
CREDIT NUMBER 7155-BT

Financing Agreement

(Bhutan First Green and Resilient Growth Development Policy Financing)

between

KINGDOM OF BHUTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

CREDIT NUMBER 7155-BT

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, which is deemed as Concessional Financing for purposes of the General Conditions, in an amount equivalent to thirty-nine million one hundred thousand Special Drawing Rights (SDR 39,100,000) (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 The Service Charge is three-fourths of one percent (3/4 of 1%) per annum on the Withdrawn Credit Balance.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 March 15 and September 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.

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:

Facsimile:	E-mail:
1-202-477-6391	mtembon@worldbank.org

AGREED as of the Signature Date.

KINGDOM OF BHUTAN

By



Authorized Representative

Name: Lyonpo Namgay Tshering

Title: Minister

Date: 23-Jun-2022

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

Name: Mercy Miyang Tembon

Title: Country Director

Date: 23-Jun-2022

SCHEDULE 1

Program Actions; Availability of Financing Proceeds

Section I. Actions under the Program

The actions taken by the Recipient under the Program include the following:

Pillar 1: Strengthen resilient and private sector-led growth through fiscal sustainability and enhanced access to finance and markets

1. To expedite the resolution of non-performing loans, the RMA has approved the standard operating procedure for out-of-court settlement of non-performing loans.
2. To strengthen risk assessment and monitoring of public debt and SOE oversight, the Ministry of Finance has mandated the annual publication of the Debt Sustainability Analysis, including guaranteed and non-guaranteed debt of non-financial SOEs under the Ministry of Finance.
3. To support the digital economy and e-trade, the Cabinet has approved the e-commerce policy.
4. To reduce and streamline duties on imports, the Recipient has issued the 2021 Customs Duty Act.

Pillar 2: Foster green growth focused on renewable natural resources

5. To improve sustainable forest management and regulate the development of sustainable private forestry and forest-based industries, the Cabinet has submitted the Forest and Nature Conservation Bill to the Parliament.

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)
(1) Single Withdrawal Tranche	39,100,000
TOTAL AMOUNT	39,100,000

- C. Withdrawal Tranche Release Conditions.** 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.** 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

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each March 15 and September 15:	
commencing September 15, 2032 to and including March 15, 2042	1%
commencing September 15, 2042 to and including March 15, 2062	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

Definitions

1. “2021 Customs Duty Act” means the Recipient’s act dated May 31, 2021, regulating, *inter alia*, a reduction of customs duty.
2. “BTN” means Bhutanese Ngultrum.
3. “Cabinet” means the Recipient’s council of ministers, as set forth in the Recipient’s constitution, or any successor thereto.
4. “Debt Sustainability Analysis” means the analysis prepared and published by the Ministry of Finance to assess the sustainability of public debt.
5. “Forest and Nature Conservation Bill” means the Recipient’s bill that aims to regulate forest and nature conservation, which shall be subject to the Parliament’s discussions and approval.
6. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Development Policy Financing”, dated December 14, 2018 (revised on August 1, 2020, April 1, 2021, and January 1, 2022).
7. “Ministry of Agriculture and Forests” means the Recipient’s ministry responsible for agriculture and forests, or any successor thereto.
8. “Ministry of Finance” means the Recipient’s ministry responsible for 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 May 17, 2022, 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” or “Royal Monetary Authority” means 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.
14. “SOE” means state-owned enterprise, and “SOEs” means, collectively, all such enterprises.