November 22, 2012

Hon. Mr. Abdullah Jihad
Minister of Finance and Treasury
Ministry of Finance and Treasury
Ameene Magu
Malé
Republic of Maldives.

Honorable Minister:

Re: Maldives Climate Change Multi-Donor Trust Fund (CCTF)
CCTF Grant No. TF013101
Ari Atoll Solid Waste Management Pilot Project

In response to the request for financial assistance made on behalf of the Republic of Maldives (the “Recipient”), I am pleased to inform you that the International Development Association (the “World Bank”), acting as administrator of grant funds provided under the Maldives Climate Change Multi-Donor Trust Fund, proposes to extend to the Recipient, a grant in an amount of one million three hundred twenty-six thousand United States Dollars (US$1,326,000) (the “Grant”) on the terms and conditions set forth or referred to in this letter agreement (the “Agreement”), which includes the attached Annex, to assist in the financing of the project described in the Annex (the “Project”).

This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the Donor. 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 Donor under the abovementioned trust 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 with the foregoing, by having an authorized official of the Recipient sign and date the enclosed original of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned original, this
Agreement will become effective upon the Recipient's countersignature; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned original of this Agreement within ninety (90) days after the signature of this Agreement by the World Bank.

Yours sincerely

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

Doina Petrescu
Acting Country Director for Sri Lanka and Maldives
South Asia Region

Confirmed and Agreed:
REPUBLIC OF MALDIVES

Signature:
Name: ABDULLA JIHAD
Title: MINISTER OF FINANCE AND TREASURY
Date: 23 DECEMBER 2012

Enclosures:


(2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006.
ANNEX

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.

(a) "Act on the Decentralization of the Administrative Divisions of Maldives" means the Act on the creation of offices, posts, island councils for the purpose of decentralized administration of the Recipient as stipulated in its Constitution.

(b) "EMP" or "Environmental Management Plan" means the plan referred to in Section 2.04(ii) of this Annex, prepared, satisfactory to the World Bank, by the Recipient in accordance with the ESDD (as hereinafter defined) which sets out mitigation, enhancement, monitoring, and institutional measures, including capacity building through training, to address any adverse environmental impacts of the Project as then identified, offset them, or reduce them to acceptable levels, or alternately to enhance the Project’s positive environmental impacts, said plan to further incorporate the environmental and social protection measures in respect of civil works undertaken under the Project, as well as, generally, the administrative and monitoring arrangements to ensure the implementation of said plan which shall consist of all schedules and annexes to such plan, as it may be revised from time to time during Project implementation with the prior written agreement of the World Bank; and the term “EMPs” means, collectively, all such plans.

(c) "EPA" means the Environmental Protection Agency of the Recipient’s Ministry of Environment and Energy, or any successor thereto.

(d) "ESDD" or "Environmental and Social Due Diligence" means the Recipient's environmental and social assessment framework dated August 6, 2012 published on the World Bank infoshop website: [http://infoshop.worldbank.org/](http://infoshop.worldbank.org/) and referred to Section 2.04(i) of this Annex, which sets forth the protocols for screening Project activities, the environmental and social protection measures required to avoid or mitigate potential adverse environmental and social impacts of the Project, and guidance on the development of the ensuing EMPs, as said framework may be revised from time to time during Project implementation with the prior written agreement of the World Bank.

(e) "Island Council" means the elected local council for a Participating Island under the Act on the Decentralization of the Administrative Divisions of Maldives, or any successor thereto.

(f) "IWMC" or "IWMCs" means one or several island waste management centers established under the Post Tsunami Recovery and Reconstruction (Trust Fund No.TF056638), pursuant to the Grant Agreement dated October 9, 2006 between the Recipient and the World Bank acting as administrator of grant funds provided by the European Community.

(g) "MoEE" means the Recipient’s Ministry of Environment and Energy, or any successor thereto.
(h) "Operating Costs" means the reasonable costs of incremental expenditures under the Project, incurred by the Recipient for purposes of Project management, implementation, and monitoring and evaluation, on account of utilities and supplies, bank charges, communications, vehicle operation, maintenance, and insurance, office space rental, building and equipment maintenance, Project awareness and media release expenses, domestic travel and subsistence, salaries of contractual and temporary staff, and salary topping-ups of the Recipient's civil servants specifically and temporarily reassigned to work in the PMU in specialized areas of the Project during its implementation.

