December 27, 2010

Mr. Ahmed As-ad
Hon. Minister of State for Finance and Treasury
Ministry of Finance and Treasury
Ameene Magu
Malé 20379
Republic of Maldives

Honorable Minister:

Re: Maldives Climate Change Trust Fund for the Preparation of Proposed Projects
Grant No. TF098441

In response to the request for financial assistance made on behalf of the Republic of Maldives (the “Recipient”), I am pleased to inform you that the International Development Association (the “World Bank”), acting as administrator of grant funds provided by various donors under the Maldives Climate Change Trust Fund (the “Trust Fund”), proposes to extend to the Recipient, a grant in an amount not to exceed eight hundred forty two thousand United States Dollars (U.S.$842,500) (the “Grant”) on the terms and conditions set forth or referred to in this letter agreement (the “Agreement”), which includes the attached Annex, to assist in the financing of the project activities described in the Annex (the “Activities”). This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the Recipient may withdraw the Grant proceeds 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.

Please confirm the Recipient’s agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed original of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned original, this Agreement shall become effective as of the date of the countersignature.

Very truly yours,
INTERNATIONAL DEVELOPMENT ASSOCIATION

/s/ Amit Dar

Amit Dar
Acting Country Director, Sri Lanka & Maldives
South Asia Region
AGREED:
REPUBLIC OF MALDIVES

By: /s/ Ahmed As-ad
Title: Minister of State for Finance and Treasury
Date: January 6, 2011

Enclosures:


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 July 31, 2010 ("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) "Environment and Social Management Framework" means the Environment and Social Management Framework to be prepared by the Recipient which sets out, *inter alia:* key principles for social and environmental management of the Projects to be financed by the Trust Fund, including the relevant environmental and social eligibility criteria, the procedures for review, and implementation of environmental and social mitigation measures, monitoring, training, technical assistance, and institutional measures, resettlement and compensation procedures (if applicable), procedures to ensure free, prior and informed consultations of indigenous peoples in case they exist in the proposed Project areas and staffing requirements and functions for environmental and social safeguards oversight;

(b) "Environment and Social Impact Assessment" means the Recipient’s Environment and Social Impact Assessment, to be prepared for each of the Projects to be financed by the Trust Fund, in accordance with the requirements set out in the Environment and Social Management Framework and in a manner satisfactory to the World Bank, that sets out the Recipient’s assessment of the potential environmental or social impacts that may be caused by the implementation of a Project to be financed by the Trust Fund as well as the measures to be taken to mitigate any negative environmental or social impacts;

(c) "MoHE" means the Recipient’s Ministry of Housing and Environment or any successor thereto;

(d) "PMU" means the Project Management Unit established within the MoHE to manage the Maldives Environment Management Program; and

(e) "Project" or "project" wherever referred to in the Standard Conditions shall mean the “Activities” for the purpose of this Agreement.

Article II
Execution of the Activities

2.01. **Trust Fund Objectives.** The objective of the Trust Fund is to support the development and implementation of a climate change strategy and action plan for the Recipient, which aims at building a climate resilient economy and society through adaptation to climate change as well as mitigation for a low carbon development path. Specifically, the Trust Fund aims at achieving the following objectives:
(i) Strengthen knowledge and leadership in the Government of Maldives to deal with climate change issues both domestically and internationally;

(ii) Improve capacities, and regulatory and governance frameworks to integrate climate risk management into sectoral strategies and plans;

(iii) Build adaptive capacity and climate resilience in key sectors through tangible pilot projects;

(iv) Increase energy access through renewable energy generation and distribution and energy efficiency in the public and private sectors through low carbon renewable energy options; and

(v) Improve institutional and management capacities in the public and private sectors to deal with adaptation and mitigation interventions that will bring both developmental and climate change benefits.

2.02. **Grant Objectives and Description.** The objective of this Grant is to support the preparation of proposed projects (the “Projects”) to be financed under the Trust Fund.

The Grant is given for the purpose of carrying out the following Activities:

**Part 1. Project Management Unit**

Augmenting the capacity of the PMU to prepare and manage the Projects to be financed under the Trust Fund, through staffing, auditing, procurement and financial management functions.

**Part 2. Project Preparation Activities**

Carrying out preparatory studies and assessments, including feasibility studies, detailed designs, and economic and other assessments, training and stakeholder workshops, and preparation of project implementation plans, of the Projects proposed by the Recipient.

**Part 3. Environment and Social Management Framework and Environment and Social Impact Assessment**


2.03. **Execution of the Activities Generally.** The Recipient declares its commitment to the objectives of the Activities. To this end, the Recipient shall cause MoHE (the “Project Implementing Entity”) to carry out the Activities 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 (“Anti-Corruption Guidelines”), with the modifications set forth in the Appendix to this Agreement; and (c) this Article II.
2.04. **Implementation Arrangements**

In carrying out Part 3 of the Activities, the Recipient shall prepare the Environment and Social Management Framework and Environment and Social Impact Assessment, under terms of reference satisfactory to the World Bank. Except as the World Bank shall otherwise agree, the Recipient shall not amend, vary or waive any provision of the Environment and Social Management Framework and Environment and Social Impact Assessment, if, in the opinion of the World Bank, such amendment or waiver may materially and adversely affect the carrying out of a Project or the achievement of the objectives thereof.

