Financing Agreement

(Covid-19 Emergency Response and Health Systems Preparedness Project)

between

KINGDOM OF BHUTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION
FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date 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) apply to and form 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 a credit, which is deemed as Concessional Financing for purposes of the General Conditions, in an amount equivalent to three million seven hundred thousand Special Drawing Rights (SDR 3,700,000) (variously, “Credit” and “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 III of Schedule 2 to this Agreement.

2.03. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.

2.04. The Service Charge is three-fourths of one percent (3/4 of 1%) per annum on the Withdrawn Credit Balance.

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 Dollar.
ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objective of the Project and the MPA Program. To this end, the Recipient shall carry out the Project through the Ministry of Health in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

4.01. The Effectiveness Deadline is the date is ninety (90) days after the Signature Date.

4.02 For purposes of Section 10.05 (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 Signature Date.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Recipient's Representative is its Minister of Finance.

5.02. For purposes of Section 11.01 of the General Conditions:

(a) the Recipient’s address is:

Ministry of Finance
Tashichhodzong
Thimphu, Kingdom of Bhutan; and

(b) the Recipient’s Electronic Address is:

Facsimile:
00975-2-323154

5.03. For purposes of Section 11.01 of the General Conditions:

(a) The Association’s address is:

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

(b) the Association’s Electronic Address is:
AGREED as of the Signature Date.

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**KINGDOM OF BHUTAN**

By

[Signature]

Authorized Representative

Name: **NAMGAY TSHERING**

Title: **FINANCE MINISTER**

Date: **APRIL 27, 2020**

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**INTERNATIONAL DEVELOPMENT ASSOCIATION**

By

[Signature]

Authorized Representative

Name: **TENZIN LHAMDRU**

Title: **ACTING RESIDENT REPRESENTATIVE**

Date: **APRIL 27, 2020**
SCHEDULE 1

Project Description

The objectives of the Project are to prevent, detect and respond to the threat posed by COVID-19 and strengthen national systems for public health preparedness.

The Project constitutes a phase of the MPA Program and consists of the following parts:

Part 1: Emergency COVID-19 Response

Providing immediate support to limit transmission of COVID-19 through containment strategies, including the following:

1.1. Case Detection, Confirmation, Contact Tracing, Recording, Reporting

Enhancing case detection, confirmation, tracing, recording and reporting through, *inter alia*: (a) strengthening disease surveillance systems and epidemiological capacity for early detection and confirmation of cases; (b) combining detection of new cases with active contact tracing; (c) supporting epidemiological investigation; (d) strengthening risk assessment; (e) providing on-time data and information for guiding decision-making, response and mitigation activities; and (f) strengthening the health management information system.

1.2. Health System Strengthening

Strengthening of the public health system through, *inter alia*: (a) provision of support for preparedness planning to provide optimal medical care, maintain essential community services and to minimize risks for patients and health personnel, including training health facilities staff and front-line workers on risk mitigation measures and providing them with the appropriate protective equipment and hygiene materials; (b) establishing specialized units in selected hospitals, treatment guidelines, clinical training of health workers and hospital infection control guidelines; (c) development of strategies to increase hospital bed availability; (d) rehabilitation and equipment of selected primary health care facilities and hospitals (including intensive care facilities with medical equipment and training of health teams) for the delivery of critical medical services and to cope with increased demand of services posed by the outbreak, develop intra-hospital infection control measures, including improvements in blood transfusion services; and (e) provision of support for ensuring safe water and basic sanitation in health facilities, strengthen medical waste management and disposal systems, mobilization of additional health personnel, training of health personnel, provision of medical supplies, diagnostic reagents and kits.
Part 2: Community Engagement and Risk Communication

Supporting information and communication activities to raise awareness, knowledge and understanding among the general population about the risks and potential impact of the COVID-19 pandemic; through, inter alia: (a) real-time exchange of information, advice and opinions, through a mix of communication and engagement strategies, including media and social media communications, mass awareness campaigns including “social distancing” measures, health promotion, social mobilization, stakeholder engagement and community engagement; (b) developing and distributing communication materials, awareness campaigns, training modules, training health frontline workers, printing materials, experts, symposia for advocacy, surveillance, treatment and prophylaxis.

