ޖ.13/2013

ވ.އަވަސް

بسم الله الرحمن الرحيم

ރައްޔިތުންގެ މަޖިލީހުގެ އިދާރާ

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ރައީސުލްޖުމްހޫރިއްޔާ

ރައްޔިތުންގެ މަޖިލީހުގެ ރައީސް އަލްފާޟިލް ޢަބްދުﷲ ޝާހިދަށް،

ވޯދުން ސަލާމަށްފަހު ދަންނަވަމެވެ.

2013 ވަނަ އަހަރު ދިވެހިސަރުކާރުން ލޯނުނެގުމާއި ގެރެންޓީ ދިނުމާބެހޭގޮތުން 29 ނޮވެމްބަރ 2012 ގައި މިއޮފީހުން މަޖިލީހުގެ އަރިހަށް ފޮނުވި ސިޓީއަށް ހަވާލާދީ ދަންނަވަމެވެ.

މިސިޓީގައި ހަވާލާދީފައިވާ ސިޓީން ދަންނަވާ ފަންޑުތަކުގެ ތެރޭގައި ހިމެނޭ "ފަސް ރަށެއްގައި ނަރުދަރާގެ ނިޒާމް ޤާއިމްކުރުމަށް ބޭނުންވާ، ގާތްގަނޑަކަށް 15,000,000 (ފަނަރަ މިލިއަން) ޔޫ.އެސް. ޑޮލަރުގެ" އިސްލާމިކް ދީނާރު ލޯން އަދި ޔޫ.އެސް. ޑޮލަރު ލޯން" ގެ މަޝްވަރާއާބެހޭގޮތުން އައި.ޑީ.ބީ ގެ ޑެލިގޭޝަނުގެ ބޭއްވުނު 31 މާޗް 2013 ގައި ފާސްކުރައްވާފައިވަނީ މިމަޝްވަރާއިން 4.6 މިލިއަން އިސްލާމިކް ދީނާރުގެ ލޯން (ލީޒިން) އަދި 8 މިލިއަން ޔޫ.އެސް. ޑޮލަރު އިސްތިސްނާލޯން އިސްލާމިކް ޑިވެލޮޕްމަންޓް ބޭންކު (އައި.ޑީ.ބީ) އިން ދައުލަތަށް ފުރުޞަތުދިނުމަށް ކަމަށާއި، މި މަޝްވަރާގެ ފުރުފައިލުގައިވާ ރަސްމީކަން މިނިސްޓްރީ އޮފް އިންވަޔަރަންމަންޓް އެންޑް އެނަރޖީން ބަދަލު ގެނައުމަށް ހުށަހެޅުއްވައި މިބަދަލު އައި.ޑީ.ބީ. ގެ ބޯޑުން ފާސްކުރައްވާފައިވާ ކަމަށާއި، އަދި 21 - 22 މެއި 2013 ގައި ބާއްވުމަށް ހަމަޖެހިފައިވާ އައި.ޑީ.ބީ. ގެ އަހަރީ ޖަލްސާގެ ހަވާލާގައި މި އެއްބަސްވުންތަކުގައި ސޮއިކުރުމަށް އައި.ޑީ.ބީ. އިން ޝަރުތުކުރާފައިވާކަން އެބޭނުންކަން އަންގާފައިވާކަމަށް މިނިސްޓްރީ އޮފް ފިނޭންސް އެންޑް ޓްރެޜަރީން މިއޮފީހަށް ލިޔުއްވާފައިވެއެވެ.

2013 ވަނަ އަހަރަށް ލަފާކުރާ ދައުލަތުގެ ބަޖެޓް ދިރާސާކުރެއްވުމަށްފަހު ބަޖެޓުދިރާސާކުރާ ކޮމިޓީން ހުށަހެޅުއްވި ރިޕޯޓަށް ރައްޔިތުންގެ މަޖިލީހުން ގެންނެވި އިސްލާހުތަކާއެކު ފާސްކުރައްވާފައިވާ ރިޕޯޓުގެ 7.2 ވަނަ މާއްދާގެ ދަށު

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ޖަނަރަލް ބަޖެޓުގައިވާ ގޮތުގެމަތިން، މަޖިލީހުގެ ދަންނަވާ މަސްއޫލިއްޔަތުން 2013 ވަނަ އަހަރު އިސްލާމިކް
ސުކޫކު ބޮންޑުން ލިބޭނެ ފައިސާއާއި ބެހޭ ގޮތުން މި ދަންނަވާ ލިޔުމާއެކު މިނިސްޓްރީ އޮފް ފިނޭންސް
އެންޑް ޓްރެޜަރީން މިއަދަށް ފޮނުއްވާފައިވާ މައުލޫމާތުތަކާއި މިސްރާބުތައް ފޮނުވީމެވެ.

