Financing Agreement

(Second Urban Development Project)

between

KINGDOM OF BHUTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 13, 2010
FINANCING AGREEMENT

AGREEMENT dated July 13, 2010, entered into 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 this 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 credit in an amount equivalent to seven million seven hundred fifty thousand Special Drawing Rights (SDR 7,750,000) (“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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 Payment Dates are March 15 and September 15 in each year.

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

2.07. 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 Thimphu City Corporation 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 Project Implementing Entity’s Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under the Project Agreement.

4.02. The Additional Event of Acceleration consists of the following: the event specified in Section 4.01 of this Agreement occurs.

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 Project Implementing Entity.

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 Project Implementing Entity and is legally binding upon the Recipient and the Project Implementing Entity 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 (20) years after the date of this Agreement.

ARTICLE V — 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

Cable address: Ministry of Finance  
Thimphu, Bhutan

Facsimile: 323154

6.03. The Association’s Address is:

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

Cable: INDEVAS  
Telex: 248423 (MCI)  
Washington, D.C.

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

KINGDOM OF BHUTAN

By: /s/ Lam Dorji

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: /s/ Nicholas J. Krafft

Authorized Representative
SCHEDULE 1

Project Description

The objectives of the Project are: (a) to support the Recipient’s municipal reform program by strengthening municipal finance and management systems in Thimphu and Phuentsholing; and (b) to improve infrastructure services in Northern Thimphu where no formal services are currently available.

The Project consists of the following parts:

Part 1: Municipal Finance and Management

(a) Strengthening:

(i) local revenue policies and the administrative framework of the Recipient through the provision of technical advisory support to, inter alia:

(A) prepare targeted policy notes that will provide policy reform options to the Recipient; and

(B) the Thimphu City Corporation and the Phuentsholing City Corporation to prepare revenue enhancement plans to identify sustainable sources of local revenues to support the implementation of said plans; and

(ii) the efficiency of the local revenue administration of the Thimphu City Corporation and the Phuentsholing City Corporation through the provision of technical advisory support, goods, and Training to, inter alia: (A) computerize their property tax records; (B) create databases of taxpayers and of non tax revenue sources; (C) computerize the billing and collection process, and (D) prepare manuals on revenue and administration.

(b) Strengthening the Recipient’s policy framework for the sustainable financing of urban services to support its department of national budget’s design, and implementation of a systematic inter-governmental financing framework for urban local governments through the provision of technical assistance and Training.

(c) Strengthening the expenditure management and financial management capacity of Thimphu City Corporation and Phuentsholing City Corporation to operate as fully functional local governments by, inter alia, supporting their planning and budgeting systems and strengthening
their financial management systems and processes through the provision of technical advisory services and Training.

**Part 2: Thimphu Northern Area Development**

(a) Providing infrastructure improvement and development through a land-pooling approach in:

(i) Dechencholing, including, *inter alia*, construction of new water and sewerage systems consisting of a water treatment plant, a sewerage treatment plant, water mains, distribution pipelines, sewer trunk main, sewer networks, and paved roads with storm water drains and footpaths, through the provision of technical advisory services, goods and civil works; and

(ii) Langjophakha, including, *inter alia*, increased treated water capacity for the Jungshina Water Treatment Plant, construction of new water distribution pipelines, a sewerage treatment plant and sewer networks; and paved roads with storm water drains and footpaths, through the provision of technical advisory services, goods and civil works.

(b) Enhancing the capacity of Thimphu City Corporation, through the provision of technical advisory services and incremental operating costs:

(i) in the areas of construction supervision and engineering design for activities carried out by Thimphu City Corporation under Part 2(a) of the Project; and

(ii) to facilitate the provisions for low-income housing in:

(A) Dechencholing; and

(B) Langjophakha.

**Part 3: Capacity Building**

Provision of Training, goods, and incremental operational costs to strengthen the capacities in the areas of internal work processes and urban services delivery, to the Thimphu City Corporation, the Phuentsholing City Corporation and the MoWHS.
SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. Implementation

1. The Recipient shall maintain until the completion of Project implementation, a high-level steering committee, to be responsible for overseeing Project implementation, and composed of representatives from MoF, MoWHS, and the Project Implementing Entity, 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 Thimphu City Corporation in carrying out Part 2 of the Project, the Recipient, through its department of urban development and engineering service, shall provide technical support to Thimphu City Corporation, in accordance with guidelines satisfactory to the Association.

