Financial Agreement

(Additional Financing for Second Urban Development Project)

between

KINGDOM OF BHUTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 19, 2014
FINANCING AGREEMENT

AGREEMENT dated May 19 2014, entered into between KINGDOM OF BHUTAN ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") for the purpose of providing additional financing for activities related to the Original Project (as defined in the Appendix to this Agreement). 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 this Agreement have the meanings ascribed to them in the General Conditions, in the Appendix to the Original Financing Agreement 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 credit in an amount equivalent to eleven million three hundred thousand Special Drawing Rights (SDR11, 300,000) ("Financing"), 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.

2.05. The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to one and a quarter percent (1.25%) per annum.
2.06. The Payment Dates are January 15 and July 15 in each year.

2.07. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

2.08. 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:

(a) carry out Parts 1 and 3 of the Project in accordance with the provisions of Article IV of the General Conditions; and

(b) cause Part 2 of the Project to be carried out by the Thimphu Thromde 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 — REMEDIES OF THE ASSOCIATION

4.01. The Additional Event of Suspension consists of the following, namely that the Thimphu Thromde's Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Thimphu Thromde to perform any of its obligations under the Subsidiary Agreement.

4.02. The Additional Event of Acceleration consists of the following, namely that the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Association to the Recipient.
ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Condition of Effectiveness consists of the following, namely, the Subsidiary Agreement for Part 2 has been executed between the Recipient and the Thimphu Thromde.

5.02. The Additional Legal Matter consists of the following, namely, the Subsidiary Agreement for Part 2 has been duly authorized by the Recipient and the Thimphu Thromde and is legally binding upon the Recipient and the Thimphu Thromde in accordance with its terms.

5.03. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

5.04 For purposes of Section 8.05 (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 years after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient’s Representative is the Minister of Finance.

6.02. The Recipient’s Address is:

Ministry of Finance
Tashichhodzong
Thimphu, Kingdom of Bhutan

Facsimile:
+975-2323154

6.03. The Association’s Address is:

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

Facsimile:
+1-202-477-6391
AGREED at Thimphu, Bhutan, as of the day and year first above written.

KINGDOM OF BHUTAN

By

Authorized Representative

Name: Lyonpo Namgay Dorji
Title: Finance Minister

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: Philippe La Hove
Title: Vice President
SCHEDULE 1

Project Description

The objectives of the Project are: (a) to strengthen the municipal finance and management systems in selected Thromdes; (b) to improve infrastructure services in Thimphu; and (c) to support implementation of the urbanization policies under the Recipient’s Eleventh Five Year Plan.

The Project consists of the Original Project and the following additional parts:

Part 1: Municipal Finance and Management

Scaling up the municipal finance and management strengthening activities under Part 1 of the Original Project to include additional selected Thromdes to enable them to function effectively as efficient, transparent and accountable urban local governments.

Part 2: Thimphu Northern Area Development

Providing infrastructure improvement and development support, including (a) construction of infrastructure services including roads, water supply, drainage, sewerage and street lighting under a land-pooling scheme in Lower Taba; and (b) provision of a water supply scheme to serve Thimphu Thromde.

Part 3: Policy Implementation Support

Support to the implementation of urbanization policies under the Recipient’s Eleventh Five Year Plan, including inter alia: (a) development and implementation of a human settlements strategy; (b) development of a planning act and a set of planning standards; and (c) the application of traditional Bhutanese architectural guidelines and urban development planning.
SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. Implementation

1. The Recipient shall maintain until the completion of Project implementation, a steering committee, to be responsible for overseeing Project implementation, and composed of representatives from MoF, MoWHS, and the Thimphu Thromde, provided with sufficient resources and staffed with competent personnel, including an environmental coordinator, in adequate numbers, all with qualifications and experience and under terms of reference acceptable to the Association.

2. In order to assist the Thimphu Thromde in carrying out Part 2 of the Project, the Recipient, through its departments of human settlements and engineering services, shall provide technical support to the Thimphu Thromde, in accordance with guidelines satisfactory to the Association.