ވީމާ، މިދަންނަވާ ދެ ކަމަކަށް ރައްޔިތުންގެ މަޖިލީހުގެ ރުހުން ހޯއްދަވައި ދެއްވައި
އަވަސް ފުރުސަތެއްގެ ތެރޭގައި މިއޮފީހަށް އަންގަވައި ދެއްވުން އެދި ދަންނަވަމެވެ.

އިޙްތިރާމް ޤަބޫލުކުރެއްވުން އެދެމެވެ.

13 ޖުމާދަލްއާޚިރާ 1434
23 އޭޕްރީލް 2013

ޚާދިމުކުމް

މުޙައްމަދު ވަޙީދު

ރައްޔިތުންގެ މަޖިލީސް
މާލެ،
ދިވެހިރާއްޖެ.

ފެނާއި ނަރުދަމާގެ ނިޒާމު ޤާއިމުކުރުމަށް ބޭނުންވާ، ގާތްގަނޑަކަށް 15,000,000 (ފަނަރަ މިލިއަން) ޑޮ.އެސް. ޚަރަދަށްޓަކައި އިސްލާމިކް ދީނާރު ލޯނު އަދި ޑޮ.އެސް. ޑޮލަރު ލޯނު

މަޝްރޫޢުގެ ތަފްސީލު

މަޝްރޫޢުގެ ނަން: ކ. ހިންމަފުށި، ހދ. ނޮޅިވަރަންފަރު، ށ. ނަރުދޫ، ކ. ތުލުސްދޫ، ތ. ވޭމަންޑޫގައި ނަރުދަމާގެ ނިޒާމު ޤާއިމުކުރުން.

މަޝްރޫޢަށް ފައިނޭންސް ބޭނުންވާ އަދަދު: ގާތްގަނޑަކަށް 15,000,000 މިލިއަން ޑޮ.އެސް ޑޮލަރު (7 މިލިއަން ކޮންސެޝަނަލް ލޯނު/ 8 މިލިއަން އިސްތިސްނާ ލޯނުގެ ގޮތުގައި)

މަޝްރޫޢަށް ފަންޑުކުރާ ފަރާތް: އިސްލާމިކް ޑިވެލޮޕްމަންޓް ބޭންކް

ލޯނުގައި ސޮއި ކުރުމަށް ހަމަޖެހިފައިވާ ތާރީޚް: މޭ 2013

މަޝްރޫޢު ހިންގާ ފަރާތް: މިނިސްޓްރީ އޮފް އެންވަޔަރަންމަންޓް އެންޑް އެނަރޖީ

އެގްޒެކިއުޓިންގ އޭޖެންސީ: މިނިސްޓްރީ އޮފް ފިނޭންސް އެންޑް ޓްރެޜަރީ

މަޝްރޫޢު ހުށަހެޅި ފަރާތް: ވަޒީރުންގެ މަޖިލިސް

ދަރަނީގެ ގޮތުގައި ނަގާ ފައިސާއިން ކުރާ ބޭނުން:

ކ. ހިންމަފުށި، ހދ. ނޮޅިވަރަންފަރު، ށ. ނަރުދޫ، ކ. ތުލުސްދޫ، ތ. ވޭމަންޑޫގައި ނަރުދަމާ ނިޒާމުގެ ހިދުމަތް ފޯރުކޮށްދިނުމަށްޓަކައި، ނަރުދަމާގެ ވިއުގައާއި ޤާއިމުކުރުން ޕަމްޕިންގ ސްޓޭޝަނާއި ޓްރީޓްމަންޓް ޕްލާންޓް އަދި ވޭސްޓްވޯޓަރ އައުޓްފޯލް ޤާއިމުކުރުމަށް ބޭނުންކުރެވޭ.

މަޝްރޫޢުގެ ސަބަބުން މުޖުތަމަޢަށް ކުރާނެ ފައިދާ:

މި މަޝްރޫޢު ނިމުމުން ފެނުގެ ޒިންމާއިން ފުރިހަމަ ޚިދުމަތެއް ލިބި، ރަށުގެ ފެންވަރު ތަރައްޤީކުރުމަށް އެހީތެރިވެދޭނެއެވެ. އަދި ރަށުގެ އާބާދީ ދެމެހެއްޓުމަށް ވެސް މި މަޝްރޫޢުގެ ސަބަބުން ފައިދާކުރާނެއެވެ.