Part 3: Implementation Management and Monitoring and Evaluation

Strengthening the capacity of the Ministry of Health (a) to implement the Project, including support for coordination of Project activities, procurement, financial management, stakeholder engagement, environmental and social risk management, monitoring and evaluation and reporting; and (b) on clinical and public health research and joint-learning within and between countries, through inter alia provision of technical assistance, IT and communication equipment and Training.

Part 4: Contingency Emergency Response Component (CERC)

Provision of immediate response to an Eligible Crisis or Health Emergency.
SCHEDULE 2

Project Execution

Section I. Institutional Arrangements

A. Project Steering Committee

1. The Recipient shall maintain, at all times during the implementation of the Project, the Project Steering Committee, with functions, composition and resources satisfactory to the Association, to be responsible for, inter alia:
   (a) providing strategic and policy guidance on the implementation of the Project;
   (b) reviewing progress made towards achieving the Project's objectives; and
   (c) facilitating coordination of Project activities and removal of any obstacle(s) to the implementation of the Project.

2. The Recipient has designated its Ministry of Health (MOH) to be responsible for prompt and efficient oversight and implementation of activities under the Project. To this end, the Recipient shall take all necessary actions including the provision of funding, personnel and other resources necessary to enable said ministry to perform said functions.

3. Project Management Unit

   (a) Without limitation upon the provisions of paragraphs 1 of this Section I.A, the Recipient, through the MOH, shall maintain, at all times during the implementation of the Project, the Project Management Unit, to be responsible for day to day execution, coordination and implementation of the Project (including procurement, financial management, environmental and social standards management, supervision, reporting and communication aspects) of activities under the Project. To this end, the Recipient shall take all actions, including the provision of funding, personnel and other resources satisfactory to the Association, to enable the Project Management Unit to perform said functions.

   (b) Without limiting the foregoing, the PMU shall be headed by a Project Director and include inter alia a Project Coordinator, an environmental and social focal point, a financial management officer and a procurement officer, all with qualifications, experience and terms of reference acceptable to the Association.
B. National COVID-19 Preparedness and Response Plan

Without limiting any other provision of this Agreement, the Recipient shall:
(a) ensure that the Project is carried out in accordance with the National COVID-19 Preparedness and Response Plan and any relevant decision made by the Health Emergency Management Committee, and
(b) maintain, at all times during the implementation of the Project, adequate public health emergency coordination and management arrangements, all in a manner acceptable to the Association.

C. Project Implementation Plan and Work Plans & Budget

(a) Unless otherwise agreed with the Association, the Recipient shall, not later than 3 (three) months after the Effective Date, prepare and furnish to the Association, a Project Implementation Plan.

(b) In addition, the Recipient shall prepare and furnish to the Association throughout the implementation of the Project, work plans and budgets containing all activities proposed to be included in the Project for the subsequent 12 months, and a proposed financing plan for expenditures required for such activities, setting forth the proposed amounts and sources of financing.

(c) The Recipient shall afford the Association a reasonable opportunity to exchange views with the Recipient on such proposed Project Implementation Plan, work plans and budgets and thereafter ensure that the Project is implemented with due diligence in accordance with such Project Implementation Plan, work plans and budget as shall have been approved by the Association.

(d) The Recipient shall not make or allow to be made any substantial change to the approved Work Plan and Budget without prior approval in writing by the Association.

D. Data Protection

The Recipient, through the MOI-, shall ensure that the collection, use and processing (including transfers to third parties) of any personal data collected under this Project shall be done in accordance with the data protection principles contained in the Information, Communication, and Media Act of Bhutan 2018 and applicable best international practice, ensuring legitimate, appropriate, and proportionate treatment of such data.

