Mr. Ibrahim Ameer  
Minister of Finance  
Ministry of Finance  
Ameenee Magu  
Block 379, Malé  
Republic of Maldives

Dear Honorable Minister:

Re: Maldives: Advance Agreement for Preparation of Proposed Maldives Urban Development and Resilience Project  
Project Preparation Advance No. IDA V292-MV

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 Development Association ("World Bank") proposes to extend to the Recipient an advance out of the World Bank’s Project Preparation Facility in an amount not to exceed eight hundred and fifty thousand Dollars ($850,000) ("Advance") on the terms and conditions set forth or referred to in this letter of agreement ("Agreement"), which includes the attached Annex, to assist in financing the activities described in the Annex ("Activities"). The objective of the Activities is to facilitate the preparation of a proposed Maldives Urban Development and Resilience project designed to enhance urban services and strengthen resilience in selected regions in Maldives ("Project"), for the carrying out of which the Recipient has requested the World Bank’s financial assistance.

The Recipient represents, by confirming its agreement below, that: (a) it understands that the provision of the Advance does not constitute or imply any commitment on the part of IBRD or IDA to assist in financing the Project; and (b) it is authorized to enter into this Agreement and to carry out the Activities, repay the Advance and perform its other obligations under this Agreement, all in accordance with the provisions of 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effective as of the date of the countersignature; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received this countersigned copy within 30 days after the date of signature of this Agreement by the World Bank, unless the World Bank has established a later date for such purpose.

Very truly yours,

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Idah Z. Pswarayi-Riddihough
Country Director for Maldives, Nepal and Sri Lanka

AGREED:

REPUBLIC OF MALDIVES

By

Authorized Representative

Name Ibrahim Ameer
Title Minister of Finance
Date 16th October 2019

Enclosures:

(1) “Standard Conditions for Advances Made by the World Bank under its Project Preparation Facility”, dated July 31, 2010; and

(2) Disbursement Letter for the Advance of the same date as this Agreement, together with “Disbursement Guidelines for Investment Project Financing”, dated February 2017.
Article I
Standard Conditions; Definitions

1.01. **Standard Conditions.** The “Standard Conditions for Advances Made by the World Bank under its Project Preparation Facility”, dated July 31, 2010, with the modifications set forth in Section II to the Appendix to this Agreement (“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, including Section I of the Appendix to this Agreement.

Article II
Execution of the Activities

2.01. **Description of the Activities.** The Activities for which the Advance is provided consist of the following parts:

(a) Establishment of the PMU through the hiring/recruiting of key full-time staff such as Project Coordinator, procurement specialist, safeguard specialist, financial management specialist and a Municipal engineer to support the Project preparation activities;

(b) Carrying on a program of activities for the preparation of the safeguard documents and the Project implementation manual and hiring consultants in respect of the same;

(c) Provision of technical assistance for preparatory activities in relation to the Project, such as

(i) preparation of feasibility studies for the proposed sewage treatment plan in Hulhumalé;
(ii) development of a regional development plan for Addu atoll;
(iii) preparation of a storm water drainage master plan for Malé; and
(iv) undertaking a study on affordable housing and financing options

2.02. **Execution of the Activities Generally.** The Recipient declares its commitment to the objectives of the Activities. To this end, the Recipient shall carry out the Activities through MNPI in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) this Article II; and (c) the Anti-Corruption Guidelines.
2.03. **Institutional and Other Arrangements.** (a) The Recipient shall establish, and thereafter maintain, throughout the carrying out of the Activities, the PMU within the MNPI with a mandate, terms of reference and resources satisfactory to the World Bank, which shall be (i) headed by a Project coordinator; (ii) composed of relevant technical experts and specialists, all with terms of reference, qualifications and experience satisfactory to the World Bank; and (iii) responsible for, *inter alia*, overseeing the coordination, implementation and management of the Activities.

2.04 **Safeguards.** The Recipient shall ensure, and cause the MNPI to ensure that: (a) all consultancies related to technical assistance, design and capacity building under the Activities, the application of whose results could have environmental, social and health and safety implications, shall only be undertaken pursuant to terms of reference reviewed and found satisfactory by the Bank; and (b) such terms of reference shall require the technical assistance, design and capacity building activities to take into account the requirements of the applicable World Bank Safeguards Policies.

2.05. **Monitoring, Reporting and Evaluation of the Activities.** The Recipient shall monitor and evaluate the progress of the Activities in accordance with the provisions of Section 2.08 of the Standard Conditions.

2.06. **Financial Management.** (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.09 of the Standard Conditions.

   (b) The Recipient shall ensure that interim un-audited financial reports for the Activities 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 Sections 2.09 (b) of the Standard Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient, commencing with the fiscal year in which the first withdrawal under the Advance was 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.