3. The Recipient shall apply, and cause the Project Implementing Entity 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:

   (a) apply, and cause to be applied, the Procurement Guidance Note for all procurement of goods, works and consultants’ services under the Project; and

   (b) not amend the said Note without the Association’s prior written consent.

5. The Recipient shall cause the Project Implementing Entity to maintain throughout Project implementation:

   (a) its engineering division to be responsible for the carrying out of the physical 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 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;

(c) 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;

(d) a social development and resettlement cell to implement the Resettlement Action Plans, said cell 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; and

(e) a grievance redressal committee coordinated by the chief urban planner to resolve grievances and complaints from Displaced Persons in Dechencholing and Langjophakha which shall comprise representatives from, *inter alia*, the Thimphu City Corporation, land owners and any other relevant stakeholder.

**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 five million five hundred ten thousand Special Drawing Rights (SDR 5,510,000) to the Thimphu City Corporation 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 Project Implementing Entity 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 Resettlement Action Plans, the Environmental Assessment and the Social Assessment;

(b) the Project Implementing Entity 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 Project Implementing Entity 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 Project Implementing Entity 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 Project Implementing Entity 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 mentioned in Section II.A.1(b) of Schedule 2 to this Agreement, 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 Project Implementing Entity to the use of the proceeds of the Subsidiary Financing made available under the Subsidiary Agreement for Part 2 upon failure by the Project Implementing Entity 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.

C. Anti-Corruption

The Recipient shall ensure and cause to 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 and the RAPs;

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

   (c) not change, modify or otherwise amend the Safeguards Diagnostic Review in a manner inconsistent with the Project, without the prior concurrence of the Association.

2. (a) Not later than June 30, 2011, the Recipient shall cause NEC to carry out a program to revise the NEC’s environmental assessment rules, procedures and guidelines taking into account the Association’s comments thereon.
(b) Within three (3) months of the effectiveness of the amended Environmental Assessment Act, adopt such revised rules, procedures and guidelines.

3. The Recipient shall carry out, not later than December 31, 2010, and cause to be carried out the Action Plan defined in Table I attached to the Safeguards Diagnostic Review, and provide the Association with a semi-annual report on actions taken and outcomes achieved in implementing the Action Plan, and shall exchange views with the Association on how best to further achieve the outcomes of said Action Plan.

4. The Recipient shall take all measures required on its part to ensure that the Project Implementing Entity shall carry out the RAPs for Dechencholing and Langjuphaka 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, in Dechencholing and Langjuphaka;

(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 either of said RAPs;

(c) ensure that both RAPs are at all time disclosed in a place accessible to Displaced Persons, and report on progress made in the implementation of both RAPs; and

(d) undertake an audit of the implementation of each RAP, together with a review of outcomes and results with the Association, and further implement any corrective measures deemed necessary with the prior concurrence of the Association.

5. The Recipient shall ensure that land pooling activities carried out under Part 2 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.

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

(a) the Environmental Assessment including the environmental management plan, the Social Assessment and the RAPs 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 RAPs in order to achieve their objectives, and thereafter make such revision to said Assessments and/or RAPs 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 RAPs, and the achievement of their objectives.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. (a) 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 the indicators set forth below in sub-paragraph (b) of this paragraph. Each Project Report shall cover a period of two (2) calendar quarters in line with semi-annual supervision missions conducted by the Association, and shall be furnished to the Association not later than two (2) months after the end of the period covered by such report.

(b) The performance indicators referred to above in sub-paragraph (a) consist of the following:

(i) number of property tax records computerized to gauge the prospective revenue collection potential by the Thimphu City Corporation and the Phuentsholing City Corporation;

(ii) number of building permits issued for Dechencholing and Langjophakha to gauge demand for serviced plots; and

(iii) number of households in Dechencholing and Langjophakha with public water and sewerage connections to ascertain that the access provided is being used.

