February 8, 2013

Hon. Minister Abdulla Jihad
Minister of Finance and Treasury
Ministry of Finance and Treasury
Ameene Magu
Block 379
Male', Republic of Maldives

Hon. Minister:

Re: Maldives: IDF Grant for Capacity Development Support for Auditor General’s Office Project
IDF Grant No. TF013524

In response to the request for financial assistance made on behalf of Republic of Maldives ("Recipient"), I am pleased to inform you that the International Bank for Reconstruction and Development ("World Bank") proposes to extend to the Recipient a grant from the World Bank’s Institutional Development Fund ("IDF") in an amount not to exceed seven hundred fifty thousand United States Dollars (US$750,000) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in the financing of the project described in the Annex ("Project").

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.

Please confirm the Recipient’s agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the countersignature; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement within 90 days after the date of signature of this Agreement by the World Bank, unless the World Bank shall have established a later date for such purpose.

Yours sincerely,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Diarietou Gaye
Country Director for Sri Lanka and Maldives

World Bank, Maldives Country Office
AGREED:
REPUBLIC OF MALDIVES

By

Authorized Representative

Name ABDULLA JIHAD

Title MINISTER OF FINANCE & TREASURY

Date: 25 MARCH 2013

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.

Article II
Project Execution

2.01. **Project Objectives and Description.** The objective of the Project is to assist the Recipient in enhancing the scope and impact of audit services provided by the Recipient’s Auditor General's Office ("AGO").

The Project consists of the following parts:

(a) **Audit Planning and Human Resources Management**

(i) Preparation and submission for approval by the Recipient’s Public Accounts Committee of realistic annual audit plans ensuring appropriate emphasis on risks and adequate audit coverage;

(ii) Development and implementation of quality control procedures, a time recording system and audit work-related milestone reporting system for AGO;

(iii) Undertaking of a comprehensive review of human resources policies and development of appropriate revisions in alignment with corporate objectives aimed to improve the effectiveness of audit staff.

(b) **Financial Statements Audits**

(i) Conduct of financial statements audits by AGO in compliance with the International Standards of Supreme Audit Institutions ("ISSAI") for financial audits adopted by the International Organization of Supreme Audit Institutions ("INTOSAI");

(ii) Upgrading and adoption of AGO’s financial audit manual and other related audit guides;

(iii) Presenting audit reports in the Recipient’s Parliament; and
(iv) Provision of on-the-job training in specialized areas of financial statement audits with the aim of developing skills and capabilities of AGO staff.

(c) Performance Audits

(i) Introduction of performance audit capabilities within AGO through development of a new performance audit manual;

(ii) Conduct of pilot performance audits using the performance audit manual with on-the-job training of pilot performance audit teams, and tabling of audit reports in the Recipient’s Parliament;

(iii) Delivery of on-the-job training in performance audit for relevant staff in AGO; and

(iv) Incorporation of ISSAI framework for performance audits within AGO.

(d) Enhancing Audit Impact by Strengthening Communication Strategy and Modernizing Legislative Framework

(i) Design, approval and implementation of communication/public relations strategy by AGO;

(ii) Evaluation of possible amendments to the Recipient’s Audit Act 2007;

(iii) Conduct of performance assessments using the measurement framework developed by INTOSAI; and

(iv) Conduct of external and independent audits of the Grant.

2.02. Project Execution Generally. The Recipient declares its commitment to the objectives of the Project. The Recipient shall carry out the Project through AGO 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. The Recipient shall hire an expert consultant on supreme audit institutions, with terms of reference, qualifications and experience satisfactory to the World Bank in accordance with the provisions of Section 2.06 of this Agreement, to coordinate technical assistance activities and assign individual technical specialists to maximize quality and maintain continuity of the Project.

2.04. Project Monitoring, Reporting and Evaluation.

(a) The Recipient shall monitor and evaluate the progress of the Project and, upon the World Bank’s request, prepare Project Reports, in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators acceptable to the World Bank. Each Project Report shall cover such period as shall be indicated in the World Bank’s request and shall be furnished to the World Bank not later than one month after the date of such request.
2.05. **Financial Management.**

(a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than forty-five (45) days after the end of each 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. Such audit of the Financial Statements shall cover the entire project period during which withdrawals from the Grant Account were made. The audited Financial Statements for such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

2.06. **Procurement**

(a) **General.** All goods 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:


(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 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

(i) Except as otherwise provided in sub-paragraph (ii) below, goods 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 for those contracts which are specified in the Procurement Plan: a) Shopping b) Direct Contracting c) National Competitive Bidding subject to the following additional provisions;

I. Invitations for bids will be advertised in at least one widely circulated national newspaper, at least 21 days prior to the deadline for submission of bids;

II. Bidding documents shall be made available, by mail or in person, to all who are willing to pay the required fee;

III. Foreign bidders shall not be precluded from bidding and no preference of any kind be given to national bidders in the bidding process;

IV. 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;

V. There shall be no restriction on the means of delivery of the bids, which shall be either through post or hand-delivered. Electronic submissions shall not be permitted.

VI. Bids shall 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);

VII. Bids shall not be rejected merely on the basis of a comparison with an official estimate without the prior concurrence of the World Bank;

VIII. Evaluations of the bids shall be made in strict adherence to the criteria disclosed in the bidding document, in a format and within the specified period agreed with the World Bank, and within the bid validity period specified in the bidding document;

IX. Except in cases of force majeure or exceptional situations beyond the control of the AGO, the extension of bid validity will not be allowed;
X. Contracts shall be awarded to the lowest evaluated responsive bidder;

XI. Post-bidding negotiations shall not be allowed with the lowest evaluated or any other bidders;

XII. Except for exceptional situations, re-invitation of bids shall not be carried out;

XIII. All bidders/contractors shall provide bid/performance security as indicated in the bidding/contract documents.

XIV. Bidder's bid security shall apply only to the specific bid, and a contractor's performance security shall apply only to the specific contract under which it was furnished; and

XV. Bids shall not be invited on the basis of percentage premium or discount over the estimated cost, unless agreed with the Bank.

(d) Particular Methods of Procurement 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, other than Quality- and Cost-based Selection, 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; i) Selection of Individual Consultants; and j) Single-source procedures for the Selection of Individual Consultants.

(c) 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) Article III of 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 each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consultants' services including audit</td>
<td>695,940</td>
<td>100%</td>
</tr>
<tr>
<td>Goods</td>
<td>54,060</td>
<td>100%</td>
</tr>
<tr>
<td>Total</td>
<td>750,000</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.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is three (3) years after the date of countersignature of this Agreement by the Recipient.

**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 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) 333 8034

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
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

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