ލޯނުގެ ތަފްސީލު

އިސްލާމިކް ދީނާރު 4,600,000 ކޮންސެޝަނަލް ލޯނު (ގާތްގަނޑަކަށް 7 މިލިއަން ޑޮ.އެސް. ޑޮލަރު) އަދި 8 މިލިއަން ޑޮ.އެސް. ޑޮލަރު އިސްތިސްނާ ލޯނު - ޖުމްލަ 15,000,000 މިލިއަން ޑޮ.އެސް ޑޮލަރު

	ކޮންސެޝަނަލް ލޯނު	ނޮން-ކޮންސެޝަނަލް ލޯނު
ލޯނު އަދަދު:	4,600,000 އިސްލާމިކް ދީނާރު (ގާތްގަނޑަކަށް 7.0 މިލިއަން ޑޮ.އެސް ޑޮލަރު)	8,000,000 ޑޮ.އެސް ޑޮލަރު (ގާތްގަނޑަކަށް 5.27 މިލިއަން އިސްލާމިކް ދީނާރު)
އިންޓަރެސްޓް ރޭޓް/ސަރވިސް ފީ:	2.5% ފީ އަހަރަކު	6 މަހުގެ ޑޮ.އެސް.ޑޮލަރު ލައިބަރ ސްވޮޕް ރޭޓްގެ މައްޗަށް 155 ބޭސިސް ޕޮއިންޓްސް
އެޑްމިނިސްޓްރޭޝަން ޗާރޖަސް:	-	-
ލޯނު އަނބުރާ ދައްކާ ނިމޭނެ މުއްދަތު:	25 އަހަރު (ގްރޭސް 7 އަހަރު ހިމެނޭގޮތުން)	19 އަހަރު (ގްރޭސް 4 އަހަރު ހިމެނޭގޮތުން)
ލޯނު ސަރވިސް ކުރުމަށް ދާނެ ޖުމްލަ ޚަރަދު:	4,904,290 (ހަތަރު މިލިއަން ނުވަސަތޭކަ ހަތަރުހާސް ދުއިސައްތަ	10,446,538 (ދިހަ މިލިއަން ހަތަރުސަތޭކަ ސާޅީސް ހަހާސް

ފަސްސަތޭކަ ތިރީސް އަށް ޑޮލަރު)، ލޯން އަސާސީގޮތުގައި 8 މިލިއަން ޑޮލަރު، އަދި ލޯން ސަރވިސްޗާޖުގެއަށް 2,446,538 (ދެ މިލިއަން ހަތަރުސަތޭކަ ސާޅީސް ހަހާސް ފަސްސަތޭކަ ތިރީސް އަށް ޑޮލަރު)	ނުވަދިހަ) އިސްލާމިކް ޑިނާރު. (ލޯން އަސާސީގޮތުގައި 4.6 މިލިއަން އިސްލާމިކް ޑިނާރު އަދި ސަރވިސް ފީގެ ގޮތުގައި މިހާރު އަންދާޒާކޮށްފައިވާ 304,290.00 އިސްލާމިކް ޑިނާރު)	
2032 ވަނައަހަރު	2038 ވަނަ އަހަރު	ލޯން އަދާކޮށް ނިންމަންޖެހޭ ތާރީޚް:

ނޯޓް: ޖަނަވަރީ-ޖޫން ސަރަހައްދު ލޯނުގެ ސަރވިސް ޗާޖް ހިސާބުކުރެވިފައިވަނީ 6 މަހުގެ ޔޫ.އެސް.ޑީ ލައިބޯ ރޭޓް ބޭނުންކޮށްގެންނެވެ. އަދި މި ރޭޓް އަކީ ކޮންމެ ޕީރިއަޑަކަށް ބަދަލުވާ ރޭޓެއް ކަމުން ސަރވިސްޗާޖުގެ ޢަދަދު ކަނޑައެޅޭނީ ރޭޓްއާއި ގުޅިގެން ލޯން ސަރވިސްޗާޖު ޖަހާ މުއްދަތުގެ ބޭރުގައި އެކަށީގެންވާ ގޮތަކަށެވެ.

