Financing Agreement

(Enhancing Education Development Project)

between

REPUBLIC OF MALDIVES

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated 17 JUNE, 2013
FINANCING AGREEMENT

AGREEMENT dated 17 June, 2013, entered into between the REPUBLIC OF MALDIVES ("Recipient") and the 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 grant in an amount equivalent to six million seven hundred thousand Special Drawing Rights (SDR 6,700,000) ("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 Payment Dates are February 15 and August 15 in each year.

2.05. The Payment Currency is Dollars.
ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall carry out the Project 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 — TERMINATION

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

4.02. 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

5.01. The Recipient’s Representative is its Minister at the time responsible for finance.

5.02. The Recipient’s Address is:

Ministry of Finance and Treasury
Ameenee Magu
Malé 20379
Republic of Maldives

Facsimile:

(960) 332 4432
5.03. 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)
Facsimile: 1-202-477-6391

AGREED at Malé, Republic of the Maldives as of the day and year first above written.

REPUBLIC OF MALDIVES

By
Authorized Representative

Name: ABDULLA JIHAD
Title: MINISTER OF FINANCE AND TREASURY

INTERNATIONAL DEVELOPMENT ASSOCIATION

By
Authorized Representative

Name: Ivan Rossignol
Title: Acting Country Director
Sri Lanka and Maldives
South Asia Region
SCHEDULE 1

Project Description

The objective of the Project is to enhance and strengthen strategic dimensions of education access and quality.

The Project consists of the following parts:

Part 1. National Level Education Development

1.1. National Assessments of Learning Outcomes for Policy and Program Development

Design and implementation of national assessments of learning outcomes for Dhivehi, English and Mathematics, and incorporation of their results and findings into education policies and programs.

1.2. Management and Leadership Development of Staff in the Education Sector

Design and implementation of human resource capacity building activities for education administrators, school principals and teachers through the provision of short-term training programs and scholarships for degree and postgraduate studies in education administration, management, policy and planning, monitoring and evaluation, and other education related subjects.

1.3. Learning Environment Enrichment of Secondary Schools

Expansion and/or rehabilitation of classrooms, information technology centers, multi-purposes facilities and laboratories, including the provision of information technology and science equipment, to improve the learning environment in selected secondary schools.

Part 2. School Level Education Development

2.1. School-Based Management

Carrying out of training and other capacity building activities for members of senior school management teams and school boards to improve the effectiveness of school-based management.
2.2. Modernizing Quality Assurance for School Improvement

Development and implementation of a regular, annual quality assurance system for schools, encompassing self-evaluations designed to inform the formulation of school improvement plans.

2.3. Strengthening School-Based Professional Development for School Teachers and Other School Staff

Design, implementation and monitoring of school-based professional development programs for teachers, including the carrying out of capacity building activities for professional development and teacher resource center coordinators and other school staff.

2.4. School Quality Assurance and Teacher Development Awards

Provision of financial awards to selected schools for the carrying out of selected quality assurance and teacher development activities included in their respective school improvement plans.

Part 3. Project Coordination, Monitoring and Evaluation, and Program Development

3.1. Education Strategy and Program Development

Development of strategies and programs in priority education areas, including the development of a framework for multi-grade teaching in small schools, a model for provision of multiple curriculum streams, continuing (in-service) training programs for untrained teachers, and a master plan for higher education, as well as the provision of technical assistance to undertake quality assurance and accreditation of private and public higher education institutions.

3.2. Project Coordination, Monitoring and Evaluation

Carrying out of the day-to-day coordination, financial management, procurement, environmental and social management, communication, and monitoring and evaluation of Project activities.
Section I. Implementation Arrangements

A. Institutional Arrangements

1. Steering Committee

The Recipient shall establish, not later than three (3) months after the Effective Date or such other date as the Association may establish by notice to the Recipient, and thereafter maintain throughout the period of implementation of the Project, a Project steering committee, with functions, composition and resources satisfactory to the Association. Without limitation on the foregoing, the said committee shall be chaired by the Minister of Education and include high-level representation from all ministries and agencies of the Recipient involved in the implementation of the Project, and shall meet at least twice per year or more often if required for the purposes of, inter alia: (a) reviewing the overall progress of the Project and providing strategic and policy direction on all activities under the Project; (b) facilitating the coordination of Project activities among the members of the committee and the removal of any obstacles to the implementation of the Project; and (c) endorsing the Annual Work Plans and Budgets.

