purposes of the Activities (but excluding salaries of Recipient's civil servants and purchase of vehicles, its operation and maintenance costs).
- (f) "GovTech" means the Recipient's Government Technology Agency, formerly the Department of Information Technology and Telecommunications, or any successor thereto, responsible for carrying out functions related to information, communications and technology.
  - (g) "MoIT" means the Recipient's Ministry of Infrastructure and Transport, formerly Ministry of Works and Human Settlement (MoWHS) or any successor thereto, responsible, *inter alia*, for the provision of physical infrastructure.
  - (h) "National Single Window" means the proposed digital platform set up to facilitate trade through a single entry point to fulfill import, export and transit-related regulatory requirements.
  - (i) "Procurement Regulations" means, for purposes of paragraph 50 of the Appendix to the Standard Conditions, the "World Bank Procurement Regulations for IPF Borrowers", dated September 2023.
  - (j) "Standard Conditions" means the "Standard Conditions for Advances Made by the Bank under its Project Preparation Facility", dated August 1, 2022.
  - (k) "Training" means reasonable costs associated with training, workshop participation, and anticipated study tours under the Activities, consisting of travel and subsistence costs for training participants, costs associated with securing the services of trainers and presenters, rental of training facilities, translation and interpretation services, preparation and reproduction of training materials, and other costs directly related to training, or anticipated study tour preparation and implementation, but excluding fees of consultants.

## **Article II**

### **Execution of the Activities**

2.01. ***Description of the Activities.*** The Activities for which the Advance is provided consist of the following parts:

- (a) Carrying out a feasibility study with a detailed project design and associated financing and implementation arrangements for proposed civil works including the Boxcut Bypass Road, Gelephu-Tareytang Road.
- (b) Preparing of the environmental and social assessments of the Project and other environmental and social (E&S) instruments as necessary.
- (c) Preparing an implementation manual with the first year implementation plan and associated procurement documents.
- (d) Development of blueprint for the National Single Window.

- (e) Conducting a market and demand assessment for international internet bandwidth and last mile connectivity for rural traders.
- (f) Carrying out a skills gap and capacity needs assessment for all implementing agencies (IAs).
- (g) Supporting the establishment of the Project Management Unit (PMU), including recruitment of key staff.
- (h) Provision of Incremental Operating Costs and Training related to Project preparation by the respective IAs

2.02. ***Execution of the Activities Generally.*** The Recipient declares its commitment to the objectives of the Activities. To this end, the Recipient shall carry out Part[s] (a), (b) (c), (f) ,(g) and (h) of the Activities through MoIT and cause Part[s] (d), (e) and (h) of the Activities to be carried out by GovTech in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) this Article II; and (c) the Anti-Corruption Guidelines.

2.03. ***Institutional and Other Arrangements.***

- (a) The Recipient shall cause MoIT and GovTech each, to maintain throughout the carrying out of the Activities, the project preparation team (PPT) with a staffing, functions and resources satisfactory to the World Bank, which shall be: (i) headed by a PPF focal point with terms of reference, qualifications and experience satisfactory to the World Bank; (ii) composed of relevant technical experts and specialists, including environmental and social specialists, all with terms of reference, qualifications and experience satisfactory to the World Bank; and (iii) responsible for, inter alia, overseeing the overall coordination, implementation and management of the Activities.

2.04. ***Environmental and Social Standards.***

- (a) The Recipient shall ensure that the Activities are carried out in accordance with the Environmental and Social Standards, in a manner acceptable to the Bank.
- (b) Without limitation upon paragraph (a) above, the Recipient shall ensure that the Activities are implemented in accordance with the Environmental and Social Commitment Plan (“ESCP”), in a manner acceptable to the Bank. To this end, the Recipient shall ensure that:
  - (i) the measures and actions specified in the ESCP are implemented with due diligence and efficiency, as provided in the ESCP;
  - (ii) sufficient funds are available to cover the costs of implementing the ESCP;
  - (iii) policies and procedures are maintained, and qualified and experienced staff in adequate numbers are retained to implement the ESCP, as provided in the ESCP; and
  - (iv) the ESCP, or any provision thereof, is not amended, repealed, suspended or waived, except as the Bank shall otherwise agree in writing, as specified in the ESCP, and ensure that the revised ESCP is disclosed promptly thereafter.

- (c) In case of any inconsistencies between the ESCP and the provisions of this Agreement, the provisions of this Agreement shall prevail.
- (d) The Recipient shall ensure that:
  - (i) all measures necessary are taken to collect, compile, and furnish to the Bank through regular reports, with the frequency specified in the ESCP, and promptly in a separate report or reports, if so requested by the Bank, information on the status of compliance with the ESCP and the environmental and social instruments referred to therein, all such reports in form and substance acceptable to the Bank, setting out, inter alia: (A) the status of implementation of the ESCP; (B) conditions, if any, which interfere or threaten to interfere with the implementation of the ESCP; and (C) corrective and preventive measures taken or required to be taken to address such conditions; and
  - (ii) the Bank is promptly notified of any incident or accident related to or having an impact on the Activities which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers, including,, in accordance with the ESCP, the environmental and social instruments referenced therein and the Environmental and Social Standards.
- (e) The Recipient shall establish, publicize, maintain and operate an accessible grievance mechanism, to receive and facilitate resolution of concerns and grievances of Activities-affected people, and take all measures necessary and appropriate to resolve, or facilitate the resolution of, such concerns and grievances, in a manner acceptable to the Bank.