ދަރަނި ނަގުމުގެ ސަބަބުން އިޤްތިޞާދަށް އަދި ދައުލަތުގެ މާލިއްޔަތަށް ކުރާނެ އަސަރު

މި މަޝްރޫޢު ހިންގާ ދަރަޖައަކީ ނިސްބަތުން އާބާދީ ބޮޑު ދަރަޖައެއް ކަމަށްވާއިރު، މި މަޝްރޫޢުގެ ސަބަބުން މި ދަރަޖައަށް އިތުރު ތަރައްޤީ ލިބި މިދަރަޖައަށް އާބާދީ ކުރި ދަރަޖައިން ބަދަލުވުމުގެ ޚިދުމަތް ބޭނުންކުރާ މީހުންގެ ޢަދަދު ބޮޑުވެގެންދާނެއެވެ. އަދިހާލަ ސަރުކާރުގެ ހިދުމަތްދޭ ތަނުގެ ދަރަޖައިން އެކަށީގެންވާ ޚިދުމަތްތަކެއް ދޭނެ ގޮތް ހަމަޖެހިގެން ދާނެއެވެ. މިދަރަޖައަކީ މަޝްރޫޢުން ބޭނުންވާ ދަރަޖައެކެވެ، މިމަޝްރޫޢުގެ ބޭނުންތައް ވަނީ 46.7% އެޗް.ޑީ.ސީ ގެ ޙިއްޞާއާއި ދަރަނި އަދި ބާކީ އިސްތިސްނާ ގެ ދަރަނިކަމުގައި ހިމެނޭ އަހަރުތަކެއް ކަމަށް ބަލާ ދާއިރާގެ ޚިދުމަތް ބޭނުންވާ މީހުން މި މަޝްރޫޢުގެ ދައުލަތުގެ މާލިއްޔަތަށް އޮޅުވާލެވޭ ބޮޑު އަސަރު ކުރާނެ ގޮތެވެ. އަދި މި މަޝްރޫޢުގެ ދަރަނި ނިސްބަތް ސަރުކާރުގެ އިޤްތިޞާދީ ކުރިއެރުމުގައި ހިމެނޭ ގޮތެވެ، މުސްތަޤްބަލުގައި ބަޖެޓުގެ ސަބަބުން ބޭރުގެ އަދި އިޤްތިޞާދީ ގޮތުން އެކަށީގެންވާ ދަރަނިތަކެއް ކަމަށް ބަލަން ކުރިމަގުގައި ދަރަނި ނުބަލައިގަނެވޭނެ ގޮތެވެ.

Ref. Project No: MAL-_____

AGENCY AGREEMENT
(ISTISNA'A)

BETWEEN

REPUBLIC OF MALDIVES

AND

ISLAMIC DEVELOPMENT BANK

CONCERNING
SANITATION PROJECT IN FIVE ISLANDS

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AGENCY AGREEMENT

This Agreement is entered into on ____/____/____H (corresponding to ____/____/____G) between the Republic of Maldives as agent (hereinafter referred to as the "**Recipient**") and the Islamic Development Bank (hereinafter referred to as the "**Bank**").

The Recipient and the Bank are collectively referred to as "**Parties**" and individually as "**Party**".

Whereas,

A. The Recipient has requested the Bank to finance the construction of works set out in Annex-I (hereinafter referred to as the "**Asset**") in the Sanitation Project in Five Islands (Himmafushi, Nolhivaranfaru, Naifaru, Thulusdhoo, and Veymandoo) (hereinafter referred to as the "**Project**") as described in Annex-II;

B. The Board of Executive Directors of the Bank has, on 19/05/1434H (30/03/2013G), approved an amount not exceeding USD8,000,000.00 (United States Dollars Eight Million) (approximately equivalent to ID5,270,000.00) (Islamic Dinars Five Million Two Hundred-Seventy Thousand) for the construction of the Asset for the Project through Istisna'a;

C. The Bank has agreed in accordance with the agreement of even date (hereinafter referred to as the "**Istisna'a Agreement**") to construct the Asset for the Recipient, in its capacity as the purchaser.