2. Coordination Support Unit

The Recipient shall carry out the day-to-day management of Project activities through its ministry responsible for education and, to this end, shall maintain at all times during the period of implementation of the Project, a Project coordination support unit within the said ministry, with functions and resources satisfactory to the Association, and with staff in adequate numbers and with qualifications, experience and terms of reference satisfactory to the Association. Without limitation on the foregoing, the said unit shall be headed by a Project director and comprise an operations officer, a financial management specialist, a procurement specialist, and a monitoring and evaluation specialist, and shall be responsible for, inter alia: (a) preparing the Annual Work Plans and Budgets for endorsement by the steering committee referred to in paragraph 1 of this Part A, and approval by the Association; (b) carrying out the overall coordination and supervision of the execution of the Project; (c) overseeing and guiding the administration of all coordination, management, procurement, financial management, and environmental and social safeguards management activities under the Project; (d) carrying out the overall monitoring and evaluation of the Project; and (e) reporting to the said steering committee and liaising with the
Association on any matters related to the progress of the Project and the use of the proceeds of the Financing.

B. **Operational Manual**

The Recipient shall ensure that the Project is carried out in accordance with the arrangements and procedures set out in the Operational Manual (provided, however, that in the case of any conflict between the arrangements and procedures set out in the Operational Manual and the provisions of this Agreement, the provisions of this Agreement shall prevail) and, except as the Association shall otherwise agree in writing, shall not amend, abrogate or waive any provision of the Operational Manual.

C. **Annual Work Plans and Budgets**

1. The Recipient shall prepare and furnish to the Association not later than November 1 of each year during the implementation of the Project (or such later date as the Association may agree) for the Association’s approval, a consolidated annual work plan and budget containing all eligible Project activities and expenditures proposed to be included in the Project for the Recipient’s following fiscal year, including the activities and expenditures proposed to be financed from the Recipient’s counterpart funding contribution, and the environmental and social safeguard measures taken or planned to be taken in accordance with the provisions of Part D of this Schedule.

2. The Recipient shall ensure that the Project is implemented in accordance with the Annual Work Plans and Budgets approved by the Association for the Recipient’s respective fiscal year (provided, however, that in case of any conflict between the Annual Work Plans and Budgets and the provisions of this Agreement, the provisions of this Agreement shall prevail) and, except as the Association shall otherwise agree in writing, shall not make any change to the Annual Work Plans and Budgets.

D. **Environmental and Social Safeguards**

1. The Recipient shall ensure that the Project is carried out in accordance with the provisions of the ESAMF, the ESAs and the ESMPs.

2. Whenever an ESA and ESMP shall be required for any proposed Project activity in accordance with the provisions of the ESAMF, the Recipient shall:

(a) prior to the commencement of such activity, ensure that such ESA and ESMP are: (i) prepared in accordance with the provisions of the ESAMF; (ii) furnished to the Association for review and approval; and
(iii) thereafter adopted and disclosed as approved by the Association, in a manner acceptable to the Association; and

(b) thereafter take such measures as shall be necessary or appropriate to ensure compliance with the requirements of such ESA and ESMP.

3. The Recipient shall not amend, abrogate or waive, or permit to be amended, abrogated or waived, the ESAMF and any ESAs or ESMPs, unless the Association has provided its prior approval thereof in writing, and the Recipient has complied with the same consultation and disclosure requirements as applicable to the original adoption of the said instruments.

4. Without limitation on its other reporting obligations under this Agreement, the Recipient shall collect, compile and submit to the Association on a quarterly basis (or such other frequency as may be agreed with the Association) consolidated reports on the status of compliance with the ESAMF, ESAs and ESMPs, as applicable, giving details of: (a) measures taken in furtherance of the said instruments; (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the said measures; and (c) remedial measures taken or required to be taken to address such conditions.