2. For purposes of Section 4.08(c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than six (6) months after the Closing Date.
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. The Recipient shall 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 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. Goods and Works. All goods and works 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 the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

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

2. Preference for Domestically Manufactured Goods. The provisions of paragraphs 2.54 and 2.55 of the Procurement Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Recipient.
3. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding Except as otherwise provided in paragraph 4 below, goods estimated to cost between $30,000 and $100,000 and works estimated to cost between $30,000 and $200,000 equivalent per contract may be procured under contracts awarded on the basis of National Competitive Bidding subject to procedures listed in the Annex to this Schedule</td>
</tr>
<tr>
<td>(b) Shopping</td>
</tr>
<tr>
<td>(c) Direct Contracting after prior approval from the Association</td>
</tr>
</tbody>
</table>

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 table specifies methods of procurement, other than Quality- and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Quality-Based Selection</td>
</tr>
<tr>
<td>(b) Least-Cost Selection</td>
</tr>
<tr>
<td>(c) Selection Under a Fixed Budget</td>
</tr>
<tr>
<td>(d) Selection Based on the Consultants’ Qualifications</td>
</tr>
<tr>
<td>(e) Single-Source Selection</td>
</tr>
</tbody>
</table>

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 Financing Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (Inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, Consultants’ Services, Training, and Incremental Operational Costs under the Project</td>
<td>2,240,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Works under Part 2 (a) (i) of the Project</td>
<td>3,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Works, under Parts 2(a) (ii) of the Project</td>
<td>2,510,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>7,750,000</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:

(a) for payments made prior to the date of this Agreement; or

(b) under Category (3) until the Recipient has adopted a RAP for Langjophakha, whose substance is satisfactory to the Association, and has disclosed said RAP in the Kingdom of Bhutan and the World Bank
Info Shop, all in accordance with guidelines acceptable to the Association.

2. The Closing Date is December 31, 2015.
ANNEX to SCHEDULE 2

National Competitive Bidding Procedures

In order to ensure economy, efficiency and transparency and broad consistency with the provisions of Section I of the Procurement Guidelines the following should be followed:

(a) invitations to bid shall be advertised in at least one (1) widely circulated national newspaper, at least thirty (30) days prior to the deadline for the submission of bids;

(b) bid documents shall be made available, by mail or in person, to all who are willing to pay the required fee;

(c) evaluation of bids shall be made in strict adherence to the criteria disclosed in the bidding documents, in a format and specified period agreed with the Association;

(d) bids shall be opened in public in one place, immediately after the deadline for submission of bids;

(e) foreign bidders shall not be precluded from bidding and no preference of any kind shall be given to national bidders;

(f) qualification criteria (in case pre-qualifications were not carried out) shall be stated in the bidding documents, and 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;

(g) contracts shall be awarded to the lowest evaluated bidders;

(h) post-bidding negotiations shall not be allowed with the lowest evaluated bidders or any other bidders;

(i) bids shall not be rejected merely on the basis of a comparison with an official estimate without the prior concurrence of the Association;

(j) annual rate contracts entered into by the implementing entity shall not be acceptable as a substitute for National Competitive Bidding Procedure; such contracts shall be acceptable for any procurement under Shopping as one of the quotation;

(k) re-bidding shall not be carried out without the prior concurrence of the Association;
(l) all bidders/contractors shall provide bid/performance security as indicated in the bidding/contract documents;

(m) a bidder’s bid security shall apply only to a specific bid, and a contractor’s performance security shall apply only to the specific contract under which it was furnished;

(n) split award or lottery in award of contracts shall not be carried out when two (2) or more bidders quote the same lowest price, an investigation shall be made to determine any evidence of collusion, following which:

(i) if collusion is determined, the parties involved shall be disqualified and the award shall then be made to the next lowest evaluated and qualified bidder; and

(ii) if no evidence of collusion can be confirmed, then fresh bids shall be invited after receiving the concurrence of the Association;

(o) extension of bid validity shall not be allowed without the prior concurrence of the Association: (i) for the first request for extension if it is longer than eight (8) weeks, and (ii) for all subsequent requests for extension irrespective of the period;

