GRANT NUMBER H951-MV

Financing Agreement

(Public Financial Management Systems Strengthening Project)

between

REPUBLIC OF MALDIVES

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated 17 August, 2014
FINANCING AGREEMENT

AGREEMENT dated 17 August, 2014, entered into between REPUBLIC OF MALDIVES ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equivalent to four million three hundred thousand Special Drawing Rights (SDR 4,300,000) ("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 Dollar.
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 through its Ministry of Finance and Treasury, 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 the 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
AGREED at Malé, Republic of Maldives, as of the day and year first above written.

REPUBLIC OF MALDIVES

By

Authorized Representative

Name: ____________________________
Title: ___________________________

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: Francois Cloettes
Title: Country Director
SCHEDULE 1

Project Description

The objective of the Project is to enhance budget credibility, transparency, and financial reporting of central government finances.

The Project consists of the following parts:

Part 1: Strengthening the Public Financial Management Environment

(a) **Strengthening the legislative and institutional framework for public financial management.** Enhancement of the legislative and institutional framework for sustainable public financial management development, including through the provision of support for: (i) a review of the existing public financial management regulatory framework and the identification and recommendation of measures to improve such framework; (ii) the implementation of a communications strategy to support changes to the public financial management regulatory framework; and (iii) review and strengthening of the institutional framework of selected departments of the Ministry of Finance and Treasury.

(b) **Enhancing the medium term macro fiscal framework.** Improvement of macro fiscal planning and forecasting, including through support for: (i) strengthening economic and fiscal planning in MoFT; (ii) the development of a credible medium-term fiscal framework; (iii) training of staff on budget preparation and review guidelines; (iv) the establishment of processes and techniques to prioritize capital projects; and (v) the provision of information technology hardware and software systems.

(c) **Strengthening debt and cash management.** Provision of support for: (i) the strengthening of medium-term debt management including through technical advisory services, training of staff, and the provision of information technology hardware and software systems; and (ii) effective cash management including through support for the improvement of cash management processes.

Part 2: Strengthening Budget Execution

(a) **Strengthening the public accounting system.** Improvement of financial reporting practices, including through support for: (i) implementation of recommendations from the business process review to be undertaken under Part 2(b) below; (ii) preparation and implementation of a master plan for public finance management related systems; (iii) training for staff in Enterprise Software; (iv) procurement of information technology hardware and software; and (v) establishment of hardware and Enterprise Software license maintenance arrangements and incentives for Enterprise Software experts.
Part 3: Project Management

Provision of support to MoFT for Project coordination, monitoring and evaluation, administration, communication, change management, financial management, and procurement.
SCHEDULE 2

Project Execution

Section I. Institutional and Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall maintain, throughout the implementation of the Project, a PFM Steering Committee, with composition and terms of reference satisfactory to the Association. The PFM Steering Committee shall be responsible for providing strategic direction and monitoring the progress of the Project.

2. The Recipient shall maintain throughout the implementation of the Project, a PFM Working Committee, with composition and terms of reference satisfactory to the Association. The PFM Working Committee shall be responsible for providing technical guidance on Project activities, facilitating the coordination and prioritization of Project activities during implementation, and providing guidance to resolve Project implementation issues.

3. The Recipient shall maintain throughout the implementation of the Project, a Project Management Unit within MoFT, staffed with competent personnel in adequate numbers including, among others, a Project director, Project coordination and monitoring and evaluation staff, financial management staff, and procurement staff; in each case with qualifications and experience and under terms of reference acceptable to the Association. The PMU shall be responsible for the coordination and monitoring of Project activities, administration, communication, financial management and procurement.

4. Without limitation on the provisions of paragraph 3 above, the Recipient shall, by no later than two (2) months after the Effective Date, obtain and retain throughout the implementation of the Project, the services of a Management and Implementation Support Consultant, with qualifications and experience and under terms of reference acceptable to the Association, in order to assist the PMU with coordination and monitoring of the Project.

