SCF GRANT NUMBER TF017182

Strategic Climate Fund

Grant Agreement

(Accelerating Sustainable Private Investments in Renewable Energy Project (ASPIRE))

between

REPUBLIC OF MALDIVES

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

acting as an implementing entity of the Scaling-up Renewable Energy Program under the Strategic Climate Fund

Dated 31 August, 2014
 AGREEMENT dated 31 AUGUST, 2014, entered into between: 
REPUBLIC OF MALDIVES ("Recipient"); and INTERNATIONAL DEVELOPMENT ASSOCIATION ("World Bank"), acting as an implementing entity of the Scaling-Up Renewable Energy Program ("SREP") under the Strategic Climate Fund ("SCF").

The Recipient and the World Bank hereby agree as follows:

Article I
Standard Conditions; Definitions

1.01. The Standard Conditions 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 Standard Conditions or in the Appendix to this Agreement.

Article II
The Project

2.01. The Recipient declares its commitment to the objectives of the project described in Schedule 1 to this Agreement ("Project"). To this end, the Recipient shall carry out the Project through its Ministry of Environment and Energy and its Ministry of Finance and Treasury in accordance with the provisions of Article II of the Standard Conditions.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank 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 III
The Grant

3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to eleven million six hundred and eighty four thousand United States Dollars ($11,684,000) ("Grant") to assist in financing the Project.
3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.

3.03. The Grant is funded out of the resources made available to the World Bank as an implementing entity of the SCF. In accordance with Section 3.02 of the Standard Conditions, the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it from the SCF trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.

Article IV
Recipient’s Representative; Addresses

4.01. The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is its Minister at the time responsible for finance.

4.02. 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

4.03. The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

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

Cable: Telex: Facsimile:

INDEVAS 248423 (MCI) or 1-202-477-6391
Washington, D.C. 64145 (MCI)
AGREED at Malé, Republic of Maldives, as of the day and year first above written.

REPUBLIC OF MALDIVES

By

Authorized Representative

Name: **ABDULLA JIHAD**

Title: **MINISTER OF FINANCE & TREASURY**

INTERNATIONAL DEVELOPMENT ASSOCIATION, acting as an implementing entity of the Scaling-up Renewable Energy Program under the Strategic Climate Fund

By

Authorized Representative

Name: **Françoise Clottes**

Title: **Country Director**
SCHEDULE 1
Project Description

The objective of the Project is to increase photovoltaic generation in the territory of the Recipient through private sector investment.

The Project consists of the following parts:

Part 1: Technical Assistance Support

(a) **Technical assistance for enabling private investments in photovoltaic generation.** Provision of support for the creation of an appropriate environment for private investment in photovoltaic generation, and reducing preliminary project development costs, including the development and/or implementation of: (i) a private sector policy and regulatory framework for renewable energy projects; and (ii) implementation arrangements to guide off-take utilities and private investors, including with respect to negotiating partnerships, and compliance with standard contracts.

(b) **Institutional capacity building and knowledge sharing.** Provision of support for: (i) institutional capacity building for planning, implementing, operating, and monitoring power systems; and (ii) training and knowledge sharing in the area of renewables and energy efficiency.

(c) **Development of pipeline.** Provision of support for the development of a pipeline of renewable energy projects, including identification of project sites, resource assessment, pre-feasibility work, and aggregation of opportunities into saleable project bundles.

(d) **Project management and implementation support.** Provision of operational support for Project management, supervision, and monitoring.

Part 2: Structuring and Delivery of Tariff Buy Downs

- Provision of support for Subprojects through the granting of Tariff Buy Downs.

Part 3: Security Package

Provision of Securities for Subprojects through an Escrow Mechanism.
SCHEDULE 2

Project Execution

Section 1. Implementation and Other Arrangements

A. Institutional Arrangements

1. The Recipient shall maintain throughout the implementation of the Project, a Project Management Unit within its Ministry of Environment and Energy, under the direction of qualified management provided with sufficient resources, and staffed with competent personnel in adequate numbers, with qualifications, experience and under terms of reference acceptable to the World Bank.

