Mr. Lam Dorji  
Secretary  
Ministry of Finance  
Tashichhodzong  
Thimphu  
Kingdom of Bhutan  

Honourable Secretary,  

Bhutan: TFSCB Grant No. TF098505  
Statistical Capacity Building Project  

May 9, 2011  

In response to the request for financial assistance made on behalf of the Kingdom of Bhutan ("Recipient"), I am pleased to inform you that the International Development Association ("World Bank"), acting as administrator of grant funds provided through the Trust Fund for Statistical Capacity Building, proposes to extend to the Recipient a grant in an amount not to exceed three hundred thousand United States Dollars (US$300,000) ("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. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the Recipient may withdraw the Grant proceeds 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effective as of the date of the countersignature; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned original of this Agreement within ninety (90) days after the signature of this Agreement by the World Bank.

Very truly yours
INTERATIONAL DEVELOPMENT ASSOCIATION
/s/ Anthony Choist

By Anthony Choist
Acting Country Director for Bhutan

AGREED:

KINGDOM OF BHUTAN

Name: /s/ Lam Dorji
Title: Finance Secretary
Date: 19th May, 2011

Enclosures:

(1) Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 31, 2010
(2) Disbursement Letter dated May 9, 2011, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006
Article I
Standard Conditions; Definitions


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.

Article II
Project Execution

2.01.  Project Objectives and Description. The objectives of the Project are to strengthen capacity of the National Statistics Bureau of Bhutan (NSB) in priority areas according to the National Statistics Development Strategy (NSDS). The Project consists of the following parts:

(a)  Improve the National Accounts and price statistics through inter alia:

   (i)  enhancing and implementing National Accounts compilation methodology in accordance with System of National Accounts (SNA) 2008 and developing a technical handbook;

   (ii) training for analysis of National Accounts, including provision of related software; and

   (iii) conducting pilot price data collection for CPI by using mobile application.

(b)  Improve the data infrastructure in survey listing through inter alia: conducting an update of household listing in urban areas in accordance with the new municipality boundaries.

(c)  Improve data dissemination through inter alia:

   (i)  upgrading the NSB website to facilitate access to official statistics by users, based on inputs from statistical users and producers; and

   (ii) providing training to develop skills in maintaining the website and web based data dissemination systems.

(d)  Develop research and data analysis capacity at the NSB through, inter alia:

   (i)  providing training on data analysis, and poverty estimation and analysis; and

   (iii) providing appropriate software and equipment.
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 NSB 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.** The Recipient shall establish and maintain, throughout the period of implementation of the Project, a Steering Committee, which shall be: (i) headed by the Director of NSB; (ii) composed of heads of divisions associated with Grant; and (iii) be responsible for providing overall strategic guidance, support and oversight of Project implementation.

2.04. **Project Monitoring, Reporting and Evaluation.** (a) The Recipient shall 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 (1) calendar quarter and shall be furnished to the World Bank not later than forty-five (45) days 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) reduction in processing time of the price statistics from three (3) months to two (2) months;

(ii) increase in the quality of national accounts data;

(iii) increase in the percentage of satisfied or very satisfied users of statistical products and website;

(iv) increase in the number of analytical products by NSB; and

(v) increase in the accuracy of urban and rural statistics in Bhutan.

(c) The Recipient shall 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.

2.05 **Financial Management.**

(a) The Recipient 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 ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank as part of the Project Report not later than 45 days after the end of each calendar quarter, in form and substance satisfactory to the World Bank.
(c) The Recipient shall, upon the World Bank’s request, have its Financial Statements 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 close 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 grace period.

2.06. **Procurement**

(a) **General.** All goods, and 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 (excluding paragraph 1.16) of the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the World Bank in May 2004 and revised in October 2006 and May 2010 (“Procurement Guidelines”), in the case of goods; and

   (ii) Sections I (excluding paragraph 1.24) and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the World Bank in May 2004 and revised in October 2006 and May 2010 (“Consultant Guidelines”) in the case of consultants’ services; and

   (iii) 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 1.16 of the Procurement Guidelines and paragraph 1.24 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 the Procurement Guidelines or 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 estimated to cost USD 50,000 or above shall be procured under contracts awarded on the basis of National Competitive Bidding subject to the following additional procedures:

   (A) Only the bidding documents for National Competitive Bidding satisfactory to the World Bank shall be used for bidding.

   (B) Invitations to bid shall be advertised in at least one widely circulated national daily newspaper, at least thirty (30) days prior to the deadline for submission of bids.

   (C) Foreign bidders shall not be precluded from bidding and no preference of any kind shall be given to any bidders either for price or for other terms and conditions when competing with
foreign bidders, state owned enterprises or small scale enterprises.

(D) Except with the prior concurrence of the World Bank, there shall be no negotiation of price with the bidders, even with the lowest evaluated bidder.

(E) Re-bidding shall not be carried out without the prior concurrence of the World Bank. The system of rejecting bids outside the predetermined margin or bracket of prices shall not be used.

(F) Extension of bid validity shall not be allowed without the prior concurrence of the World Bank: (i) for the first request for extension if it is longer than four weeks; and (ii) for all subsequent requests for the extension irrespective of the period.

(G) Rate contracts entered into by the state shall not be acceptable as a substitute for National Competitive Bidding procedures. Such contracts will, however, acceptable for any procurement under Shopping procedures.

(H) Two (2) or three (3) envelope system shall not be used.

(I) Bidding shall not be restricted to pre-registered firms, if a registration process is required, a foreign firm declared as the lowest evaluated bidder shall be given a reasonable opportunity of registering, without let or hindrance.

(ii) The following methods, other than National Competitive Bidding, may be used for procurement of goods for those contracts: (A) Shopping; if the contract value is less than fifty thousand United States dollars (US$ 50,000); (B) all Direct Contracting; (C) Force Account; (D) Community Participation procedures which have been found acceptable to the World Bank.

(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 may be used for the procurement of consultants’ services for those assignments (A) Quality-based Selection; (B) Selection under a Fixed Budget; (C) Least Cost Selection; (D) Selection based on Consultants' Qualifications; (E) Single-source Selection; (F) Established Private or Commercial Practices which have been found acceptable to the World Bank; (G) Selection of Service Delivery Contractors which have been found acceptable to the World Bank; (H) Selection of Individual
Consultants; and (i) Sole Source Procedures for the Selection of Individual Consultants.

(e) Review by the Association of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Association’s Prior Review. All other contracts shall be subject to Post Review by the Association. Except as the Association shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the Association: (a) each contract for goods more than USD 100,000 under NCB and no ICB method of procurement is anticipated., All Direct Contracting are subject to Prior review irrespective of the contract value (b) each contract for consultants’ services provided by a firm estimated to cost the equivalent of US$200,000 or more and individual consultant estimated to USD 50,000 or more and all Sole Source Selection of consultancy services irrespective of the contract value are subject to prior review. All other contracts shall be subject to Post Review by the Association.

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) Article III of 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 100% of Eligible Expenditures consisting of Goods, Consultants’ Services, Training and Workshops under the Project inclusive of Taxes. “Training and Workshop” means training and workshops conducted in the territory of the Recipient, including purchase and publication of materials, rental of facilities, course fees, and travel, accommodation and subsistence of trainees.

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 October 31, 2012.

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

International Development Association  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

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