3. The Recipient shall apply, and cause the Thimphu Thromde to apply, in the carrying out of Part 2 of the Project, its Land Pooling Rules. Except as the Association shall otherwise agree, the Recipient shall not amend, suspend, abrogate, repeal or waive any provisions of the Land Pooling Rules so as to materially or adversely impact the performance of its obligations under this Agreement.

4. The Recipient shall cause the Thimphu Thromde to maintain throughout Project implementation:

   (a) its engineering division to be responsible for the carrying out of the works under Part 2(a) of the Project; said division to be under the direction of a chief engineer and other experienced and qualified managers, provided with sufficient resources and staffed with competent personnel in adequate numbers, all with qualifications and experience and under terms of reference acceptable to the Association;

   (b) its urban planning division to be responsible for overseeing the implementation of the land pooling scheme under Part 2(a) of the Project, including carrying out community consultations and information dissemination; said division to be under the direction of a chief urban planner, provided with sufficient resources and staffed with competent personnel in adequate numbers, all with qualifications and experience and under terms of reference acceptable to the Association;
its chief administrative officer in charge of its finance and administrative division, said division to be responsible for overseeing the carrying out of Part 2 of the Project and to be provided with sufficient resources and staffed with competent personnel in adequate numbers, all with qualifications and experience and under terms of reference acceptable to the Association;

(a) the Thimphu Thromde shall undertake to: (i) carry out Part 2 of the Project with due diligence and efficiency and in accordance with appropriate management, financial, engineering and public utility practices, and social and environmental standards acceptable to the Association, and provide, promptly as needed, the funds, facilities and other resources required for the purpose; and (ii) without limitation to the generality of the foregoing, take all measures necessary to ensure that Part 2 of the Project, and activities related thereto, shall be implemented in accordance with the Land Pooling Rules, the RAP, the Environmental Assessment and the Social Assessment;

B. Subsidiary Agreement for Part 2

1. To facilitate the carrying out of the Project, the Recipient agrees to grant a portion of the proceeds of the Financing in an amount up to seven million forty four thousand Special Drawing Rights (SDR7,044,000) to the Thimphu Thromde to assist it in carrying out Part 2 of the Project (“Subsidiary Financing”) under a Subsidiary Agreement for Part 2, and in accordance with terms and conditions satisfactory to the Association.

2. The Subsidiary Financing for Part 2 shall be made available in Ngultrum (determined on the date, or respective dates, of withdrawal from the Financing Account) of the value of the currency or currencies so withdrawn.

3. Other terms of the Subsidiary Agreement for Part 2 shall include the following:

(a) the Thimphu Thromde shall undertake to: (i) carry out Part 2 of the Project with due diligence and efficiency and in accordance with appropriate management, financial, engineering and public utility practices, and social and environmental standards acceptable to the Association, and provide, promptly as needed, the funds, facilities and other resources required for the purpose; and (ii) without limitation to the generality of the foregoing, take all measures necessary to ensure that Part 2 of the Project, and activities related thereto, shall be implemented in accordance with the Land Pooling Rules, the RAP, the Environmental Assessment and the Social Assessment;
(b) the Thimphu Thromde shall undertake to procure the goods, works and consultants' services to be financed out of the proceeds of the Subsidiary Financing in accordance with the provisions of Section III of Schedule 2 to this Agreement, and utilize such goods, works and consultants' services exclusively in the carrying out of Part 2 of the Project;

(c) the Thimphu Thromde shall undertake to enable the Recipient and the Association to inspect such goods, and the sites and works under Part 2 of the Project, the operation thereof, and any relevant records and documents related thereto;

(d) the Thimphu Thromde shall undertake to:

(i) maintain a financial management system and maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition;