2.05. ***Monitoring, Reporting and Evaluation of the Activities.*** The Recipient shall ensure that each Activity Report is furnished to the Bank not later than one month after each calendar semester, covering the calendar semester.

### **Article III Withdrawal of the Advance**

3.01. ***Eligible Expenditures.*** The Recipient may withdraw the proceeds of the Advance in accordance with the provisions of: (a) Article III of the Standard Conditions; and (b) this Section, to finance Eligible Expenditures as set forth in the following table. The table specifies each category of Eligible Expenditures that may be financed out of the proceeds of the Advance (“Category”), the amount of the Advance allocated to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<b>Category</b>	<b>Amount of the Advance Allocated (expressed in Dollars)</b>	<b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b>
(1) Goods, non-consulting services, consulting services, Training and Incremental Operating Costs under Part[s] (a), (b) (c), (f) ,(g) and (h) under Article II 2.01	2,000,000	100%
(2) Goods, non-consulting services, consulting services, Training and Incremental Operating Costs under Parts (d) (e) and (h) under Article II 2.01	500,000	100%
<b>TOTAL AMOUNT</b>	2,500,000	

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient.

3.03. **Refinancing Date.** The Refinancing Date is September 30, 2024.

**Article IV  
Terms of the Advance**

4.01. **Service Charge.** The Recipient shall pay a service charge on the Withdrawn Advance Balance at the rate of three-fourths of one percent (3/4 of 1%) per annum. The service charge shall accrue from the respective dates on which amounts of the Advance are withdrawn and shall be paid in arrears in accordance with the provisions of Section 4.02 of this Agreement. Service charges shall be computed on the basis of a 360-day year of twelve 30-day months.

4.02. **Repayment.** The Withdrawn Advance Balance shall be repaid by the Recipient to the Bank (together with any service charges accrued thereon) in accordance with the provisions of Article IV of the Standard Conditions and the following provisions:

(a) **Refinancing under the Refinancing Agreement:** If, on or before the Refinancing Date, a Refinancing Agreement has been executed by all of its parties, then the full amount of the Withdrawn Advance Balance shall be repaid to the Bank (together with any service charges accrued on the Advance to the date of repayment) as soon as the Refinancing Agreement becomes effective, by means of a withdrawal by the Bank of an amount of the Refinancing Proceeds equivalent to the Withdrawn Advance Balance plus such service charges, in accordance with the provisions of the Refinancing Agreement.

(b) *Repayment in the absence of a Refinancing Agreement:* If, on or before the Refinancing Date, no Refinancing Agreement has been executed by all of its parties, or if, by such date, it has been so executed but terminates without becoming effective, then:

- (i) if the amount of the Withdrawn Advance Balance does not exceed \$50,000, it shall be repaid by the Recipient to the Bank (together with service charges accrued on the Withdrawn Advance Balance to the date of repayment) on such date as the Bank shall specify in a notice to the Recipient, which shall in no event be earlier than 60 days following the date of dispatch of such notice; and
- (ii) if the amount of the Withdrawn Advance Balance exceeds \$50,000, it (together with service charges accrued on the Withdrawn Advance Balance to the Notice Date) (the “Aggregate Balance”) shall be paid by the Recipient to the Bank in ten approximately equal semiannual installments, in the amounts and on the dates (“Payment Dates”) which the Bank shall specify in a notice to the Recipient. In no event shall the first Payment Date be set earlier than 60 days following the date (“Notice Date”) of dispatch of such notice. The Recipient shall pay a service charge on the Aggregate Balance at the rate of three-fourths of one percent (3/4 of 1%) per annum, payable in arrears on each Payment Date. The service charge shall be computed on the basis of a 360-day year of twelve 30-day months.

#### **Article VI Effectiveness; Termination**

5.01. The Additional Condition of Effectiveness consists of the following:

- (a) This Agreement is legally binding upon the Recipient in accordance with its terms.

5.02. By signing this Agreement, the Recipient shall be deemed to represent and warrant that on the date of this Agreement, the Agreement has been duly authorized by, and executed and delivered on behalf of, the Recipient and is legally binding upon the Recipient in accordance with its terms, except where additional action is required to make such Agreement legally binding. Where additional action is required following the signing of this Agreement, the Recipient shall notify the Bank when such additional action has been taken. By providing such notification, the Recipient shall be deemed to represent and warrant that on the date of such notification the Agreement is legally binding upon the Recipient in accordance with its terms.

#### **Article VII Recipient’s Representative; Addresses**

6.01. *Recipient’s Representative.* The Recipient’s Representative referred to in Section 9.02 of the Standard Conditions is its Minister of Finance.

6.02. *Recipient’s Address.* For purposes of Section 9.01 of the Standard Conditions:



(a) the Recipient's Address is:  
Ministry of Finance  
Tashichhodzong  
Thimphu, Kingdom of Bhutan; and

(b) the Recipient's Electronic Address is:  
Facsimile: 975-2-334994

6.03. **Bank's Address.** For purposes of Section 9.01 of the Standard Conditions:

(a) the Bank's Address is:  
International Development Association  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America; and

(b) the Bank's Electronic Address is:  
Telex: Facsimile:  
248423 (MCI) or 1-202-477-6391  
64145 (MCI)