E. Subprojects

General

1. For the purpose of carrying out Subprojects under Part 2.4 of the Project, the Recipient shall make Awards to Beneficiaries in accordance with eligibility criteria and procedures acceptable to the Association and elaborated in the Operational Manual, which shall include, inter alia, the following:

(a) No proposed Subproject shall be eligible for financing under an Award to a Beneficiary unless the Recipient shall has determined on the basis of an appraisal carried out in accordance with guidelines acceptable to the Association and elaborated in the Operational Manual, that: (i) the proposed Subproject is included in the respective Beneficiary’s approved school improvement plan; and (ii) the proposed Subproject complies with the environmental and social safeguard provisions of Section I.D of this Schedule; and

(b) The maximum amount of all Awards to a single Beneficiary shall not exceed the maximum amount specified in the Operational Manual for such purpose.
Memoranda of Agreement

2. The Recipient shall make each Award under a Memorandum of Agreement between the Recipient and the respective Beneficiary, on terms and conditions satisfactory to the Association, which, inter alia, shall include the following:

(a) the amount of the Award provided to the Beneficiary (which shall not exceed the estimated cost of the Subproject excluding any amount of counterpart funds or co-financing from other sources of financing); the description of the activities to be implemented, including the outputs and performance targets to be achieved; and the arrangements for monitoring and reporting (including financial reporting) on the implementation of the Subproject;

(b) the specification of the counterpart contribution, if any, required of the Beneficiary, and modalities for transfer of funds by the Recipient to the Beneficiary for the financing of the Subproject;

(c) the obligation of the Beneficiary to: (i) carry out the Subproject with due diligence and efficiency and in accordance with sound technical, engineering, environmental, financial, and managerial practices and in accordance with the provisions of the Operational Manual, the ESAMF and any ESMPs, where applicable, and the provisions of the Anti-Corruption Guidelines applicable to recipients of financing proceeds other than the Recipient; and (ii) maintain adequate records to reflect, in accordance with sound accounting practices, the operations, resources and expenditures related to the Subproject;

(d) the requirement that the goods and services to be financed out of the proceeds of the Award shall be procured in accordance with the provisions of Section III of this Schedule, and shall be used exclusively in the carrying out of the Subproject;

(e) the obligation of the Beneficiary to: (i) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations, resources and expenditures related to the Subproject; (ii) at the Association’s or the Recipient’s request, have such financial statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements as so audited to the Recipient and the Association; and (iii) permit the Association to make the Memorandum of Agreement and all financial statements audited pursuant to sub-paragraph (ii) above
available to the public in accordance with the Association’s policies on access to information; and

(f) the right of the Recipient, to: (i) inspect by itself, or jointly with the Association, if the Association shall so request, the goods and sites included in the Subproject, the operations thereof and any relevant records and documents; (ii) obtain all information as it, or the Association, shall reasonably request regarding the administration, operation and financial conditions of the Subproject and the Beneficiary; and (iii) suspend or terminate the right of any Beneficiary to use the proceeds of the Award, or obtain a refund of all or any part of the amount of the Award then withdrawn, upon failure by the Beneficiary to perform any of its obligations under the Memorandum of Agreement.

3. The Recipient shall exercise its rights and perform its obligations under the Memorandum of Agreements in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Award and, except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive any Memorandum of Agreement or any provision thereof.

D. Anti-Corruption

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

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

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 acceptable to the Association and specified in the Operational Manual. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Association not later than one (1) month 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. 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, 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) National Competitive
Bidding, subject to the use of sample bidding documents as agreed with the
Association; (b) Shopping, subject to the use of sample invitation for quotation
documents as agreed with the Association; (c) Direct Contracting; and
(d) Community Participation procedures which have been found acceptable to the Association and specified in the Operational Manual.

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 5.2 and 5.3 of the Consultant Guidelines for competitive Selection of Individual Consultants; and (g) Single-source procedures 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 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, consultants' services,</td>
<td>6,400,000</td>
<td>100%</td>
</tr>
<tr>
<td>Training and Operating Costs for the Project (excluding Part 2.4 of the Project)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(2) Awards under Part 2.4 of the Project</td>
<td>300,000</td>
<td>100% of amounts payable under the applicable Memorandum of Agreement.</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>6,700,000</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, 2018.
APPENDIX

Definitions

1. “Annual Work Plan and Budget” means each annual work plan, together with the related budget, for the Project approved by the Association pursuant to the provisions of Section I.C of Schedule 2 to this Agreement.


