March 2, 2017

Hon’ble Lyonpo Namgay Dorji
Minister of Finance
Ministry of Finance
Royal Government of Bhutan
Tashichhodzong
Thimphu, Kingdom of Bhutan

Re: Grant No.TF0A4475
Preparation of Strategic Program for Climate Resilience
Letter Agreement

Excellency:

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 an implementing entity of the Pilot Program for Climate Resilience under the Strategic Climate Fund, proposes to extend to the Recipient, a grant in an amount not to exceed one million five hundred thousand United States Dollars (USD 1,500,000) ("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 from the donors to the Strategic Climate Fund. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the donors under the abovementioned fund, and the Recipient’s right to withdraw the Grant proceeds is 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.

Very truly yours,

INTERNATIONAL DEVELOPMENT ASSOCIATION
(acting as an implementing entity of the Pilot Program for Climate Resilience under the Strategic Climate Fund)

By Yoichiro Ishihara
Resident Representative and Senior Economist
Bhutan Country Office
South Asia Region

1818 H Street NW ∙ Washington, DC 20433 USA
AGREED:
KINGDOM OF BHUTAN

By: 
Authorized Representative

Name: Lyonpo Namgay Dorji
Title: Minister of Finance
Date: 

Enclosures:


(2) Disbursement Letter of the same date as this Agreement, together with Disbursement Guidelines for Investment Project Financing, dated February 2017
Article I
Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank out of Various Funds dated February 15, 2012 ("Standard Conditions"), constitute an integral part of this Agreement.

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, as set forth below:

(a) "GNHC" means the Recipient’s Gross National Happiness Commission, which is the central planning agency with a lead role in coordinating with sector agencies and local governments to formulate and monitor the Recipient’s five year national development plan.

(b) "National Steering Committee" means the board maintained by the Recipient in accordance with the provisions of Section 2.03(c) of this Agreement.

(c) "Operating Costs" means the reasonable costs of goods and non-consulting services required for the day-to-day coordination, administration and supervision of Project activities, including leasing and/or routine repair and maintenance of vehicles, equipment, facilities and office premises, fuel, office supplies, utilities, consumables, communication expenses, translation, printing and photocopying expenses, bank charges, publications and advertising expenses, insurance, Project-related meeting expenses, Project-related travel, subsistence and lodging expenses, and other administrative costs directly related to the Project, costs of support staff, but excluding salaries, bonuses, fees and honoraria or equivalent payments of members of the Recipient’s civil service.

(d) "Project Implementation Unit" means the unit within GNHC maintained by the Recipient in accordance with the provisions of Section 2.03(b) of this Agreement.

(e) "Technical Working Group" means a working group to be established and maintained by the Recipient in accordance with the provisions of Section 2.03(a) of this Agreement.

(f) "Training" means the reasonable costs, as shall have been approved by the World Bank, of training under the Project, and attributable to seminars, workshops, and study tours, along with tuition, travel and subsistence allowances for training participants, costs associated with securing the services of trainers and workshop speakers, rental of training facilities, preparation and reproduction of training materials, and other costs directly related to course preparation and implementation (but excluding goods and consultants’ services).

(g) "World Bank Safeguard Policies" means the World Bank’s operational policies and procedures set forth in the World Bank’s Operational Manual and identified as OP/BPs 4.01, 4.04, 4.09, 4.10, 4.11, 4.12, 4.36, 4.37, 7.50 and 7.60 as said manual is published under www.WorldBank.org/opmanual.
Article II
Project Execution

2.01. Project Objectives and Description. The objective of the Project is to support Bhutan’s capacity to develop a programmatic multi-sector and climate resilient investment plan. The Project consists of the following parts:

(a) Part A: Development of the SPCR. Preparation of a strategic program for climate resilience (SPCR) document and carrying out of priority technical studies relating to climate resilience.

(b) Part B: Capacity Building, Consultations, Institutional Coordination, and Project Management. Provision of technical assistance, institutional support, training, capacity strengthening of relevant agencies in the process of preparing the SPCR, including, inter alia, consultation and coordination among various relevant agencies and key stakeholders, and provision of operational assistance to GNHC for the day-to-day execution of Project activities, including financial management, procurement, environmental and social safeguards management, and monitoring and evaluation.

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 GNHC 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 and as of July 1, 2016 (“Anti-Corruption Guidelines”); and (c) this Article II.

2.03. Institutional and Other Arrangements. The Recipient shall:

(a) establish not later than one (1) month from the date of the Recipient’s signature of this Agreement, a Technical Working Group with a mandate, composition and resources satisfactory to the World Bank, throughout the period of implementation of the Project, to facilitate the coordination among the technical agencies and timely implementation of Project activities.

(b) maintain the Project Implementation Unit within GNHC, throughout the period of implementation of the Project, with sufficient resources and staff in adequate numbers and with qualifications and terms of reference satisfactory to the World Bank, which shall be responsible for the day-to-day execution of the Project, including the procurement, financial management, disbursement, and monitoring and reporting activities carried out under the Project.

(c) maintain the National Steering Committee with a mandate, composition and resources satisfactory to the World Bank, throughout the period of implementation of the Project, which shall meet periodically for the purposes of providing overall strategic guidance on activities carried out under the Project.

(d) without limitation upon the provision of Section 2.02 above and in order to ensure proper implementation of the Project in an environmentally and socially responsible manner, ensure that the terms of reference for any consultancies related to any studies, technical assistance and capacity building activities under this Agreement shall be satisfactory to the World Bank following its review thereof, and, to that end, such terms of reference shall duly incorporate the requirements of the World Bank’s Safeguard Policies, as applied to any consultancies, information gathering and advice conveyed through such studies, technical assistance and capacity building activities.
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 calendar semester, and shall be furnished to the World Bank not later than one month 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) SPCR is developed and conveyed to the climate investment fund committee; and

(ii) 12th Five Year Plan is informed by the SPCR and integrates key priorities.

(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 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 not later than forty-five (45) days after the end of each semester, covering the semester, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 2.07(b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six months after the end of such period.

2.06. **Procurement**

All goods, non-consulting services and consulting 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 the “World Bank Procurement Regulations for Borrowers under Investment Project Financing” dated July 1, 2016 (“Procurement Regulations”), and the provisions of the Recipient’s procurement plan for the Project (“Procurement Plan”) dated November 24, 2016 provided for under Section IV of the Procurement Regulations, as the same may be updated from time to time in agreement with the World Bank.

**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) the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “Disbursement Guidelines for Investment Project Financing” dated February 2017, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant.
(“Category”), the allocations of the amounts of the Grant 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 Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, non-consulting services, consulting services, Training and Operating Costs</td>
<td>1,500,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>1,500,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

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 this Agreement.

3.03. *Withdrawal Period.* The Closing Date referred to in Section 3.06(c) of the Standard Conditions is September 30, 2019.

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 its Minister 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

Facsimile: 975-2-334994

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

International Bank for Reconstruction and Development/  
International Development Association  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Facsimile: 1-202-477-6391