(p) bids shall not be invited on the basis of percentage premium or discount over the estimated cost; and

(q) there shall not be any restrictions on the means of delivery of the bids except electronic submission of bidding documents.
### 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 March 15 and September 15, commencing September 15, 2020 to and including March 15, 2030:</td>
<td>5%</td>
</tr>
</tbody>
</table>

* The percentages represent the percentage of the principal amount of the Credit to be repaid.
APPENDIX

Section I. Definitions

1. "Action Plan" means the set of capacity building and enhancement measures defined in Table 1 attached to the Safeguard Diagnostic Review and referred to in Paragraph I.D.3 of Schedule 2 to this Financing Agreement.


4. "Dechencholing" means a settlement located six (6) kilometers from Thimphu’s city center.

5. "Displaced Persons" means persons who, on account of the execution of any activity under the Project, had or would have their: (i) standard of living adversely affected; or (ii) right, title, or interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; or (iii) access to productive assets adversely affected, temporarily or permanently; or (iv) business, occupation, work or place of residence or habitat adversely affected, temporarily or permanently; and “Displaced Person” means any of the Displaced Persons.

6. "Environmental Assessment" means an environmental assessment, acceptable to the Association, prepared by the Recipient in accordance with the Recipient’s Environmental Legislation described in the Safeguard Diagnostic Review, 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 Legislation" means the Recipient’s set of laws and regulations and/or guidelines described in the Safeguard Diagnostic Review, including, but not limited to legislation and relevant implementing regulations and guidelines applicable to environmental impact assessment and physical cultural resources.

10. “Incremental Operational 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; and utilities and communications expenses, but excluding salaries of the Recipient’s civil servants.


12. “Langjophakha” means a settlement located two (2) kilometers from Thimphu’s city center.

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


15. “NEC” means the Recipient’s National Environmental Commission or any successor thereto.

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

17. “Phuentsholing City Corporation” means the city corporation created for Phuentsholing pursuant to the Royal Charter conveyed through Letter MOWHS/PCC/26/261 dated August 29, 2006, or any successor thereto.


20. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated February 3, 2010 and referred to in paragraph 1.16 of the Procurement Guidelines and 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.


23. “Resettlement Action Plans” and the acronym “RAPs” mean collectively the Recipient’s Resettlement Action Plan for Dechencholing dated November 2009, disclosed in the Kingdom of Bhutan on December 4, 2009 and in the World Bank Info Shop on December 2, 2009, and referred to in paragraph I.D.4 of Schedule 2 to this Agreement, and the Recipient’s Resettlement Action Plan for Langjophakha to be adopted and disclosed pursuant to the provisions of Section IV.B.1(b) of this Agreement, both of 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 plans may be revised from time to time with the agreement of the Association, and “Resettlement Action Plan” and “RAP” means either of the Resettlement Action Plans or RAPs.

24. "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.

25. “Social Assessment” means the social assessment prepared and adopted by the Recipient dated November 2009, disclosed in the Kingdom of Bhutan on December 4, 2009 and in the World Bank Info Shop on December 2, 2009, which provides, among other things, a census of all potentially Displaced Persons in Dechencholing and Langjophakha.

26. “Subsidiary Agreement for Part 2” means the agreement referred to in Section I.B of Schedule 2 to this Agreement.

27. “Thimphu City Corporation” means the city corporation created for Thimphu pursuant to the Royal Decree 1995 and became autonomous with the enactment of the Municipal Act 1999 which was replaced by the Thromde Act of Bhutan 2007 dated June 26, 2007, or any successor thereto.

28. “Training” means domestic or ex-country workshops, conferences, training, and studies, as defined in the training plan of the Recipient for the Project, including expenditures for the cost of design, planning and implementation of the trainings, workshops, studies, training materials, facilities, course fees, travel, accommodation, allowances and subsistence for trainees in connection with these events.
Section II. Modifications to the General Conditions

The modifications to the General Conditions for Credits and Grants of the Association, dated July 1, 2005 (as amended through October 15, 2006) are as set forth below. In all other respects, the General Conditions remain unchanged.

1. Section 3.03(b) (Accelerated Repayment) is deleted in its entirety.