(ii) retain all records (contracts, orders, invoices, bills, receipts and other documents) evidencing expenditures under Part 2 of the Project until at least the later of: (i) one (1) year after the Recipient and the Association have received the audited financial statements covering the period during which the last withdrawal from the Financing Account was made; and (ii) two (2) years after the Closing Date; and

(iii) enable the Recipient and the Association's representatives to examine such records;

(e) the Thimphu Thromde shall undertake to monitor and evaluate the progress of Part 2 of the Project in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators agreed with the Association, and provide to the Recipient not later than six (6) weeks after the end of a semester, for incorporation in the project reports all such information as the Recipient or the Association shall reasonably request for the purposes of such Section; and

(f) the Recipient shall have the right to suspend or terminate the right of the Thimphu Thromde to the use of the proceeds of the Subsidiary Financing made available under the Subsidiary Agreement for Part 2 upon failure by the Thimphu Thromde to perform its obligations under such agreement.

4. The Recipient shall exercise its rights under the Subsidiary Agreement for Part 2 in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall
otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement for Part 2 or any of its provisions.

5. In the event of any conflict between the provisions of the Subsidiary Agreement and the provisions of this Agreement, the provisions of this Agreement shall prevail.

C. Anti-Corruption

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

D. Safeguards

1. The Recipient shall:

   (a) carry out or cause the Project to be carried out in conformity with the provisions of the Safeguards Diagnostic Review (including related Action Plan), the Environmental Assessment Act, the Environmental Assessment, the Social Assessment and the RAP;

   (b) inform the Association of any developments in the Environmental Legislation applicable to, and that may affect the implementation of, the Project;

   (c) not change, modify or otherwise amend the Safeguards Diagnostic Review, the Environmental Assessment Act, the Environmental Assessment, the Social Assessment or the RAP in a manner inconsistent with the Project, without the prior concurrence of the Association; and

   (d) furnish to the Association semi-annual reports on actions taken and outcomes achieved in implementing the Action Plan, and shall exchange views with the association on how best to achieve the outcomes of the said Action Plan.

2. The Recipient shall take all measures required on its part to ensure that the Thimphu Thromde shall carry out the RAP in a manner designed to:

   (a) minimize, to the extent possible, any involuntary loss by Displaced Persons of land, shelter, productive assets or access to productive assets, or of income or means of livelihood, temporarily or permanently

   (b) maintain or improve the living standards and production levels of Displaced Persons who suffer such involuntary loss as a result of any
works carried out or to be carried out under the Project in accordance with the RAP;

c) ensure that the RAP is at all times disclosed in a place accessible to Displaced Persons, and report on progress made in the implementation of the RAP;

d) undertake a review of the implementation of the RAP, together with the outcomes and results of said review with the Association, and further implement any corrective measures deemed necessary with the prior concurrence of the Association; and

e) complete all payments to the eligible Displaced Persons pursuant to the RAP prior to the bidding of any contract for the carrying out of any works under the Project.

3. The Recipient shall ensure that:

(a) the land pooling activities carried out under Part 2(a) of the Project shall take place in accordance with the Land Pooling Rules and associated land pooling agreements between the Recipient and landowners or tenants, as the case may be, in accordance with guidelines acceptable to the Association; and

(b) the water supply scheme carried out under Part 2(b) of the Project shall not involve any compulsory land acquisition, forcible eviction or involuntary relocation resulting in Displaced Persons.

4. In carrying out Part 2 of the Project, the Recipient shall implement or cause to be implemented (where applicable):

(a) the Environmental Assessment, including the environmental management plan, the Social Assessment, including the social management plan, and the RAP in a manner satisfactory to the Association, and designed to ensure that the Project is implemented in accordance with sound environmental and social practices and standards;

(b) provide to the Association, for its prior approval, any revision proposed to be introduced to said Assessments and/or RAP in order to achieve their objectives, and thereafter make such revision to said Assessments and/or RAP as shall have been agreed with the Association; and

(c) maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with guidelines acceptable to the Association, the
implementation of said Assessments and RAP, and the achievement of their objectives; and

(d) in the event of any conflict between the provisions of said Assessments, the RAP and the provisions of this Agreement, the provisions of this Agreement shall prevail.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

The Recipient shall monitor and evaluate the progress of the Project, and shall and shall cause the Thimphu Thromde to prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators agreed with the Association. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Association not later than two (2) months after the end of the period covered by such report.