B. Implementation Arrangements

The Recipient shall: (a) carry out the Project in accordance with the Project Operations Manual, and in a manner satisfactory to the Association; and (b) not amend, revise or waive, nor allow to be amended, revised or waived, the provisions of said manual or any part thereof without the prior written agreement of the Association. In the event of any inconsistency between the Project Operations Manual and this Agreement, the provisions of this Agreement shall prevail.
C. 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 set forth in the Project Operations Manual. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the Association not later than forty-five (45) days 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. Without limitation on the provisions of Part A of this Section, 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 fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. Goods and Non-consulting Services. All goods 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 and Non-consulting Services

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

2. Other Methods of Procurement of Goods and Non-consulting Services. The following methods, other than International Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts specified in the Procurement Plan: (a) National Competitive Bidding, subject to the additional procedures set forth in Attachment I to this Schedule; (b) Shopping; (c) Direct Contracting; and (d) Procurement from agencies of the United Nations.

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) Selection of agencies of the United Nations; (g) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (h) 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

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 100% (inclusive of Taxes) of Eligible Expenditures, consisting of goods, non-consulting services, consultants' services, Training and Workshops, and Incremental Operating Costs.

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, except that withdrawals up to an aggregate amount not to exceed eight hundred and fifty thousand Special Drawing Rights (SDR 850,000) may be made for payments made prior to this date but on or after August 1, 2013, for Eligible Expenditures.

2. The Closing Date is July 31, 2019.
Attachment 1

Requirements Under National Competitive Bidding

In order to ensure economy, efficiency, transparency and consistency with the Procurement Guidelines, all goods, works, and non-consultant services procured under the NCB method will be subject to the following requirements:

1. Only the model bidding documents for NCB agreed with the Association 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 Association, there will be no negotiation of price with bidders, even with the lowest evaluated bidder.

8. A bid security will apply only to the specific bid, and a contractor’s performance security will apply only to the specific contract for which they are furnished.

9. Bids will not be invited on the basis of percentage premium or discount over the estimated cost, unless agreed with the Association.
APPENDIX

Section I. Definitions


3. “Enterprise Software” means enterprise software developed by SAP AG, or such other software developer as may be mutually agreed to between the Recipient and Association.


5. “Incremental Operating Costs” means the reasonable costs incurred by the Recipient for purposes of the management and supervision of the Project including costs of office utilities and supplies, communication, printing services, bank charges, advertising expenses, vehicle rental, operation and maintenance of vehicles, office equipment and facilities, travel, lodging and per diem expenses, but excluding salaries and allowances of the Recipient’s civil servants or other regular government staff.

6. “Management Implementation and Support Consultant” means the consultant to be engaged and retained by the Recipient, pursuant to Section I.A.4 of Schedule 2 to this Agreement, for purposes of assisting the PMU with coordination and monitoring of the Project.

7. “Ministry of Finance and Treasury” and “MoFT” mean the Recipient’s Ministry of Finance and Treasury, or any successor thereto.

8. “PFM Steering Committee” means the committee established by the Recipient to provide strategic direction and monitor the progress of the Project, and to be maintained as provided for in Section 1.A.1 of Schedule 2 to this Agreement.

9. “PFM Working Committee” means the committee established by the Recipient to provide technical guidance on Project activities, facilitate the coordination and prioritization of Project activities during implementation, and provide guidance to resolve Project implementation issues, and to be maintained as provided for in Section 1.A.2 of Schedule 2 to this Agreement.

11. "Procurement Plan" means the Recipient's procurement plan for the Project, dated February 28, 2014 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.

12. "Project Management Unit" or "PMU" means the unit to be established by the Recipient to be responsible for the coordination and monitoring of Project activities, administration, communication, financial management and procurement, and to be maintained as provided for in Section 1.A.3 of Schedule 2 to this Agreement.

13. "Project Operations Manual" means the Recipient's manual dated March 18, 2014 and acceptable to the Association, setting forth implementation, organizational, administrative, monitoring and evaluation, financial management, disbursement, and procurement arrangements for purposes of implementation of the Project, as said manual may be revised from time to time with the prior written agreement of the Association, and such term includes any annexes or schedules to such manual.

14. "Training and Workshops" means the reasonable costs of trainings, seminars, workshops, conferences and study tours, conducted in the territory of the Recipient and/or overseas, including: (a) the fees of training institutions and courses; (b) domestic and international travel costs, lodging costs, and subsistence/per diem allowances for both trainers and trainees; (c) the rental of training facilities; and (d) preparation, purchase or reproduction of training materials; but excluding salaries and allowances of the Recipient's civil servants or other regular government staff.