(i) "Operations Manual" means the manual dated June 21, 2012, originally prepared by the Recipient for the Maldives Climate Change Trust Fund, as updated and thereafter adopted by the Recipient for the purpose of the Project in accordance with the provisions of Section 2.03 of this Annex, said manual being intended to assist staff of the PMU assigned or reassigned to the implementation of the Project, as such manual may be amended from time to time in agreement with the World Bank.

(j) "Participating Island" or "Participating Islands" means one or several islands of the Ari Atoll selected to participate in the implementation of Parts A and B of the Project, including, inter alia, Dhigurah, Fenfushi, Ukulhas, Thoddoo and Dhangethi, and any other island selected by the Recipient and agreed with the World Bank.

(k) "PMU" or "Project Management Unit" means the unit established within the MoEE responsible for the overall implementation of the Project, including the coordination with other pertinent agencies and programs of the Recipient, and the fiduciary aspects of the Project, notably, its financial management, procurement, monitoring and evaluation.

(l) "SWM" means solid waste management.

(m) "Training" means, and includes related costs of, the organization and in-country delivery of all capacity building activities and programs financed under the Project including through seminars and workshops, and with it, the cost of subsistence for training participants, services of trainers, rental of training facilities, preparation and reproduction of training materials, and other activities directly related to course preparation and delivery.

Article II
Project Execution

2.01. Project Objective and Description.

The objective of the Project is to build technical and human resource capacity to effectively manage solid waste generated in selected inhabited islands of the Ari Atoll, thereby reducing the environmental risks to marine habitats and greenhouse gas emissions.

The Project consists of the following parts:

Part A. Development and Implementation of an Island-Level Integrated Solid Waste Management System

1. Community participation in source segregation of solid waste.
2. Implementation of an island level recycling and composting program at the IWMCs.
3. Institutional capacity building of the Island Councils and communities for planning and managing an effective island-level integrated SWM system.
4. Development of a strategy to operationalize the IWMCs in the atolls of the Central Province.

Part B. Development of Institutional Arrangements and Implementation of a Waste Transfer System for Off-island Disposal of Residual Solid Waste

1. Development of a viable institutional mechanism including a public-private partnership for the transfer of residual waste to the Thilafushi Island facility.
2. Development of a cost recovery mechanism for the residual waste transport system.
3. Procurement of a barge and associated equipment for the transfer of residual waste.
4. Transfer of residual waste from the Participating Islands to a regional SWM facility, including the site in Thilafushi Island.

Part C. Project Management

Strengthening the capacity of the PMU to manage, monitor and evaluate implementation of the Project through the development an effective mechanism for Project implementation, monitoring and reporting, and support to the operation of the PMU and adequate staffing thereof.

2.02. Project Execution Generally. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out: (a) Parts A and B of the Project through MoEE in collaboration with the EPA and the Island Councils of the Participating Islands, and (b) Part C of the Project through MoEE; all 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 (“Anti-Corruption Guidelines”); and (c) this Article II.

2.03. Institutional and Other Arrangements.

(a) The Recipient shall ensure, during the course of Project implementation that MoEE remains responsible for the overall implementation of the Project and coordination among MoEE, EPA and Island Councils of the Participating Islands.

(b) The Recipient shall, through the MoEE, carry out the Project in accordance with the provisions of the Operations Manual, which shall set forth: (A) the Project implementation arrangements and related institutional arrangements; (B) the financial management, reporting, auditing and procurement procedures meeting the requirements of Sections 2.06 and 2.07 respectively of this Annex; (C) the environmental and social safeguards requirements and procedures for the Project included in the ESDD; and (D) the procedures on preventing and combating fraud and corruption as set out in the Anti-Corruption Guidelines.

