

OFFICIAL DOCUMENTS TF0A0417

The World Bank
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

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16th July, 2015

Honourable Minister Namgay Dorji
Ministry of Finance
Royal Government of Bhutan
Tashichhodzong
Thimphu, Kingdom of Bhutan

Re: Grant No.TF0A0417
Institutional Capacity Development of the Royal Audit Authority Project

Excellency:

In response to the request for financial assistance made on behalf of Kingdom of Bhutan (“Bhutan” or “Recipient”), I am pleased to inform you that the International Bank for Reconstruction and Development/International Development Association (“World Bank”), acting as administrator of grant funds provided by various donors (“Donors”) under the Supreme Audit Institution Capacity Development Multi-Donor Trust Fund (No.072231), proposes to extend to the Recipient, a grant in an amount not to exceed two hundred seventy five thousand United States Dollars (U.S.\$275,000) (“Grant”) on the terms and conditions set forth or referred to in this letter agreement (“Agreement”), which includes the attached Annex, to assist in the financing of the project described in the Annex (“Project”).

This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the Donors. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Donors under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in 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 World 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 BANK FOR
RECONSTRUCTION AND DEVELOPMENT/INTERNATIONAL DEVELOPMENT
ASSOCIATION



By _____
Genevieve F. Boyreau
Senior Economist and Resident Representative
Bhutan Country Office
South Asia Region

AGREED:
KINGDOM OF BHUTAN



By: _____
Authorized Representative
Name: Namgay Dorji
Title: Minister of Finance
Date: 28.7.15

Enclosures:

- (1) Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated February 15, 2012
- (2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006

Article I
Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank out of Various Funds dated February 15, 2012 (“Standard Conditions”), 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 Agreement, including, without limitation, in the paragraphs set forth below:

- (a) “Operating Costs” means the reasonable costs directly related to the Project incurred by the Recipient in managing and coordinating the implementation of the Project (and include only expenditure that would not have been incurred in the absence of the Project), as shall have been approved by the World Bank, including consumable materials and supplies, printing services, translation and interpretation services, vehicle rental, RAA (as hereinafter defined) staff travel, lodging and per diems, excluding salaries, bonuses, fees, honoraria or equivalent payments to members of the Recipient’s civil service.
- (b) “RAA” means the Royal Audit Authority of the Recipient, established pursuant to Article 25, Clause 1 of the Recipient’s Constitution and operating as an autonomous body of the Recipient, under its Audit Act 2006, or any successor thereto.
- (c) “Training and Workshops” means the costs of training activities under the Project and attributable to seminars, workshops, study trips, along with travel and subsistence allowances for training participants, services of trainers, rental of training facilities, preparation and reproduction of training materials, and other activities directly related to course preparation and implementation.

Article II
Project Execution

2.01. **Project Objectives and Description.** The objective of the Project is to enhance the effectiveness of the RAA by strengthening its operational capacity to produce and disseminate quality audit reports as per the International Standards of Supreme Audit Institutions (ISSAIs). The Project consists of the following parts:

- (a) Part 1: Training of Subject Matter Experts and Expert Trainers
 - (i) Carrying out of training for a group of auditors of the RAA to enhance their knowledge on ISSAIs and to prepare them as subject matter experts.
 - (ii) Carrying out of training for a group of auditors of the RAA to prepare them as expert trainers to build environment for effective teaching and learning in a professional development center, through train-the-trainer methodology to understand effective methods based on case study/situations, exercises, discussion leading skills, co-facilitation techniques and skills, and enabling such expert

trainers to train and disseminate the knowledge acquired to the remaining auditors in the RAA.

(b) Part 2: Professional Development Courses based on ISSAIs, training of auditors, pilot audits and audit costs

- (i) Development of professional development courses based on ISSAIs from basic to advanced levels, by expert trainers and subject matter experts, for auditors at all position/levels, with future updates by the subject matter experts to revise and update the contents of the syllabus in accordance with the changing auditing standards, practices and environment.
- (ii) Delivery of such professional development courses by expert trainers to approximately 125 auditors, and carrying out of about 15 pilot audits as per ISSAIs.
- (iii) Support for audit of Project accounts.

2.02. ***Project Execution Generally.*** The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through the RAA, in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) 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 (“Anti-Corruption Guidelines”); and (c) this Article II.