2.07. **Procurement**

All non-consulting services and consulting services required for the Activities and to be financed out of the proceeds of the Advance shall be procured in accordance with the requirements set forth or referred to in the Procurement Regulations and the provisions of the Recipient's Procurement Plan.
Article III
Withdrawal of the Advance

3.01. **Eligible Expenditures.** The Recipient may withdraw the proceeds of the Advance 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 “Disbursement Guidelines for Investment Project Financing” dated February 2017, 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 each category of Eligible Expenditures that may be financed out of the proceeds of the Advance (“Category”), the amount of the Advance allocated 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 Advance Allocated (expressed in Dollars)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Non-consulting services, consulting services and Incremental Operating Costs under the Activities</td>
<td>850,000</td>
<td>100 %</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>850,000</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:

(a) for payments made prior to the date of countersignature of this Agreement by the Recipient, except that withdrawals up to an aggregate amount not to exceed $170,000 may be made for payments made prior to this date but on or after October 1, 2018, for Eligible Expenditures under Category (1).

3.03. **Refinancing Date.** The Refinancing Date is March 31, 2020.

Article IV
Terms of the Advance

4.01. **Service Charge.** The Recipient shall pay a service charge on the Withdrawn Advance Balance at the rate of three-fourths of one percent (3/4 of 1%) per annum. The service charge shall accrue from the respective dates on which amounts of the Advance are withdrawn and shall be paid in arrears in accordance with the provisions of Section 4.02.
of this Agreement. Service charges shall be computed on the basis of a 360-day year of twelve 30-day months.

4.02. **Repayment.** The Withdrawn Advance Balance shall be repaid by the Recipient to the World Bank (together with any service charges accrued thereon) in accordance with the provisions of Article IV of the Standard Conditions and the following provisions:

(a) **Refinancing under the Refinancing Agreement:** If, on or before the Refinancing Date, a Refinancing Agreement has been executed by all of its parties, then the full amount of the Withdrawn Advance Balance shall be repaid to the World Bank (together with any service charges accrued on the Advance to the date of repayment) as soon as the Refinancing Agreement becomes effective, by means of a withdrawal by the World Bank of an amount of the Refinancing Proceeds equivalent to the Withdrawn Advance Balance plus such service charges, in accordance with the provisions of the Refinancing Agreement.

(b) **Repayment in the absence of a Refinancing Agreement:** If, on or before the Refinancing Date, no Refinancing Agreement has been executed by all of its parties, or if, by such date, it has been so executed but terminates without becoming effective, then:

(i) if the amount of the Withdrawn Advance Balance does not exceed $50,000, it shall be repaid by the Recipient to the World Bank (together with service charges accrued on the Withdrawn Advance Balance to the date of repayment) on such date as the World Bank shall specify in a notice to the Recipient, which shall in no event be earlier than 60 days following the date of dispatch of such notice; and

(ii) if the amount of the Withdrawn Advance Balance exceeds $50,000, it (together with service charges accrued on the Withdrawn Advance Balance to the Notice Date) (the “Aggregate Balance”) shall be paid by the Recipient to the World Bank in ten approximately equal semiannual installments, in the amounts and on the dates (“Payment Dates”) which the World Bank shall specify in a notice to the Recipient. In no event shall the first Payment Date be set earlier than 60 days following the date (“Notice Date”) of dispatch of such notice. The Recipient shall pay a service charge on the Aggregate Balance at the rate of three-fourths of one percent (3/4 of 1%) per annum, payable in arrears on each Payment Date. The service charge shall be computed on the basis of a 360-day year of twelve 30-day months.
Article V
Recipient’s Representative; Addresses

5.01. **Recipient’s Representative.** The Recipient’s Representative referred to in Section 9.02 of the Standard Conditions is its Ministry of Finance.

5.02. **Recipient’s Address.** The Recipient’s Address referred to in Section 9.01 of the Standard Conditions is:

Ministry of Finance
Amenee Magu
Male 20379
Republic of Maldives

Facsimile:
(960) 332 4432

Telex: Facsimile:
+9603349390 +9603324432

5.03. **World Bank’s Address.** The World Bank’s Address referred to in Section 9.01 of the Standard Conditions is:

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

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

Section I. Definitions


2. “Incremental Operating Costs” means the reasonable costs incurred by the Recipient for purposes of the implementation of the Activities, which expenditures would not have been incurred absent the Activities being the costs of office utilities and supplies, communication, printing services, and salaries and allowances of contractual staff (other than consultants) for the Project; but excluding salaries and allowances of the Recipient’s civil servants or other regular government staff.

3. “Ministry of National Planning and Infrastructure” or “MNPI” means the Recipient’s Ministry of National Planning and Infrastructure, or any successor thereto.

4. “Project Management Unit” and the acronym “PMU” mean the unit to be established by the Recipient within MNPI in accordance with Section 2.01 of this Annex.

5. “Procurement Plan” means the Recipient’s procurement plan for this Advance, dated July 30, 2019 and provided for under Section IV of the Procurement Regulations, as the same may be updated from time to time in agreement with the World Bank.
