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

Your Excellency,

Re: Grant Number TF098827
(Additional Financing to the Decentralized Rural Development Project)
Amendment to the Food Price Crisis Response Trust Fund Grant Agreement

Please refer to the Food Price Crisis Response Trust Fund Grant Agreement between the Kingdom of Bhutan ("Recipient") and the International Development Association ("World Bank") ("Grant Agreement"), dated March 21, 2011 with respect to the above referenced Project. Terms not otherwise defined herein shall have the meanings assigned to them in the Grant Agreement.

We are pleased to inform you that pursuant to your letter dated October 23, 2013 and our discussions on the subject, the World Bank agrees to amend the Grant Agreement so as to extend the Closing Date, modify the Project Description to reflect the scaling up of activities under Parts A and B, and update the Performance indicators accordingly.

Consequently, the Grant Agreement is hereby amended as follows:

1. Schedule 1. Part A is hereby amended and replaced to read in its entirety as follows:

"Part A: Rural Infrastructure

Carrying out of:

(i) (a) construction of selected farm roads and motorable bridges; and (b) rehabilitation of selected farm roads;

(ii) upgrading and/or realignment of selected mule tracks to power tiller tracks; and
construction and rehabilitation of selected irrigation channels.

2. Schedule 2. Section IV.B.2 is hereby amended and replaced to read in its entirety as follows:

   “2. The Closing Date referred to in Section 3.06(e) of the Standard Conditions is December 31, 2014.”

3. Annex 2 to Schedule 2. The table containing the “Performance indicators to measure outcomes” is hereby amended and replaced to read in its entirety as per the Annex to this amendment letter.

   Please confirm your agreement with the foregoing amendment by signing and dating this letter in the spaces provided below. This amendment letter shall be executed in two counterparts each of which shall be an original.

   Upon confirmation, please return one fully executed original to us. The provisions set forth in this amendment letter shall become effective as of the date of countersignature upon receipt by the Association of one fully executed original of this amendment letter.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

[Signature]
Robert J. Saum
Country Director for Bhutan

AGREED:
KINGDOM OF BHUTAN

By:
Authorized Representative

Name: Nim Dorji
Title: Joint Secretary
Date: 16/12/2013

Joint Secretary
Ministry of Finance
Thimphu, Bhutan
ANNEX 2 TO SCHEDULE 2

Performance indicators to measure outcomes

<table>
<thead>
<tr>
<th>Measurable Indicator description</th>
<th>Achievable targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average time taken to walk to motorable road decrease</td>
<td>Average time taken to walk to motorable road decrease by one half (from 3 hrs. to 1.5 hrs.) for targeted Geogs.</td>
</tr>
<tr>
<td>Increased food crop production</td>
<td>15% increase in food crop production from baseline (2009) for targeted Geogs.</td>
</tr>
<tr>
<td>Increased cash crops production</td>
<td>15% increase in cash crops production from baseline (2009) for targeted Geogs.</td>
</tr>
<tr>
<td>Training in Masters degree in Water Resources</td>
<td>1 Irrigation Engineer</td>
</tr>
<tr>
<td>Specialized training for irrigation engineers</td>
<td><strong>30 engineers trained</strong></td>
</tr>
<tr>
<td>Rehabilitation of farm roads</td>
<td><strong>53Km</strong></td>
</tr>
<tr>
<td>Rehabilitation of irrigation canals</td>
<td><strong>448Km</strong></td>
</tr>
<tr>
<td>Sub-tropical rice varieties evaluation from present 1 variety to at least additional 3 varieties and adoption of these varieties are increased</td>
<td>25% of households have adopted high yielding rice varieties, output increased by 20%</td>
</tr>
<tr>
<td>Maize seeds of the affected farmers are replaced</td>
<td>80% seeds are replaced</td>
</tr>
<tr>
<td>Potato seeds production has increased</td>
<td>100% increased production of potato basis seeds from 350mtn to 700mtn.</td>
</tr>
<tr>
<td>Capacity of the farmers to market any surpluses increased from current 0 level to group level</td>
<td>At least five functional “growers group” formed with necessary skills on marketing and post harvest technologies</td>
</tr>
<tr>
<td>Informal seed production system of farmers is improved by adopting the Community Based Seed Production approach</td>
<td>At least nine community Based Seed production groups are formed and linked with the National Seed Center</td>
</tr>
<tr>
<td>Capacity of the Dzongkhag Agriculture staff increased on production methodologies and awareness on post harvest technologies and processing enhanced</td>
<td>14 agriculture field staff are trained</td>
</tr>
<tr>
<td>Capacity of Research and Development staff</td>
<td>6 Research staff trained</td>
</tr>
</tbody>
</table>