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

- (a) The Recipient shall vest the overall responsibility for the implementation of the Project in the RAA.
- (b) The RAA shall no later than thirty (30) days from the date of countersignature of this Agreement by the Recipient, establish and maintain throughout implementation of the Project, a project implementation team, led by a project coordinator, and shall include procurement and financial management specialists, with qualifications, experience and terms of reference satisfactory to the World Bank.
- (c) This project implementation team shall be responsible for supporting and monitoring operational, technical, professional and faculty development, procurement and financial management activities under the Project.

2.04. ***Donor Visit.*** For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank’s request, enable the representatives of the Donors to visit any part of the Recipient’s territory for purposes related to the Project.

2.05. ***Project Monitoring, Reporting and Evaluation.***

- (a) The Recipient shall, through RAA, monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the indicators set forth below in paragraph (b) of this Section. Each Project Report shall cover the period of one calendar semester, and shall be

furnished to the World Bank not later than one month after the end of the period covered by such report.

- (b) The performance indicators referred to above in paragraph (a) consist of the following:
 - (i) Improved audit approaches and methodologies impacting on the quality of audits and reporting (measured by percentage of ISSAIs complied audit reports issued).
 - (ii) Developed course materials based on ISSAIs.
 - (iii) Expert trainers and subject matter experts trained.
- (c) The Recipient shall, through RAA, prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six (6) months after the Closing Date.

2.06. *Financial Management.*

- (a) The Recipient, through RAA, shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.
- (b) The Recipient shall, through RAA, ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than forty-five (45) days after the end of each six (6) months period, covering the semester, in form and substance satisfactory to the World Bank.
- (c) The Recipient shall, through RAA, have its Financial Statements for the Project audited in accordance with the provisions of Section 2.07(b) of the Standard Conditions. Such audit of the Financial Statements shall cover the entire period during which withdrawals from the Grant Account were made, including the four (4) month disbursement grace period after the Closing Date. The audited Financial Statements for such period shall be furnished to the World Bank not later than six (6) months from the end of the grace period.

2.07. *Procurement*

- (a) General. All goods and consultants' services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:
 - (i) Section I of the "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 (revised July 2014) ("Procurement Guidelines"), in the case of goods;
 - (ii) Sections I and IV of the "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 (revised July 2014) ("Consultant Guidelines") in the case of consultants' services; and
 - (iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in

accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).

- (b) Definitions. The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.
- (c) Particular Methods of Procurement of Goods
 - (i) Except as otherwise provided in sub-paragraph (ii) below, goods shall be procured under contracts awarded on the basis of National Competitive Bidding subject to the following additional procedures, namely, use model bidding document approved by the World Bank.
 - (ii) The following methods, other than National Competitive Bidding, may be used for procurement of goods for those contracts which are specified in the Procurement Plan: (A) Shopping; and (B) Direct Contracting.
- (d) Particular Methods of Procurement of Consultants’ Services
 - (i) Except as otherwise provided in item (ii) below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.
 - (ii) The following methods, other than Quality- and Cost-based Selection, may be used for the procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (A) Quality-based Selection; (B) Selection under a Fixed Budget; (C) Least Cost Selection; (D) Selection based on Consultants’ Qualifications; (E) Single-source Selection of consulting firms; (F) Selection of Individual Consultants; and (G) Single-source procedures for the Selection of Individual Consultants.
- (e) Review by the World Bank of Procurement Decisions. The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All other contracts shall be subject to Post Review by the World Bank.

Article III Withdrawal of Grant Proceeds

3.01. ***Eligible Expenditures.*** The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may 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 World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant 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 USD)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, Consultants' services (including audit), Training and Workshops, and Operating Costs	275,000	100%
TOTAL AMOUNT	275,000	

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. **Withdrawal Period.** The Closing Date referred to in Section 3.06(c) of the Standard Conditions is June 30, 2018.

**Article IV
Recipient's Representative; Addresses**

4.01. **Recipient's Representative.** The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is its Minister of Finance.

4.02. **Recipient's Address.** The Recipient's Address referred to in Section 7.01 of the Standard Conditions is:

Ministry of Finance
Tashichhodzong
Thimphu, Kingdom of Bhutan

Facsimile:

323154

4.03. **World Bank's Address.** The World Bank's Address referred to in Section 7.01 of the Standard Conditions is:

International Bank for Reconstruction and Development/
International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Facsimile:

1-202-477-6391