2. The PMU shall be responsible for the implementation of the Project, including: (a) supporting Project planning; (b) overseeing Project implementation to ensure quality and timely progress; (c) implementing monitoring and evaluation arrangements for the Project, including compliance with progress reporting requirements; (d) ensuring compliance with procurement, disbursement, and financial management policies and procedures; and (e) supervising implementation of, and compliance with, environmental and social safeguards and World Bank Performance Standards.

B. Implementation Arrangements

1. The Recipient shall:

   (a) carry out the Project in accordance with the Project Operations Manual in a manner satisfactory to the World Bank;

   (b) without limitation on the provisions of paragraph (a) above, carry out a bidding process, review bids, and thereafter select Investors and approve Subprojects; provide at its election Tariff Buy Downs and/or Securities to Investors; and monitor and evaluate Subprojects; in each case in accordance with criteria acceptable to the World Bank and further set forth in the POM, and this Agreement; and

   (c) not amend, revise or waive, nor allow to be amended, revised or waived, the provisions of the POM or any part thereof without the prior written agreement of the World Bank.

2. In the event of any inconsistency between the POM and this Agreement, the provisions of this Agreement shall prevail.
C. Implementation Agreements

1. For each Subproject meeting the requirements set out in the POM and to be supported through a Tariff Buy Down and/or Security, the Recipient shall enter into a Implementation Agreement with the Investor in form and substance satisfactory to the World Bank and which shall include the provisions set out in this Section I.C.

2. Each Implementation Agreement shall include the obligation of the Investor to:

   (a) carry out its Subproject with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the World Bank including in accordance with the Safeguards Instruments and the World Bank Performance Standards, as well as the provisions of the Anti-Corruption Guidelines applicable to recipients of grant proceeds other than the Recipient;

   (b) provide, promptly as needed, the resources required for the purpose of the Subproject;

   (c) procure the goods, works and services under the Subproject in accordance with the provisions of this Agreement;

   (d) maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with indicators acceptable to the World Bank, the progress of the Subproject and the achievement of its objectives;

   (e) (i) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the World Bank, both in a manner adequate to reflect the operations, resources and expenditures related to the Subproject; and

       (ii) at the Recipient’s or the World Bank’s request, have such financial statements audited by independent auditors acceptable to the World Bank, in accordance with consistently applied auditing standards acceptable to the World Bank, and promptly furnish the statements as so audited to the Recipient and the World Bank;

   (f) enable and permit the Recipient and the World Bank to inspect the Subproject, its operation and any relevant records and documents; and
prepare and furnish to the Recipient and the World Bank all such information as the Recipient or the World Bank shall reasonably request relating to the foregoing.

3. When a Tariff Buy Down is provided, the Implementation Agreement shall include:
   (a) the amount of the Tariff Buy Down and the arrangements for the payment of such Tariff Buy Down in one or more installments;
   (b) the conditioning of the Tariff Buy Down on: (i) the Investor’s entry into a Power Purchase Agreement on terms and conditions acceptable to the World Bank; (ii) the Investor’s satisfactory commissioning or completion of construction of the relevant Subproject; and (iii) fulfillment of any other Tariff Buy Down disbursement conditions set forth in the POM; and
   (c) the right of the Recipient to suspend or terminate the Tariff Buy Down upon the Investor’s failure to perform any of its obligations under the Implementation Agreement or the PPA.

4. When a Security is provided, the Implementation Agreement shall include:
   (a) the amount of the Security and the Eligible Risks covered; and
   (b) the right of the Investor to have recourse to funds held in an Escrow Account as satisfaction for any Security Claim in accordance with the provisions of, and upon meeting the conditions set out in, the Implementation Agreement, and subject to the requirements of the applicable Escrow Agreement.

5. Prior to entering into each Implementation Agreement, the Recipient shall ensure that the World Bank shall have given its no objection to the entry into such Implementation Agreement.

6. The Recipient shall exercise its rights under each Implementation Agreement in such manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of the Grant. Except as the World Bank shall otherwise agree in writing, the Recipient shall not assign, amend, abrogate or waive any Implementation Agreement or any of its provisions.