(c) The Recipient shall, through the MoEE, maintain throughout the period of the Project, the Project Management Unit responsible for the overall management of the Project and comprising in furtherance thereof: a Project manager, a financial management officer, a procurement officer, an environmental and social safeguards coordinator, and an SWM coordinator, all having experience and qualifications satisfactory at all times to the World Bank.
2.04. Safeguards

The Recipient shall, through the MoEE ensure that:

(i) the Project is carried out in accordance with the provisions of the ESDD, and, except as the World Bank shall otherwise agree in writing, the Recipient shall not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, the aforementioned, or any provision thereof; and

(ii) the Project is carried out in accordance with the EMPs prepared, satisfactory to the World Bank, by the Recipient in accordance with the provisions of the ESDD and, except as the World Bank shall otherwise agree in writing, the Recipient shall not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, the aforementioned, or any provision thereof.

2.05. Donor Visibility and Visit.

(a) The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donor’s support for the Project.

(b) For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank’s request, enable the representatives of the Donors to visit any part of the Recipient’s territory for purposes related to the Project.

2.05. 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 in the Operations Manual. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the World Bank not later than forty-five (45) days after the end of the period covered by such report.

(b) 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 (6) months after the Closing Date.

2.06. 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 calendar quarter, covering the quarter, 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 (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six (6) months after the end of such period.
2.07. **Procurement.**

(a) **General**

All goods, works, non-consulting services and consultants' 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:

(i) Section I of the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Procurement Guidelines”), in the case of goods, works and non-consulting services;

(ii) Sections I and IV of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Consultant Guidelines”) in the case of consultants’ services; and

(iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).

(b) **Definitions**

The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank 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.

(c) **Particular Methods of Procurement of Goods, Works and Non-consulting Services**

(i) Except as otherwise provided in sub-paragraph (ii) below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

(ii) 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) Shopping; (B) Direct Contracting; and (C) Community Participation procedures which have been found acceptable to the World Bank; and (D) National Competitive Bidding (NCB), subject to the following additional provisions:

1. Only the model bidding documents for NCB agreed with the Bank shall be used for bidding;

2. Invitations for bids will be advertised in at least one widely circulated national daily newspaper, and bidding documents will be made available at least twenty one (21) days before, and issued up to, the deadline for submission of bids;
(3) Qualification criteria will be stated in the bidding documents, and if a registration process is required, a foreign firm declared as the lowest evaluated responsive bidder shall be given a reasonable time for registering, without let or hindrance;

(4) Bids will be opened in public in one location, immediately after the deadline for the submission of bids, as stipulated in the bidding document (the bidding document will indicate the date, time and place of bid opening);

(5) Except in cases of force majeure or exceptional situations beyond the control of the implementing agency, the extension of bid validity will not be allowed;

(6) Bids will not be rejected merely on the basis of a comparison with an official estimate;

(7) Except with the prior concurrence of the World Bank, there will be no negotiation of price with bidders, even with the lowest evaluated bidder;

(8) A bidder’s bid security will apply only to the specific bid, and a contractor’s performance security will apply only to the specific contract under which they are furnished; and

(9) Bids will not be invited on the basis of percentage premium or discount over the estimated cost, unless agreed with the World Bank.

(d) Particular Methods of Selection of Consultants’ Services

(i) Except as otherwise provided in item (ii) below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods may be used for the procurement of consultants’ services for those assignments 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) Selection of Individual Consultants; and (G) Single-source procedures for the Selection of Individual Consultants.

(e) Review by the World Bank of Procurement Decisions.

The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All other contracts shall be subject to Post Review by 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 "World Bank Disbursement Guidelines for Projects" dated May 2006, 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 the Category, and the percentage of expenditures to be financed for Eligible Expenditures in the Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (exclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods, works, non-consulting services, consultants' services, Training and Operating Costs</td>
<td>1,326,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>1,326,000</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 countersignature of this Agreement by the Recipient as specified in the fourth paragraph of this Agreement.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is September 30, 2014.

**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 the Recipient's Minister of Finance and Treasury.

4.02. **Recipient's Address.** The Recipient's Address referred to in Section 7.01 of the Standard Conditions is:

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

Facsimile:

(960) 332 4432 or (960) 330 7802
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 and International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable: NTBAFRAD
Telex: 248423 (MCI) or 64145 (MCI)
Facsimile: 1-202-477-6391

Washington, D.C.