

Public Disclosure Authorized

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GRANT NUMBER H382-BT

# Financing Agreement

(Institutional Capacity Building Project for Procurement)

between

KINGDOM OF BHUTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 15, 2008

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Public Disclosure Authorized

**GRANT NUMBER 382-BT**

**FINANCING AGREEMENT**

AGREEMENT dated July 15, 2008, 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 the 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 grant in an amount equivalent to nine hundred fifty thousand Special Drawing Rights (SDR 950,000) (“Grant”) 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 Payment Dates are June 15 and December 15 in each year.
- 2.05. The Payment Currency is Dollars.

**ARTICLE III - PROJECT**

- 3.01. The Recipient declares its commitment to the objectives of the Project. 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.

**ARTICLE V – REPRESENTATIVE; ADDRESSES**

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

Ministry of Finance  
Tashichhodzong  
Thimphu, Kingdom of Bhutan

Facsimile:

009752323154  
Thimphu, Bhutan

- 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) or  
64145 (MCI)

1-202-477-6391

AGREED at District of Columbia, United States of America, as of the day and year first above written.

KINGDOM OF BHUTAN

By /s/ Daw Penjo

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Marco Scuriatti

Authorized Representative

## **SCHEDULE 1**

### **Project Description**

The objective of the Project is to improve public procurement outcomes in Bhutan by progressively professionalizing all the relevant stakeholders in the public procurement process.

The Project consists of the following parts:

#### **Part 1. Development of Procurement Benchmarks and Standards**

Carrying out a program of activities that focuses on developing the Recipient's benchmarks, standards and competencies required of a national procurement program based upon international best practices.

#### **Part 2. Procurement Training and Education**

Establishing a professional procurement community within the Kingdom of Bhutan through the development and provision of: (a) training and education opportunities to support the in-service development of public servants, delivered jointly by RIM and the project consultants; (b) a key group of procurement staff of the Royal Government of Bhutan who will act as ambassadors/catalysts and future people developers for the profession, delivered jointly by RIM and the project consultants; and (c) teaching staff from RIM and RUB to ensure delivery of procurement training and education is strengthened in Bhutan.

#### **Part 3. Other Training and Monitoring**

Strengthening and supporting a wider roll out of procurement practices in Bhutan through the provision of: (a) continued delivery of in-service training and education by RIM to stakeholders; (b) delivery of other procurement education to include pre-service qualifications/modules which are integrated into the RUB/Bhutanese education framework; and (c) impact evaluation of training and education delivered.

## **SCHEDULE 2**

### **Project Execution**

#### **Section I. Institutional and Other Arrangements**

##### **A. Institutional Arrangements**

1. The Recipient, through its MoF, shall maintain at all times during Project implementation, the Public Procurement Policy Division (PPPD) with an adequate number of key professionals with skills, qualifications, experience and terms of reference satisfactory to the Association.
2. The Recipient, through its MoF, shall establish by September 30, 2008, or by some other date acceptable to the Association, and thereafter maintain at all times during Project implementation, the M&E Committee, with an adequate number of key professionals with skills, qualifications, experience and terms of reference satisfactory to the Association.

##### **B. Project Implementation Plan**

The Recipient shall prepare within three (3) months of the Effective Date, or such other date as may be acceptable to the Association, a PIP that is satisfactory to the Association, and shall implement the Project in accordance with the provisions of the agreed PIP and in a manner satisfactory to the Association, and shall not revise, amend, or abrogate the agreed PIP unless in a manner satisfactory to the Association.

##### **C. Anti-Corruption**

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

**Section II. Project Monitoring, Reporting and Evaluation**

**A. Project Reports**

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 indicators agreed with the Association.

**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 Fiscal Year quarter, interim un-audited financial reports for the Project covering the Fiscal Year 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. **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 of May 2004 as amended during October 2006, and with the provisions of this Section.
2. **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 Consultant Guidelines.

**B. Particular Methods of Procurement of Consultants' Services**

The Recipient, through its MoF, shall hire a consultant acceptable to the Association to provide services under this Project on a Single-Source Selection basis, with an adequate number of key professionals with skills, qualifications, experience and terms of reference satisfactory to the Association.

**C. Review by the Association of Procurement Decisions**

The Procurement Plan shall set forth the single sole source contract, which shall be subject to the Association's Prior Review.

**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 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 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:



<b><u>Category</u></b>	<b><u>Amount of the Grant Allocated (expressed in SDR)</u></b>	<b><u>Percentage of Expenditures to be Financed</u></b>
(1) Consultants' Services	950,000	100%
<b>TOTAL AMOUNT</b>	<b><u>950,000</u></b>	

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made for payments made prior to the date of this Agreement.
2. The Closing Date is June 30, 2011.

## APPENDIX

### 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.
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 by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
4. “Fiscal Year” means the Recipient’s fiscal year beginning July 1 and ending June 30 the following year.
5. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006).
6. “MoF” means the Recipient’s Ministry of Finance or any successor thereto.
7. “PIP” means the Recipient’s Project Implementation Plan, to be prepared within three (3) months of the Effective Date, or by some other date acceptable to the Association, as the same shall be amended from time to time, giving details of the guidelines and procedures as shall have been agreed with the Association for the implementation, supervision and monitoring of the Project.
8. “PPPD” means the Recipient’s Public Procurement Policy Division of Department of National Properties, Ministry of Finance, established through the Royal Civil Service Commissions Official Order # RCSC/HRMD/26/2008/5712, dated March 25, 2008.
9. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated May 9, 2008, and referred to in 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.

10. “RIM” means the Recipient’s Royal Institute of Management, established in 1986 and entrusted with the task of developing management and public administration human resource capacity in Bhutan.
  
11. “RUB” means the Recipient’s Royal University of Bhutan, established in June 2003 to develop and provide programs of study at the tertiary education level and to promote and conduct research.