7. The Recipient shall prepare and furnish to the World Bank all such information as the World Bank shall reasonably request relating to any Subproject and/or Tariff Buy Down and/or Security.
D. Escrow Mechanism Arrangements

1. The Recipient shall ensure that:

   (a) prior to making available to Investors any Securities under Part 3 of the Project, the Recipient shall enter into one or more Escrow Agreements, in form and substance satisfactory to the World Bank, with a commercial bank acceptable to the World Bank and to be selected in accordance with the provisions of Section III of Schedule 2 to this Agreement, for the establishment and maintenance of one or more Escrow Accounts from which Security Claims under Securities availed through Implementation Agreements approved by the World Bank, may be paid to Investors;

   (b) deposits by the Recipient into, and payments out of, an Escrow Account shall be made in accordance with the terms and conditions set forth in this Agreement, the applicable Escrow Agreement, and the POM; and

   (c) each Escrow Agreement shall at all times contain the obligation of the commercial bank referenced in paragraph D.1 above to make payments on demand out of the Escrow Account solely in respect of a Security Claim: (i) made by an Investor pursuant to the terms of an Implementation Agreement and the relevant Escrow Agreement; (ii) which is received, processed, and determined to be eligible for coverage and payable under the Escrow Account by the party designated under the Escrow Agreement to so receive, process and determine Security Claims; and (iii) which is notified to such commercial bank as eligible for coverage under the Escrow Account.

2. The proceeds of the Grant deposited into an Escrow Account shall be used exclusively for payments of Security Claims, subject to the terms of this Agreement, the applicable Escrow Agreement, and the POM.

3. Without limitation upon the provisions of paragraph D.1 above, the Recipient shall:

   (a) immediately notify the World Bank of any downgrade of the credit rating of the commercial bank referenced in paragraph D.1 above;

   (b) subject to the provisions of sub-paragraph (c) below, ensure that the Escrow Account(s) shall at all times contain funds at least equal to the total amount of Securities issued by the Recipient pursuant to Implementation Agreements;

   (c) ensure that if, at any time, an amount is paid out of an Escrow Account in respect of a Security Claim (a "Draw Down"), the Recipient shall
immediately take all necessary measures to replenish such Escrow Account, from funds other than the Grant, by depositing into such Escrow Account an amount equivalent to the amount paid out in the Draw Down by the deadline stipulated for such replenishment in the applicable Investor Agreement;

(d) ensure that the World Bank is immediately notified in the event of a Draw Down;

(e) ensure that proceeds from the Grant transferred into an Escrow Account are protected against set-off, seizure, or attachment, in a manner satisfactory to the World Bank;

(f) prepare and furnish to the World Bank all such information as the World Bank shall reasonably request relating to each Escrow Agreement and Escrow Account;

(g) grant, and ensure that each Escrow Agreement grants, the World Bank the right to examine records and accounts, and other documents relating to each Escrow Account;

(h) prior to entering into each Escrow Agreement, ensure that the World Bank shall have given its no objection to the entry into such Escrow Agreement; and

(i) exercise its rights under each Escrow Agreement in such manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of the Grant, and except as the World Bank shall otherwise agree in writing, the Recipient shall not assign, amend, abrogate or waive any Escrow Agreement or any of its provisions.

4. In the event that any of the proceeds of the Grant allocated to Securities in Category (3) in the table in Section IV.A.2 of this Schedule will not have been committed in respect of a Security as of the Closing Date, then:

(a) the Recipient and the World Bank shall consult and reach agreement in writing on the terms and conditions for the use of such proceeds by no later than the Closing Date; and

(b) in the event that the Recipient and the World Bank are unable to reach such agreement in writing before the Closing Date, then the Recipient shall promptly take all necessary measures to refund to the World Bank any portion of such proceeds as may have been deposited into an Escrow Account or a Designated Account and the World Bank shall cancel all of such balance.
5. In the event that any of the proceeds of the Grant allocated to Securities in Category (3) in the table in Section IV.A.2 of this Schedule have been committed in respect of one or more Securities and will remain so committed as of the Closing Date, then:

(a) unless otherwise agreed to in writing by the World Bank, such proceeds shall be retained by the Recipient in the Escrow Account established for each such Security pursuant to this Section I.D, until each such Security has expired or terminated by its terms, subject to provisions and oversight arrangements consistent with those required by the POM and this Agreement, and as may be otherwise agreed to in writing between the Recipient and the World Bank prior to the Closing Date; and

(b) after the expiration or termination by its terms of each such Security for which such proceeds have been committed, the proceeds may be transferred back to the Recipient from the Escrow Account to be used for productive purposes.