E. Environmental and Social Standards

1. The Recipient shall ensure that the Project is carried out in accordance with the Environmental and Social Standards, in a manner acceptable to the Association.
2. Without limitation upon paragraph 1 above, the Recipient shall ensure that the Project is implemented in accordance with the Environmental and Social Commitment Plan ("ESCP"), in a manner acceptable to the Association. To this end, the Recipient shall ensure that:

(a) the measures and actions specified in the ESCP are implemented with due diligence and efficiency, and provided in the ESCP;

(b) sufficient funds are available to cover the costs of implementing the ESCP;

(c) policies and procedures are maintained, and qualified and experienced staff in adequate numbers are retained to implement the ESCP, as provided in the ESCP; and

(d) the ESCP, or any provision thereof, is not amended, repealed, suspended or waived, except as the Association shall otherwise agree in writing, as specified in the ESCP, and ensure that the revised ESCP is disclosed promptly thereafter.

3. In case of any inconsistencies between the ESCP and the provisions of this Agreement, the provisions of this Agreement shall prevail.

4. The Recipient shall ensure that:

(a) all measures necessary are taken to collect, compile, and furnish to the Association through regular reports, with the frequency specified in the ESCP, and promptly in a separate report or reports, if so requested by the Association, information on the status of compliance with the ESCP and the environmental and social instruments referred to therein, all such reports in form and substance acceptable to the Association, setting out, inter alia: (i) the status of implementation of the ESCP; (ii) conditions, if any, which interfere or threaten to interfere with the implementation of the ESCP; and (iii) corrective and preventive measures taken or required to be taken to address such conditions; and

(b) the Association is promptly notified of any incident or accident related to or having an impact on the Project which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers, in accordance with the ESCP, the environmental and social instruments referenced therein and the Environmental and Social Standards.

5. The Recipient shall establish, publicize, maintain and operate an accessible grievance mechanism, to receive and facilitate resolution of concerns and grievances of Project-affected people, and take all measures necessary and
appropriate to resolve, or facilitate the resolution of, such concerns and grievances.
in a manner acceptable to the Association.

6. The Recipient shall ensure that all bidding documents and contracts for civil works
under the Project include the obligation of contractors, subcontractors and
supervising entities, as applicable, to: (a) comply with the relevant aspects of ESCP
and the environmental and social instruments referred to therein; and (b) adopt and
enforce codes of conduct that should be provided to and signed by all workers,
detailing measures to address environmental, social, health and safety risks, and
the risks of sexual exploitation and abuse, sexual harassment and violence against
children, all as applicable to such civil works commissioned or carried out pursuant
to said contracts.

F. Contingent Emergency Response

1. In order to ensure the proper implementation of contingent emergency response
activities under Part 3 of the Project ("Contingent Emergency Response Part"), the
Recipient shall:

(a) prepare and furnish to the Association for its review and approval, a
Contingent Emergency Response Implementation Plan ("CERIP") which
shall set forth detailed implementation arrangements for the Contingent
Emergency Response Part, including: (i) any special institutional
arrangements for coordinating and implementing the Contingent
Emergency Response Part; (ii) specific activities which may be included
in the Contingent Emergency Response Part, Eligible Expenditures
required therefore ("Emergency Expenditures"), and any procedures for
such inclusion; (iii) financial management arrangements for the
Contingent Emergency Response Part; (iv) procurement methods and
procedures for the Contingent Emergency Response Part; (v)
documentation required for withdrawals of Emergency Expenditures; (vi)
application of any relevant safeguard instruments to the Contingent
Emergency Response Part; and (vii) any other arrangements necessary to
ensure proper coordination and implementation of the Contingent
Emergency Response Part;

(b) afford the Association a reasonable opportunity to review the proposed
CERIP;

(c) promptly adopt the CERIP for the Contingent Emergency Response Part
as accepted by the Association;

(d) ensure that the Contingent Emergency Response Part is carried out in
accordance with the CERIP; provided, however, that in the event of any
inconsistency between the provisions of the CERIP and this Agreement, the provisions of this Agreement shall prevail; and

(e) not amend, suspend, abrogate, repeal or waive any provision of the CERIP without the prior written approval by the Association.

