Hon. Abdullah Jihad  
Minister of Finance and Treasury  
Ministry of Finance and Treasury  
Ameenee Magu  
Male'  
Republic of Maldives  

Dear Hon. Minister:

SREP Preparation Grant No. TF014565

In response to the request for financial assistance made on behalf of the Republic of Maldives (“Recipient”), I am pleased to inform you that the International Bank for Reconstruction and Development (“World Bank”), acting as an Implementing Agency of the Scaling Up Renewable Energy Program in Low Income Countries (“SREP”) under the Strategic Climate Fund, proposes to extend to the Recipient, a grant in an amount not to exceed one million United States Dollars (US$1,000,000) (“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 activities described in the Annex (“Activities”). The objective of the Grant is to facilitate the preparation of the Accelerating Sustainable Private Investments in Renewable Energy Project (“Project”).

This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the donors. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Donors under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.

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

The Recipient represents, by confirming its agreement below, that (i) it understands that the provision of the Grant does not constitute or imply any commitment on the part of the World Bank to assist in financing the Project, or investment or other projects that may be identified as a result of the activities under the Grant; and (ii) it is authorized to enter into this Agreement and to carry out the Activities in accordance with the terms and conditions set forth or referred to in this Agreement.

World Bank, Maldives Country Office
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.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT,
ACTING AS AN IMPLEMENTING AGENCY OF THE SCALING UP RENEWABLE ENERGY PROGRAM IN LOW INCOME COUNTRIES UNDER THE STRATEGIC CLIMATE FUND

Ivan Rossignol
Acting Country Director for Sri Lanka and Maldives

Confirmed and Agreed:
REPUBLIC OF MALDIVES

Signature:

Name: 

Title: 

Date: 

Enclosures:

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

(a) “FENAKA Corporation Ltd.” means a company responsible for the supply of clean water and sewerage and electricity services in Maldives other than Male, and wholly owned by the Government of Maldives, and established by Presidential decree (c. June 18, 2012).

(b) “Incremental Operating Costs” means operating costs required for the Activities including consumable materials and supplies, communications, mass media and printing services, vehicle rental, operation and maintenance, charges for the opening and operation of bank accounts required for the Activities, and travel, lodging and per diems, but excluding salaries of officials of the Recipient’s civil service.

(c) “Maldives Energy Authority” or “MEA” means the regulatory organization affiliated to the Ministry of Environment and Energy and operating under the “Public Utilities” Law 4/96 which gives broad authority to the regulator.

(d) “Ministry of Environment and Energy” or “MEE” means the Recipient’s Ministry responsible for environment and energy, or any successor thereto.

(e) “Project Management Unit” means the unit responsible for the overall implementation of the Activities and referred to in Section 2.03 (a) of the Annex to this Agreement.

(f) “State Electric Company Ltd.” or “STELCO” means the electric company responsible for power generation, distribution and retail and wholly owned by the Government of Maldives, and established by Presidential decree #1997/83 of June 1997.

(g) Training” means training activities attributable to courses, seminars and workshops, and comprising travel costs and subsistence allowances for training participants, costs associated with securing the services of trainers and speakers, rental of training facilities, and preparation and reproduction of training materials, and other activities directly related to training preparation and implementation.
2.01. **Description of the Activities.** The Project consists of the following Activities:

Provision of technical assistance and institutional support to the MEE, MEA, STELCO and FENAKA Corporation Limited to:

(a) Carry out a Greater Male’ Area renewable energy integration plan for renewable energy generation options and inter-island grid interconnection to bring power to the load centers in the Greater Male’ Area. The study will assess the technical, economic, financial and environmental viability of various options and recommend the ones to be supported.

(b) Prepare detailed feasibility of waste-to-energy investment projects in S. Hithadhoo, HDh. Kulhudhufushi and R. Vandhoo to confirm techno-economic viability including environmental and social impacts, and prepare bidding documents and model contracts to offer said sites to the private sector for development.

(c) Create the enabling environment for distributed renewable energy development through the development of risk mitigation instruments and incentives and assist the Recipient with the technical design and financial structuring and implementation of the Project. This Activity will help characterize the market, *inter alia*, through investor and credit market assessments, recommendations on improving the regulations and standard power purchase agreements and interconnection standards.

(d) Outreach to stakeholders and awareness creation by organizing conferences and initiating dialogue with national companies and international renewable energy business and financing community to make them aware of the emerging opportunities under the Project to help leverage private sector resources and improve the overall investment climate. Outreach will also be targeted to specific stakeholder groups, *inter alia*, domestic financiers and businesses, electricity consumers and building owners. This Activity will also support a broader communications strategy to improve the overall investment climate.