2.05. **Donor Visibility and 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 Donor’s 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 Donors to visit any part of the Recipient’s territory for purposes related to the Activities.

2.06. **Monitoring, Reporting and Evaluation of the Activities.**  
(a) The Recipient shall monitor and evaluate the progress of the Activities and prepare Activities 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 Activities Report shall cover the period of one (1) calendar semester, and shall be furnished to the World Bank not later than one (1) month 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) preparation of the Environment and Social Management Framework and Environment and Social Impact Assessment;

(ii) Completion of the procurement plan and six-monthly updates to the plan;

(iii) Completion of terms of references for staff to be hired in the PMU of the Maldives Environment Management Program and recruitment of these staff within first three (3) months after this Agreement becomes effective;

(iii) Preparation and completion of all studies agreed with the World Bank to be undertaken;

(iv) Completion of project implementation plans for all Projects to be financed by the Trust Fund; and

(v) Completion of relevant training and stakeholder workshops.
(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 and 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 under IBRD Loans and IDA Credits” published by the World Bank in May 2004 and revised in October 2006 and May 2010 (“Procurement Guidelines”), in the case of goods;

(ii) Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the World Bank in May 2004 and revised in October 2006 and May 2010 (“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 1.16 of the Procurement Guidelines and paragraph 1.24 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 the Procurement Guidelines, or 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 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 specified in the Procurement Plan: (A)
Shopping; (B) Direct Contracting; and (C) National Competitive Bidding, subject to the additional procedures set out below:

(i) Invitations to bid shall be advertised in at least one national newspaper with a wide circulation at least 21 days prior to the deadline for the 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 shall be given to national bidders in the bidding process;

(iv) 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;

(v) There shall not be any restrictions on the means of delivery of the bids, which shall be either through post or hand-delivered. Electronic submissions will not be permitted;

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

(vii) Bids shall not be rejected merely on the basis of a comparison with an official estimate without the prior concurrence of the Association;

(viii) 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 Association, 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 implementing agency, 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 in an exceptional situation, 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) 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

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

(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 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; (E) Selection of Individual Consultants; and (F) Sole 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 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>Goods, Consultants’ Services, Training and Workshops and Incremental Operating Costs</td>
<td>842,500</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>842,500</td>
<td></td>
</tr>
</tbody>
</table>

For the purpose of this Section 3.01, (i) the term “Training and Workshops” means the costs associated with training and workshop participation of personnel involved in the
implementation of the Activities including travel and subsistence costs for training and workshop participants, costs associated with securing the services of trainers and workshop speakers, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, and other costs directly related to training courses and workshop preparation and implementation; and (ii) the term “Incremental Operating Costs” means the operating costs incurred on account of the implementation of the Activities including office supplies and consumables, utilities, communications, mass media and printing services, vehicle rental, operation and maintenance, charges for the opening and operation of bank accounts required for the carrying out of the Activities, and travel, lodging and per diems, but excluding salaries of officials of the Recipient’s civil service.

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 June 30, 2012.

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

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

Modifications to the Anti-Corruption Guidelines

The modifications to the Anti-Corruption Guidelines are as follows:

1. Section 5 is re-numbered as Section 5(a) and a new Section 5(b) is added to read as follows:

"... (b) These Guidelines also provide for the sanctions and related actions to be imposed by the Bank on Borrowers (other than the Member Country) and all other individuals or entities who are recipients of Loan proceeds, in the event that the Borrower or the individual or entity has been debarred by another financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier."

2. Section 11(a) is modified to read as follows:

"... (a) sanction in accordance with prevailing Bank’s sanctions policies and procedures (fn 13) a Borrower (other than a Member Country) (fn 14) or an individual or entity, including (but not limited to) declaring such Borrower, individual or entity ineligible publicly, either indefinitely or for a stated period of time: (i) to be awarded a Bank-financed contract; (ii) to benefit from a Bank-financed contract, financially or otherwise, for example as a sub-contractor; and (iii) to otherwise participate in the preparation or implementation of the project or any other project financed, in whole or in part, by the Bank, if at any time the Bank determines (fn 15) that such Borrower, individual or entity has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in connection with the use of loan proceeds, or if another financier with which the Bank has entered into an agreement for the mutual enforcement of debarment decisions has declared such person or entity ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier."

Footnotes:

"13. An individual or entity may be declared ineligible to be awarded a Bank financed contract upon completion of sanctions proceedings pursuant to the Bank’s sanctions policies and procedures, or under the procedures of temporary suspension or early temporary suspension in connection with an ongoing sanctions proceeding, or following a sanction by another financier with whom the Bank has entered into a cross debarment agreement, as a result of a determination by such financier that the firm or individual has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier."

"14. Member Country includes officials and employees of the national government or of any of its political or administrative subdivisions, and government owned enterprises and
agencies that are not eligible to bid under paragraph 1.8(b) of the Procurement Guidelines or participate under paragraph 1.11(c) of the Consultant Guidelines.”

“15. The Bank has established a Sanctions Board, and related procedures, for the purpose of making such determinations. The procedures of the Sanctions Board sets forth the full set of sanctions available to the Bank. In addition, the Bank has adopted an internal protocol outlining the process to be followed in implementing debarments by other financiers, and explaining how cross-debarments will be posted on the Bank’s website and otherwise be made known to staff and other stakeholders.”