6. In the event that the proceeds of the Grant allocated from time to time to Category (3) in the table in Section IV.A of this Schedule are insufficient to pay in full any Security Claim validly made against a Security, the Recipient shall remain solely responsible for the payment of the difference between the amount of such Security Claim and the amount of Grant proceeds so available.

7. If the World Bank shall have determined at any time that any use of the proceeds of the Grant allocated in Category (3) in the table in Section IV.A of this Schedule was other than for making a payment against a Security Claim validly documented in accordance with the Escrow Agreement, the POM, and this Agreement, then the Recipient shall, promptly upon notice from the World Bank:

(a) provide such additional documentation as the World Bank may request; and/or (b) refund to the World Bank, as applicable, the portion of the proceeds thereof not so eligible or justified.

E. First Investor

The Recipient shall ensure that, by no later than June 30, 2015, at least one Subproject has been identified and the relevant Implementation Agreement and PPA have been entered into with the respective Investor, all in form and substance satisfactory to the World Bank.

F. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.
G. Safeguards and World Bank Performance Standards

1. The Recipient shall ensure that the Project and the Subprojects are carried out in accordance with the provisions of the Safeguards Instruments and the World Bank Performance Standards.

2. Without limitation upon the provisions of the preceding paragraph, whenever an Environmental Impact Assessment, or Environmental Management Plan shall be required for any proposed Project or Subproject activity, as applicable, in accordance with the provisions of the Environmental and Social Management Framework, the Recipient shall, and shall ensure that the relevant Investor as applicable shall, prior to the commencement of such activity, proceed to have such EIA or EMP: (a) prepared in accordance with the provisions of the ESMF; (b) furnished to the World Bank for review and approval; and (c) thereafter adopted and disclosed as approved by the World Bank.

3. The Recipient shall:

   (a) provide Tariff Buy Downs and/or Securities only for those proposed Subprojects that meet the requirements of the ESMF;

   (b) ensure that each Implementation Agreement contains: (i) the obligation of each Investor to comply with the World Bank Performance Standards and implement the Safeguards Instruments; (ii) rights and mechanisms applicable in the event of non-compliance therewith, consistent with the ESMF; and (iii) the obligation of the Investor to establish and maintain an Environmental and Social Management System in compliance with the Safeguards Instruments, the World Bank Performance Standards, and acceptable to the World Bank;

   (c) ensure that all necessary measures are taken to remedy any deficiencies, identified in an Environmental and Social Review Summary, in an Investor's ESMS, including through requiring the relevant Investor to adopt and implement a remedial action plan;

   (d) promptly obtain and furnish to the World Bank all such information as the World Bank shall reasonably request relating to each Investor and each Subproject;

   (e) provide all such assistance as the World Bank shall reasonably request relating to the preparation of an ESRS with respect to each Investor and Subproject; and
(f) ensure that any land or access to property required for carrying out the Project or a Subproject is obtained through voluntary land transactions, on a willing-buyer-willing-seller, or a willing-lessee-willing-lessee basis, as applicable.

4. Except as the World Bank shall otherwise agree in writing, the Recipient shall not, and shall ensure that no Investor shall, assign, amend, abrogate, waive, or permit to be assigned, amended, abrogated, or waived, any Safeguards Instrument, or any provision thereof.

5. Without limitation upon its other reporting obligations under Section II.A of this Agreement, the Recipient shall take all measures necessary to regularly collect and compile, and submit to the World Bank, as part of the Project Reports, information on the status of compliance with the Safeguards Instruments and the World Bank Performance Standards, providing details of:

(a) the measures taken in furtherance of the Safeguards Instruments and the World Bank Performance Standards;

(b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the Safeguards Instruments and/or the World Bank Performance Standards; and

(c) remedial measures taken or required to be taken to address such conditions.

6. In the event of a conflict between the provisions of any of the Safeguards Instruments and those of this Agreement, the provisions of this Agreement shall prevail.

H. Donor Visibility and Visit

1. The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the donors’ support for the Project.

2. 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.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports; Completion Report

1. 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 POM. 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.