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 and shall cause the Thimphu Thromde to prepare and furnish to the Association not later than forty five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.

3. The Recipient shall and shall cause the Thimphu Thromde to 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 fiscal year of the Recipient, commencing with the fiscal year in which the first withdrawal was made under the Preparation Advance for the Project. 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. Goods, Works and Non-consulting Services. All goods, works and non-consulting 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 Section I of the Procurement Guidelines, and with the provisions of this Section.

2. **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, and with the provisions of this Section.

3. **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 Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. **Particular Methods of Procurement of Goods, Works and Non-consulting Services**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan: (a) Limited International Bidding; (b) National Competitive Bidding, subject to the additional provisions agreed upon from time to time between the Recipient and the Association and set forth in the Procurement Plan; (c) Shopping; (d) Direct Contracting; and (e) Force Account.

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

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. **Other Methods of Procurement of Consultants' Services.** The following methods, other than Quality and Cost-based Selection, may be used for procurement of consultants' services for those contracts 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) Procedures set forth in paragraphs 5.1 to 5.6 of the Consultant Guidelines for the Selection of Individual Consultants.
D. 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.

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 shall 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:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services, consultants’ services and Incremental Operating Costs</td>
<td>10,940,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Refund of Preparation Advance</td>
<td>360,000</td>
<td>Amount payable pursuant to Section 2.07 of the General Conditions</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>11,300,000</td>
<td></td>
</tr>
</tbody>
</table>
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, 2019.
SCHEDULE 3

Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each January 15 and July 15:</td>
<td></td>
</tr>
<tr>
<td>commencing July 15, 2019 to and including January 15, 2029</td>
<td>1.65%</td>
</tr>
<tr>
<td>commencing July 15, 2029 to and including January 15, 2039</td>
<td>3.35%</td>
</tr>
</tbody>
</table>

* 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 3.03(b) of the General Conditions.
Section I. Definitions

1. "Action Plan" means the Recipient's plan, dated December 4, 2009, which sets out the capacity building and enhancement measures prepared in accordance with the Safeguard Diagnostic Review (as hereinafter defined).


3. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.


5. "Displaced Persons" means any person who, on account of the execution of the Project, has experienced or would experience direct economic and social impacts caused by: (a) the involuntary taking of land, resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; or (iii) loss of income sources or means of livelihood, whether or not such person must move to another location; or (b) the involuntary restriction or access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person.

6. "Eleventh Five Year Plan" means a national document that outlines the Recipient's national priorities and sets out a development agenda to achieve its development objectives within the five-year period from 2013-2018.

7. "Environmental Assessment" means the Recipient's environmental assessment and management plan, dated February 18, 2014, disclosed on MoWHS (as hereinafter defined) and Thimphu Thromde's (as hereinafter defined) websites on February 18, 2014, acceptable to the Association, prepared by the Recipient in accordance with the Recipient’s Environmental Legislation (as hereinafter defined), described in the Safeguard Diagnostic Review (as hereinafter defined), evaluating the environmental impact of Project activities and setting forth the mitigating, institutional, and monitoring measures, including, inter alia, in connection with physical cultural resources protection through inclusion of a chance find procedure for activities undertaken under Part 2 of the Project.

8. "Environmental Assessment Act" means the Recipient’s Environmental Assessment Act, 2000, entered into force on July 14, 2000, which establishes procedures for: (a) the assessment of potential effects of strategic plans, policies,
programs and projects on the environment; and (b) the determination of policies and measures to reduce potential adverse effects and to promote environmental benefits.