3. “Award” means an amount made or proposed to be made by the Recipient to a Beneficiary out of the proceeds of the Financing for the purpose of financing a Subproject.

4. “Beneficiary” means a school in the territory of the Recipient to which the Recipient has made, or proposes to make an Award.

5. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.


7. “ESA” means the following environmental and social assessments, as the said assessments may be amended and/or supplemented from time to time with the prior written approval of the Association: (a) each of the Environmental and Social Assessments dated February 21, 2013, prepared for the Subprojects proposed to be implemented during the first eighteen (18) months of Project implementation; and (b) any environmental and social impact assessments to be prepared during the remainder of Project implementation in accordance with the ESAMF pursuant to Section I.D of Schedule 2 to this Agreement, each such assessment in form and substance satisfactory to the Association and defining details of potential environmental and social risks and adverse impacts associated with the implementation of any construction, rehabilitation and maintenance activities under the Project, together with an environmental and social management plan defining measures to manage such risks and impacts; and “ESAs” means, collectively, all such assessments.

8. “ESAMF” means the Environmental and Social Assessment and Management Framework of the Recipient dated February 21, 2013, setting forth the policy framework, principles, standards, processes and institutional arrangements to be applied to assess potential adverse environmental and social impacts associated
with Project activities and the ways to avoid, minimize, mitigate or offset them, including public consultation, disclosure and reporting.

9. “ESMP” means each of the following environmental and social management plans included in the relevant ESAs, as the said plans may be amended and/or supplemented from time to time with the prior written approval of the Association: (a) each of the Environmental and Social Management Plans included in the relevant ESAs dated February 21, 2013, prepared for the Subprojects proposed to be implemented in the first eighteen (18) months of Project implementation; and (b) any environmental and social management plans to be prepared for Subprojects to be implemented during the remainder of Project implementation in accordance with the ESAMF, pursuant to Section I.D of Schedule 2 to this Agreement, each such plan in form and substance satisfactory to the Association, and defining details of measures to manage potential environmental and social risks and mitigate, reduce and/or offset adverse environmental and social impacts associated with the implementation of any construction, rehabilitation and maintenance activities under the Project, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with, its terms; and “ESMPs” means, collectively, all such plans.


11. “Memorandum of Agreement” means an agreement entered into, or to be entered into, between the Recipient and a Beneficiary, for the purpose of extending an Award to such Beneficiary on the terms and conditions set forth or referred to in Section I.E of Schedule 2 to this Agreement.

12. “Operating Costs” means the reasonable costs of goods and services required for the day-to-day implementation of the Project including maintenance of vehicles and equipment, fuel, office supplies, utilities, consumables, office rental and maintenance, bank charges, advertising expenses, travel, per diems, accommodation, and salaries of selected support staff, but excluding salaries of consultants and salaries of officials of the Recipient’s civil service.

13. “Operational Manual” means the Recipient’s Project implementation manual, dated March 11, 2013, as the same may be revised from time to time with the prior written approval of the Association, containing detailed arrangements and procedures for: (a) institutional coordination and day-to-day execution of the Project; (b) disbursement and financial management; (c) procurement; (d) environmental and social safeguards management; (e) monitoring and evaluation, reporting and communication; and (f) such other administrative, financial, technical and organizational arrangements and procedures as shall be required for the Project.

15. "Procurement Plan" means the Recipient's procurement plan for the Project, dated March 11, 2013 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.

16. "Subproject" means a set of specific development activities carried out or to be carried out by a Beneficiary under Part 2.4 of the Project, and financed or proposed to be financed out of the proceeds of the Financing through an Award.

17. "Training" means the reasonable costs of goods and services required for the participation of personnel involved in training activities, workshops, study tours and degree studies under the Project, including travel and subsistence costs for training, workshop and study tour participants, costs associated with securing the services of trainers, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, scholarships and other costs directly related to the preparation, implementation and/or participation in training courses, workshops, study tours and degree studies under the Project, but excluding salaries of consultants.