2. The Recipient shall ensure that no activities are undertaken under the Contingent Emergency Response Part, unless and until the following conditions have been met in respect of said activities:

(a) the Recipient has determined that an Eligible Crisis or Health Emergency has occurred, has furnished to the Association a request to include said activities in the Contingent Emergency Response Part in order to respond to said Eligible Crisis or Health Emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient thereof; and

(b) the Recipient has ensured the disclosure of all environmental and social instruments/plans required for said activities in accordance with the ESCP, the Recipient has approved all such instruments, and the Recipient has ensured the implementation of any actions which are required to be taken under said instruments.

3. Notwithstanding any provision to the contrary in this Section, Emergency Expenditures required for activities included in Part 3 of the Project shall be procured in accordance with the procurement methods and procedures set forth in the CERIP.

Section II. Project Monitoring, Reporting and Evaluation

The Recipient shall furnish to the Association each Project Report not later than forty-five (45) days after the end of each calendar semester, covering the calendar semester. Except as may otherwise be explicitly required or permitted under this Agreement or as may be explicitly requested by the Association, in sharing any information, report or document related to the activities described in Schedule 1 of this Agreement, the Recipient shall ensure that such information, report or document does not include Personal Data.

Section III. Withdrawal of the Proceeds of the Financing

A. General

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Recipient may withdraw the proceeds of the Financing to finance Eligible
Expenditures in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

<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, works, non-consulting services, and consulting services and Training for the Project under Parts 1, 2, and 3 of the Project.</td>
<td>3,700,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Emergency Expenditures under Part 4 of the Project</td>
<td>0</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>3,700,000</td>
<td></td>
</tr>
</tbody>
</table>

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made:
   (a) for payments made prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed SDR 1,480,000 may be made for payments made prior to this date but on or after January 1, 2020, for Eligible Expenditures under Category (1).
   (b) for Emergency Expenditures under Category (2), unless and until the Association is satisfied, and notified the Recipient of its satisfaction, that all of the following conditions have been met in respect of said expenditures:

   (i) the Recipient has determined that an Eligible Crisis or Health Emergency has occurred, has furnished to the Association a request to include the proposed activities in the Contingent Emergency Response Part in order to respond to said crisis or emergency, and the Association has agreed with such determination, accepted said request and notified the Association thereof;

   (ii) the Recipient has ensured that all safeguard instruments, including ESCP, required for said activities have been prepared and
disclosed, and the Recipient has ensured that any actions which are required to be taken under said instruments have been implemented, all in accordance with the provisions of Section I.E and I.F of this Schedule;

(iii) the entities in charge of coordinating and implementing the Contingent Emergency Response Part have adequate staff and resources, in accordance with the provisions of Section I.F of this Schedule, for the purposes of said activities; and

(iv) the Recipient has adopted the CERIP, in form and substance acceptable to the Association, and the provisions of the CERIP remain relevant or have been updated in accordance with the provisions of Section I.F of this Schedule so as to be appropriate for the inclusion and implementation of the activities under the Contingent Emergency Response Part.

2. The Closing Date is December 31, 2022.
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:</td>
<td></td>
</tr>
<tr>
<td>commencing September 15, 2030 to and including March 15, 2040</td>
<td>1%</td>
</tr>
<tr>
<td>commencing September 15, 2040 to and including March 15, 2060</td>
<td>2%</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 3.05 (b) of the General Conditions.
APPENDIX

Section I. Definitions

1. “Annual Work Plan and Budget” mean the annual work plan and budget to be prepared by the Recipient and approved by the Association pursuant to Section I.C of Schedule 2 to this Agreement.

2. “Anti-Corruption Guidelines” means, for purposes of paragraph 5 of the Appendix to the General Conditions, 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.

3. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.

4. “Contingent Emergency Response Implementation Plan” or “CERIP” means the action plan referred to in Section I.F of Schedule 2 to this Agreement, acceptable to the Association to be prepared by the Recipient for the implementation of the CER Part, in accordance with the provision of said Section.


6. “Eligible Crisis” means an event that has caused, or is likely to imminently cause, a major adverse economic and/or social impact to the Recipient, associated with a natural or man-made crisis or disaster.