Now, therefore, the Bank and the Recipient hereby agree as follows:

Section-1 DEFINITIONS - INTERPRETATION

1.1 In this Agreement, unless the context otherwise requires, the following terms shall have the meaning appearing against each of them hereunder:

Approved Amount:	the amount specified in Recital-B above.
Asset:	the assets described in Annex-I.
Capital Cost:	the total cost of the construction of the Asset which shall include the Contract Price, fee under the Consultancy Agreement and any other costs or expenses incurred by the Bank in or in connection with the construction of the Asset plus a floating mark-up rate of 6-month USD Libor plus 155 per annum applied to each Disbursement during the Gestation Period.
Consultancy Agreement:	the agreement for the coordination of the construction of the Asset entered into between the Recipient and the Consultant pursuant to Section-4.
Consultant:	the consulting firm or individual consultant to be appointed in accordance with Section-4.
Contract:	the contract for the construction of the Asset concluded on behalf of the Bank by the Recipient with the contractor.
Contract Price:	the amount payable to the Contractor for the construction of

the Asset.

Contractor:	the contractor who shall be entrusted with the construction of the Asset.
Date of First Disbursement:	the date, on which the Bank makes the first disbursement under the Contract, or the Consultancy Agreement, whichever is earlier.
Disbursement:	actual payment of any part of the Approved Amount pursuant to this Agreement.
Effective Date:	the date on which the Bank declares this Agreement or the Istisna'a Agreement (as the case may be) effective in accordance with Section-14.
Executing Agency:	the Ministry of Finance and Treasury.
Final Acceptance Certificate:	the certificate issued by the Consultant in accordance with the terms of the Contract which denotes that the construction of the Asset has been satisfactorily completed by the Contractor.
Gestation Period:	the period commencing on the Date of First Disbursement and ending 4 (Four) years thereafter.
Preliminary Acceptance Certificate:	the certificate issued by the Consultant in accordance with the terms of the Contract which denotes that the construction of the Asset has been satisfactorily completed by the Contractor.
Project:	has the meaning ascribed to it in Recital-A above.
Sanctionable Practices:	any of Corrupt Practice, Coercive Practice, Collusive Practice, Fraudulent Practice or Obstructive Practice as defined below:

(a) **Corrupt Practice:** means the offering, giving, receiving, or soliciting, directly or indirectly, anything of value to influence improperly the actions of another party;

(b) **Coercive Practice:** means any act or omission impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party.

(c) **Collusive Practice:** means an arrangement between two or more parties designed to achieve an improper purpose, including influencing improperly the actions of another party.

(d) **Fraudulent Practice:** means any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation.

(e) **Obstructive Practice:** means,

(i) deliberately destroying, falsifying, altering or concealing of evidence material to the investigation or making of false statements to investigators, in order to materially impede the Bank investigation into allegations of a Corrupt, Fraudulent, Coercive or Collusive practice, and/or threatening, harassing or intimidating any party to prevent it from disclosing its knowledge of matters relevant to the investigation or from pursuing the investigation, or

(ii) acts intended to materially impede the exercise of the Bank's access to contractually required information in connection with the Bank's investigation into allegations of a Corrupt, Fraudulent, Coercive or Collusive practice.

Tax: any tax, levy, impost, duty or other charge of similar nature (including without limitation any penalty payable in connection with any failure to pay or delay in paying any of the same).

US Dollar/USD: the lawful currency of the United States of America.

1.2 **Interpretation:**

(i) an "annex", "schedule", shall, subject to any contrary indication, be construed as a reference to an annex, schedule of the Agreement or document in which such reference appears;

(ii) "including" shall be construed as a reference to "including, without limitation";

(iii) this Agreement or any other agreement or document shall be construed as a reference to this Agreement or, as the case may be, such other agreement or document as the same may have been, or may from time to time be, amended, varied, notated or supplemented;

(iv) "Article", "Section", "paragraph", or "preamble" shall, unless a contrary indication appears, be construed as one in or to this Agreement;

(v) the headings in this Agreement are for convenience only and are not intended, and shall not be construed, to alter, limit, or enlarge in any way the scope or meaning of the language contained in this Agreement;

(vi) the singular includes the plural and vice versa;

(vii) a "day" and "year" shall be to a day, month and year, respectively of the Gregorian calendar; and

(viii) Words and expressions defined in the Istisna'a Agreement and not defined herein shall have the same meaning as given in the Istisna'a Agreement.

Section-2 THE AGENCY

The Bank hereby appoints the Recipient as its agent to conclude the Contract and the Consultancy Agreement to supervise the construction of the Asset and the Recipient hereby agrees to the appointment.