2. 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 months after the Closing Date.

B. Midterm Review

The Recipient shall:

1. carry out jointly with the World Bank, not later than November 1, 2017, a midterm review to assess the status of Project implementation, as measured against the indicators set forth in the POM. Such review shall include an assessment of the following: (a) overall progress in implementation; (b) results of monitoring and evaluation activities; (c) progress on procurement and disbursement; (d) progress on implementation of environmental and social safeguards and World Bank Performance Standards measures; (e) implementation arrangements; and (f) the need to make any adjustments to the Project and reallocate funds to improve performance;

2. to this end, prepare and furnish to the World Bank, at least one (1) month before such review, a report, in scope and detail satisfactory to the World Bank and integrating the results of the monitoring and evaluation activities performed pursuant to Section II.A.1 of this Schedule, on the progress achieved in the carrying out of the Project during the period preceding the date of such report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objective thereof during the period following such date; and

3. review jointly with the World Bank the report referred to in the preceding paragraph and thereafter take all measures required to ensure the efficient completion of the Project and the achievement of the objective thereof, based on the conclusions and recommendations of such report and the World Bank’s views on the matter.

C. Financial Management; Financial Reports; Audits

1. The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.
2. 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.

3. The Recipient shall have its Financial Statements for the Project 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 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.

Section III. Procurement

A. General

1. Procurement and Consultant Guidelines. All goods, 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:

   (a) 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, and non-consulting services, and 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

   (b) the provisions of this Section III, 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”).

2. Definitions. The capitalized terms used below in 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.
B. Particular Methods of Procurement of Goods and Non-consulting Services under Part 1 of the Project

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, and non-consulting services under Part 1 of the Project 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 under Part 1 of the Project for those contracts specified in the Procurement Plan: (a) National Competitive Bidding, subject to the additional procedures set forth in Attachment 1 to this Schedule; (b) Shopping; and (c) Direct Contracting.

C. Particular Methods of Procurement of Consultants' Services under Part 1 of the Project

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 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.

D. Particular Methods of Procurement under Parts 2 and 3 of the Project

1. The Recipient shall ensure that:

   (a) the selection of Investors undertaking Subprojects: (i) receiving Tariff Buy Downs, with or without Securities, shall be carried out in accordance with paragraph 3.14 of the Procurement Guidelines; and (ii) receiving Securities only shall be carried out in accordance with paragraphs 1.5 and 3.18 of the Procurement Guidelines; and

   (b) procurement under any Subproject receiving a Tariff Buy Down, with or without a Security, shall be carried out in accordance with paragraph 3.14 of the Procurement Guidelines.
E. Review by the World Bank of Procurement Decisions for Part I of the Project

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.

Section IV. Withdrawal of Grant Proceeds

A. General

1. 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 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 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>(1) Goods, non-consulting services, consultants' services, Training and Workshops, and Incremental Operating Costs under Part 1 of the Project</td>
<td>1,750,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Tariff Buy Downs under Part 2 of the Project</td>
<td>6,034,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Securities under Part 3 of the Project</td>
<td>3,900,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>11,684,000</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:

(a) for payments made prior to the date of this Agreement;

(b) until the Recipient has finalized and adopted the POM, in form and substance satisfactory to the World Bank;

(c) for a Tariff Buy Down under Category (2) until the World Bank has received evidence satisfactory to it that:
   (i) an Implementation Agreement in form and substance satisfactory to the World Bank has been entered into for purposes of such Tariff Buy Down;
   (ii) a PPA in form and substance satisfactory to the World Bank has been entered into for purposes of a related Subproject; and
   (iii) any other disbursement conditions specified in the POM relating to the release of such Tariff Buy Down have been fulfilled; and

(d) under Category (3) until the World Bank has received evidence satisfactory to it that:
   (i) at least one Implementation Agreement in form and substance satisfactory to the World Bank has been entered into for purposes of a Security;
   (ii) at least one PPA in form and substance satisfactory to the World Bank has been entered into for purposes of a related Subproject;
   (iii) the Recipient and the World Bank have reached agreement on the terms of the Escrow Mechanism, including the determination of those Eligible Risks which will be covered by the Escrow Mechanism;
   (iv) an Escrow Agreement in form and substance satisfactory to the World Bank has been entered into with respect to a related Escrow Account; and
   (v) a legal opinion or opinions satisfactory to the World Bank of counsel acceptable to the World Bank or, if the World Bank so requests, a certificate or certificates satisfactory to the World Bank of a competent official or officials, attesting that the
Escrow Agreement has been duly executed and delivered on behalf of the Recipient, the commercial bank, and any other party thereto, and is legally binding upon the Recipient, the commercial bank, and any other party thereto in accordance with its terms.

2. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is December 31, 2019.

C. Other Withdrawal Undertakings

1. The Recipient shall ensure that each withdrawal with respect to a Tariff Buy Down under Category (2) of the table in Part A.2 of this Section IV shall be made on the basis of a withdrawal application accompanied by evidence satisfactory to the World Bank that:

   (a) an Implementation Agreement in form and substance satisfactory to the World Bank has been entered into for purposes of such Tariff Buy Down;

   (b) a PPA in form and substance satisfactory to the World Bank has been entered into for purposes of a related Subproject; and

   (c) any other disbursement conditions specified in the POM relating to the release of such Tariff Buy Down have been fulfilled.
Attachment 1 to Schedule 2

Requirements Under National Competitive Bidding

In order to ensure economy, efficiency, transparency and consistency with the Procurement Guidelines, all goods, 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 World 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 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 World Bank.
APPENDIX

Definitions


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


4. “Draw Down” has the meaning assigned to that term in Section I.D.3(c) of Schedule 2 to this Agreement.

5. “Eligible Risks” means risks relating to: (a) a payment default by a Utility Company under a PPA; and/or (b) such other risks as may be agreed to between the Recipient and the World Bank or specified in the POM and/or the Escrow Agreement.

6. “Environmental Impact Assessment” and “EIA” mean each assessment to be prepared in accordance with the ESMF, and pursuant to Section I.G.2 of Schedule 2 to this Agreement, each such assessment in form and substance satisfactory to the World Bank, and defining details of potential environmental and social risks and adverse impacts associated with the implementation of Project or Subproject activities, as applicable, as said assessment may be revised from time to time with the prior written agreement of the World Bank, and such term includes any annexes or schedules to such assessment; and “Environmental Impact Assessments” and “EIAs” refers to two or more of such assessments.

7. “Environmental and Social Management Framework” and “ESMF” mean the Recipient’s framework, dated March 27, 2014, and acceptable to the World Bank, for undertaking environmental and social analysis and developing mitigation measures for all Project and Subproject activities, as said framework may be revised from time to time with the prior written agreement of the World Bank, and such term includes any annexes or schedules to such framework.

8. “Environmental Management Plan” and “EMP” mean each plan to be prepared in accordance with the ESMF, and pursuant to Section I.G.2 of Schedule 2 to this Agreement, each such plan in form and substance satisfactory to the World Bank, and setting forth the measures for mitigating the environmental and social risks and impacts associated with the implementation of Project activities, as well as
the administrative and monitoring arrangements for ensuring the implementation of said plans, as said plans may be revised from time to time with the prior written agreement of the World Bank, and such term includes any annexes or schedules to such plans; and "Environmental Management Plans" and "EMPs" refer to two or more of such plans.

9. "Environmental and Social Management System" and, "ESMS" mean an Investor's environmental and social management system for identifying, assessing and managing environmental and social risks and impacts associated with a Subproject.

10. "Environmental and Social Review Summary" and "ESRS" mean an environmental and social review of a Subproject and the related Investor, prepared by the World Bank, including an identification of any deficiencies in the ESMS of such Investor.

11. "Escrow Account" means an escrow account established and maintained by the Recipient with a commercial bank from which Security Claims may be paid, pursuant to an Escrow Agreement, in accordance with the provisions of Section I.D of Schedule 2 to this Agreement, and acceptable to the World Bank.

12. "Escrow Agreement" means an agreement entered into between the Recipient, a commercial bank, and such other parties as may be required, providing for the establishment and maintenance of an Escrow Account, in accordance with the provisions of Section I.D of Schedule 2 to this Agreement, and acceptable to the World Bank.