7. “Emergency Expenditures” means any of the eligible expenditures set forth in the CERIP in accordance with the provisions of Section I.F. of Schedule 2 to this Agreement and required for the activities to be financed under the CERIP.

8. “Emergency Response Part” means a specific activity or activities to be carried out in the event of an Eligible Crisis or Emergency under Part 4 of the Project.

9. “Environmental and Social Commitment Plan” or “ESCP” means the environmental and social commitment plan for the Project, dated April 13, 2020, as the same may be amended from time to time in accordance with the provisions thereof, which sets out the material measures and actions that the Recipient shall carry out or cause to be carried out to address the potential environmental and social risks and impacts of the Project, including the timeframes of the actions and measures, institutional, staffing, training, monitoring and reporting arrangements, and any environmental and social instruments to be prepared thereunder.
10. "Environmental and Social Standards" or "ESSs" means, collectively: (i) "Environmental and Social Standard 1: Assessment and Management of Environmental and Social Risks and Impacts"; (ii) "Environmental and Social Standard 2: Labor and Working Conditions"; (iii) "Environmental and Social Standard 3: Resource Efficiency and Pollution Prevention and Management"; (iv) "Environmental and Social Standard 4: Community Health and Safety"; (v) "Environmental and Social Standard 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement"; (vi) "Environmental and Social Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources"; (vii) "Environmental and Social Standard 7: Indigenous Peoples/Sub-Saharan Historically Underserved Traditional Local Communities"; (viii) "Environmental and Social Standard 8: Cultural Heritage"; (ix) "Environmental and Social Standard 9: Financial Intermediaries"; (x) "Environmental and Social Standard 10: Stakeholder Engagement and Information Disclosure"; effective on October 1, 2018, as published by the Association.


12. "Health Emergency" means an event that has caused, or is likely to imminently cause, a major adverse health impact to the Recipient, associated with a natural or man-made crisis or disaster.

13. "Health Emergency Management Committee" means the committee referred in Section I.B of Schedule 2, which committee has been established in accordance with the Recipient’s Health Emergency and Disaster Contingency Plan (HEDCP, 2016), as mandated in the 2013 Disaster Management Act (DMA).

14. "Ministry of Health" or "MOH" means the Recipient’s Ministry of Health, or any successor thereto.

15. "MPA Program" means the global emergency multiphase programmatic approach program designed to assist countries to prevent, detect and respond to the threat posed by COVID-19 and strengthen national systems for public health preparedness.

16. "National COVID-19 Preparedness and Response Plan" mean the Recipient’s national preparedness and response plan for COVID-19 and acceptable to the Association, as said document may be modified from time to time during the COVID-19 outbreak, and such term includes all schedules and annexes to said document.

17. "National Public Health Laboratory" mean the Recipient’s national public health laboratory.
18. "Personal Data" means any information relating to an identified or identifiable individual. An identifiable individual is one who can be identified by reasonable means, directly or indirectly, by reference to an attribute or combination of attributes within the data, or combination of the data with other available information. Attributes that can be used to identify an identifiable individual include, but are not limited to, name, identification number, location data, online identifier, metadata and factors specific to the physical, physiological, genetic, mental, economic, cultural or social identity of an individual.


20. "Project Implementation Plan" means the Recipient's plan to be prepared and adopted by the MOH and referred to in Section I.C of Schedule 2 to this Agreement, as may be amended from time to time with the agreement of the Association.

21. "Project Management Unit" or "PMU" means the Recipient's unit referred to in Section I.A.3 of Schedule 2 to this Agreement.

22. "Signature Date" means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applies to all references to "the date of the Financing Agreement" in the General Conditions.

23. "Training" means the reasonable costs associated with training under the Project, based on the relevant Annual Work Plan and Budget, and attributable to study tours, training courses, seminars, workshops and other training activities, not included under service providers' contracts, including costs of training materials, space and equipment rental, travel, accommodation and per diem costs of trainees and trainers, trainers' fees, and other training related miscellaneous costs in accordance with the Recipient's rules and regulations.