9. “Environmental Legislation” means the Recipient’s set of laws and regulations and/or guidelines described in the Safeguard Diagnostic Review (as hereinafter defined), including, but not limited to legislation and relevant implementing regulations and guidelines applicable to environmental impact assessment and physical cultural resources.

10. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010, with the modifications set forth in Section II of this Appendix.

11. “Incremental Operating Costs” means the incremental operating costs arising under the Project on account of local contractual support staff salaries, travel and other travel related expenditures; equipment rental and maintenance, vehicle rental, vehicle operation, maintenance and repair; office rental and maintenance; materials and supplies; bank charges; and utilities and communications/advertising expenses, but excluding salaries of the Recipient’s civil servants.


13. “Lower Taba” means a settlement located approximately 5 kilometers from the City Centre in the northern area of the Thimphu Thromde.

14. “MoF” means the Recipient’s Ministry of Finance or any successor thereto.

15. “MoWHS” means the Recipient’s Ministry of Works and Human Settlement or any successor thereto.

16. “Ngultrum” means the official currency of the Kingdom of Bhutan.


18. “Original Project” means the Project described in the Original Financing Agreement.

20. "Procurement Plan" means the Recipient’s procurement plan for the Project, dated February 6, 2014 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

21. “Resettlement Action Plan” and the acronym “RAP” mean the Recipient’s Resettlement Action Plan for Part 2 (a) of the Project, disclosed on February 13, 2014, and referred to in paragraph I.D.2 of Schedule 2 to this Agreement, which set out the principles and procedures governing land acquisition, resettlement, compensation and rehabilitation of Displaced Persons, as well as administrative, reporting and monitoring arrangements to ensure compliance with said plans, as such plan may be revised from time to time with the agreement of the Association.

22. "Safeguards Diagnostic Review" means the report dated December 4, 2009, prepared by the Association in collaboration with the Recipient, for the purpose of using the Recipient’s environmental assessment rules and procedures, and physical cultural resources related rules for the preparation and implementation of the Project and disclosed in the Kingdom of Bhutan on December 10, 2009 and in the World Bank Info Shop on December 8, 2009.

23. “Social Assessment” means the Recipient’s social assessment and management plan, dated February 13, 2014, disclosed on MoWHS and Thimphu Thromde’s (as hereinafter defined) websites on February 13, 2014, acceptable to the Association, evaluating the social impact of Project activities and setting forth the mitigating, institutional, and monitoring measures, prepared and adopted by the Recipient which provides, among other things, a census of all potentially Displaced Persons in Lower Taba.

24. “Subsidiary Agreement for Part 2” means the agreement referred to in Section I.B of Schedule 2 to this Agreement pursuant to which the Recipient shall make part of the proceeds of the Financing available to the Thimphu Thromde (as hereinafter defined).


Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. Section 3.02 is modified to read as follows:

"Section 3.02. Service Charge and Interest Charge

(a) Service Charge. The Recipient shall pay the Association a service charge on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. The Service Charge shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Service Charges shall be computed on the basis of a 360-day year of twelve 30-day months.

(b) Interest Charge. The Recipient shall pay the Association interest on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. Interest shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Interest shall be computed on the basis of a 360-day year of twelve 30-day months."

2. Paragraph 28 of the Appendix ("Financing Payment") is modified by inserting the words "the Interest Charge" between the words "the Service Charge" and "the Commitment Charge".

3. The Appendix is modified by inserting a new paragraph 32 with the following definition of "Interest Charge", and renumbering the remaining paragraphs accordingly:

"32. "Interest Charge" means the interest charge specified in the Financing Agreement for the purpose of Section 3.02(b)."

4. Renumbered paragraph 37 (originally paragraph 36) of the Appendix ("Payment Date") is modified by inserting the words "Interest Charges" between the words "Service Charges" and "Commitment Charges".

5. Renumbered paragraph 50 (originally paragraph 49) of the Appendix ("Service Charge") is modified by replacing the reference to Section 3.02 with Section 3.02 (a).