13. "Escrow Mechanism" means the arrangement pursuant to which a portion of the proceeds of the Grant will be transferred into one or more Escrow Accounts from which Security Claims under Part 3 of the Project may be paid to Investors in respect of a final defined set of risks from among Eligible Risks, in accordance with the provisions of Section I.D of Schedule 2 to this Agreement.

14. "FENAKA" means FENAKA Corporation Limited, the company responsible for the supply of electricity, water and sewerage services to the outer islands of the Recipient, wholly owned by the government of the Recipient, established by Presidential decree under the Companies Act of 10/96 on June 18, 2012, and registered on August 1, 2012; or any successor thereto.

15. "Implementation Agreement" means an agreement entered into between the Recipient and an Investor in relation to a Subproject, and which sets forth the terms and conditions of any Tariff Buy Down, Security, and/or other support that may be provided by the Recipient to such Investor in relation to such Subproject; and "Implementation Agreements" refers to two or more of such agreements.
16. “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, and salary top-ups of the Recipient’s civil servants specifically and temporarily reassigned to work in the PMU in specialized areas of the Project in accordance with the provisions of the POM.

17. “Investor” means an investor undertaking a Subproject; and “Investors” refers to two or more of such investors.

18. “Investor Agreement” means, with respect to a particular Investor, the Implementation Agreement, PPA, or Escrow Agreement relating to such Investor’s Subproject.

19. “Ministry of Environment and Energy” means the Recipient’s Ministry of Environment and Energy, as the implementing agency; or any successor thereto.

20. “Ministry of Finance and Treasury” and “MoFT” mean the Recipient’s Ministry of Finance and Treasury, as the executing agency; or any successor thereto.

21. “Power Purchase Agreement” and “PPA” mean an agreement entered into between an Investor and a Utility Company pursuant to which the Utility Company undertakes to purchase electricity generated by the Investor through a Subproject.


23. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated May 11, 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.

24. “Project Management Unit” and “PMU” mean the unit to be established by Recipient to be responsible for Project implementation, and to be maintained as provided for in Section 1.A.1 of Schedule 2 to this Agreement.

25. “Project Operations Manual” and “POM” mean the Recipient’s manual, acceptable to the World Bank, setting forth implementation, organizational, administrative, monitoring and evaluation, financial management, disbursement, and procurement arrangements for purposes of implementation of the Project, and the criteria and requirements for Subprojects, Tariff Buy Downs, Securities,
and the Escrow Mechanism, as said manual may be revised from time to time with the prior written agreement of the World Bank, and such term includes any annexes or schedules to such manual.

26. "Safeguards Instruments" means, collectively, the ESMF, the EIA's, and the EMPs.

27. "Security" means a security provided by the Recipient to an Investor in respect of an Eligible Risk, under Part 3 of the Project, pursuant to an Implementation Agreement, and in accordance with the provisions of Sections 1.C.4 and I.D of Schedule 2 to this Agreement; and "Securities" refers to two or more of such securities.

28. "Security Claim" means a claim for payment under a Security made by an Investor to the Recipient under its respective Implementation Agreement in connection with the materialization of an Eligible Risk covered by the Escrow Mechanism, and which is received, processed and determined to be payable on demand in accordance with the provisions of the Escrow Agreement; and "Security Claims" means two or more of such claims.


30. "STELCO" means State Electric Company Ltd., the company responsible for power generation, distribution and retail, wholly owned by the government of the Recipient, and established by Presidential decree #1997/83 of June 1997; or any successor thereto.

31. "Subproject" means a specific private sector funded investment activity, undertaken by an Investor and relating to photovoltaic or renewable energy generation, meeting eligibility and selection criteria acceptable to the World Bank and set out in the POM, and which may be supported by the provision of Tariff Buy Downs or Securities pursuant to this Agreement; and "Subprojects" means two or more of such subprojects.

32. "Tariff Buy Down" means a payment to offset a portion of the capital costs of a Subproject to enable a lower feed in tariff, provided by the Recipient to an Investor, under Part 2 of the Project, pursuant to an Implementation Agreement, and in accordance with the provisions of Section 1.C.3 of Schedule 2 to this Agreement; and "Tariff Buy Downs" means two or more of such Tariff Buy Downs.

33. "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.

34. “Utility Company” means either FENAKA or STELCO.