(e) Program management support to the Project Management Unit and MEE for management and implementation of the Activities including funds for travel, incremental operating costs, investor conference and other related events.

2.02. **Grant Execution Generally.** The Recipient declares its commitment to the objective of the Grant. To this end, the Recipient shall carry out the Activities through MEE in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 (“Anti-Corruption Guidelines”); and (c) this Article II.

2.03. **Institutional and Other Arrangements.** (a) The Recipient shall be responsible for the management, implementation, and monitoring and evaluation of the Activities through MEE, particularly the Project Management Unit.

(b) To this end, the Recipient shall, maintain throughout the implementation of the Activities, the Project Management Unit, with an institutional framework, functions, and resources, including competent personnel in adequate numbers, satisfactory to the World Bank.

(c) In carrying out the Activities, MEE shall (i) collaborate with the MEA, STELCO and FENAKA on policy and regulator areas of Project development and in the design of incentive
mechanisms; and (ii) seek input from STELCO and FENAKA on the feasibility assessments described in Sections 2.01 (a) and (b) of this Annex.

2.04. **Safeguards.** The Recipient shall, through MEE, ensure that the Activities financed under the Grant are prepared in accordance with appropriate environmental and social due diligence to prevent, minimize, mitigate or compensate for any adverse environmental and social impacts. For this purpose, the Recipient shall prepare an environment and social management framework and any other site-specific assessment and mitigation plans as required, in form and substance and in a manner satisfactory to the World Bank, consistent with the World Bank’s environmental and social safeguard policies.

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

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

2.06. **Monitoring, Reporting and Evaluation.** (a) The Recipient shall monitor and evaluate the progress of the Activities and prepare reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the indicators set forth below in paragraph (b) of this Section. Each report shall cover the period of one (1) calendar semester, and shall be furnished to the World Bank not later than forty five (45) days after the end of the period covered by such report.

(b) The performance indicators referred to above in paragraph (a) consist of the following:

(i) Maldives ASPIRE Project prepared;

(ii) Investor/donor conferences held;

(iii) Greater Male renewable energy integration plan completed; and

(iv) Waste-to-Energy projects feasibility studies completed.

(c) The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six (6) months after the Closing Date.

2.07. **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 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 Section 2.07 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

2.08. **Procurement**

(a) **General.** All goods, non-consulting services and consultants’ services required for the Activities and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:
(i) Section I of the "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 ("Procurement Guidelines"), in the case of goods and non-consulting services;

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

(iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Activities 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 and Non-consulting Services

(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 National Competitive Bidding subject to the following additional procedures:

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 (1) national newspaper, with a wide circulation 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. Foreign bidders shall not be precluded from bidding and no preference of any kind shall be given to national bidders in the bidding process;

4. Qualification criteria shall be stated in the bidding documents, and, if a registration process is required, a foreign firm declared as the lowest evaluated bidder shall be given a reasonable opportunity of registering, without let or hindrance;

5. Bids shall be opened in public in one location as stipulated in the bidding document, immediately after the deadline for submission of bids;

6. Bids shall not be rejected merely on the basis of a comparison with an official estimate;

7. Evaluation of bids will 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;

8. 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;
9. A bidder’s bid security shall apply only to a specific bid, and a contractor’s performance security shall apply only to the specific contract under which it was furnished; and

10. Bids shall not be invited on the basis of percentage premium or discount over the estimated cost.

(ii) The following methods, other than National Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts which are specified in the Procurement Plan: (A) Shopping; and (B) Direct Contracting.

(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) Selection under a Fixed Budget; (B) Least Cost Selection; (C) Selection based on Consultants’ Qualifications; (D) Single-source Selection of consulting firms; (E) Selection of Individual Consultants; and (F) Single-source procedures for the Selection of Individual Consultants.

(e) Review by the World Bank of Procurement Decisions. The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All other contracts shall be subject to Post Review by the World Bank.

**Article III**

**Withdrawal of Grant Proceeds**

3.01. **Eligible Expenditures.** The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies the category of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to the Category, and the percentage of expenditures to be financed for Eligible Expenditures in the Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods, consultants’ services, Training and Incremental Operating Costs</td>
<td>1,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>1,000,000</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 December 31, 2014.

### Article IV

**Recipient’s Representative; Addresses**

4.01. **Recipient’s Representative.** The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is the 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:  
Telex:  
Facsimile:  
INTBAFRAD 248423 (MCI) or 1-202-477-6391  
Washington, D.C. 64145 (MCI)