Section-3 PROCUREMENT OF GOODS AND SERVICES

3.1 It is agreed between the Parties that the Recipient, in consultation with the Bank and in accordance with the Procurement Procedures of the Bank and subject to its approval, shall award all contracts financed under this Agreement for the works and equipment (sewerage networks and treatment facilities) in Himmafushi, Nolhivaranfaru, and Thulusdhoo through International Competitive Bidding (ICB).

3.2 The Recipient shall ensure or cause to be ensured that anti-corruption and anti-fraud provisions acceptable to the Bank are included in all bidding documents and contracts, including provisions specifying the right of the Bank to audit and examine the records and accounts of the executing and implementing agencies and all contractors, suppliers, consultants, and other service providers as they relate to the Project.

Section-4 SELECTION OF THE CONTRACTOR AND THE CONSULTANT

4.1 The Recipient shall, on behalf of the Bank, negotiate and conclude a Contract subject to the following:

(i) The terms and conditions of the Contract shall be agreed upon between the Bank and the Recipient.

(ii) The Contract Price shall not exceed USD8,000,000.00 (United States Dollars Eight Million)

(iii) The period for completion of the construction of the Asset under the Contract shall not exceed 48 (Forty-Eight) months from the Date of First Disbursement.

(iv) The specifications of the Asset under the Contract shall be as those briefly described in Annex-I and detailed in the Contract.

(v) After completion, the Asset shall be taken-over directly by the Recipient.

(vi) The written approval of the Bank to the terms and conditions of the negotiated Contract shall be obtained before the conclusion by the Recipient of the Contract.

(vii) The Contract shall stipulate that the Contractor shall procure a contractor's all risk insurance as customary in the trade, and the proceeds of the insurance shall be payable to the Bank in US Dollars or any other acceptable currency.

4.2 The Recipient shall, on behalf of the Bank, negotiate and conclude a Consultancy Agreement subject to the following:

(i) The Consultant shall be responsible to verify all Disbursement requests submitted to the Bank. The Consultant shall also be responsible to coordinate all activities, provide regular progress reports, and ensure that all the Bank's policies and procedures are strictly followed throughout the construction of the Asset.

(ii) The terms of reference of the Consultancy Agreement shall be agreed upon in writing between the Recipient and the Bank prior to the invitation of proposals from the short listed consultants.

(iii) The Recipient shall associate the Bank in the negotiations with the selected Consultant; the outcome of which shall be subject to the final approval of the Bank and the Recipient.

Section-5 MANAGEMENT OF THE CONTRACT

5.1 The Recipient undertakes that in its management of the Contract, it will exercise the highest standard of diligence and care in monitoring the punctual and correct performance by the Contractor of its obligations under the Contract with a view to ensuring that the Asset will be constructed in accordance with the specifications within the time and for the price stipulated in the Contract.

5.2 The Recipient shall not, without the prior written consent of the Bank, make any amendments, alterations or modifications to the Contract which may,

(i) result in an increase in the Contract Price; or
(ii) result in an extension of the completion date; or
(iii) result in a change of the specification, or
(iv) not be in accordance with usual good practice.

5.3 Without prejudice to the generality of Section 5.1, the Recipient shall be obliged to:

(i) advise the Bank, as soon as reasonably practicable, of any delay or anticipated delay in the construction of the Asset with full details thereof;

(ii) deal with all regulatory and administrative matters relating to the construction of the Asset in accordance with the relevant laws in Maldives.

(iii) sign the Preliminary Acceptance Certificate and the Final Acceptance Certificate if it is satisfied that the construction of the Asset in the relevant stage has been completed in conformity with the Contract including the specifications.

5.4 If in breach of Section-5, the Recipient gives instructions to the Contractor as a result of which there is an increase in the Contract Price or the Bank becomes liable to any Party for any claim, loss, damage or expense, then the Recipient agrees to bear the increase in the Contract Price or, as the case may be, to indemnify the Bank for any such claim, loss, damage or expense.

5.5 It is agreed that the Recipient shall provide such number of its personnel as would be necessary to carry out its duties under this Agreement and under the Contract.

5.6 The Recipient shall not be entitled to any remuneration or other payment from the Bank in connection with or arising out of the appointment of the Recipient as the Bank's agent under this Agreement.

Section-6 DISBURSEMENT OF THE APPROVED AMOUNT

6.1 The Bank will disburse the Approved Amount in the manner set out in the Contract and in conformity with the Disbursement Procedures of the Bank.

6.2 **Date of Requesting First Disbursement:** If within 180 days from the Effective Date, or such later date as shall be agreed between the Recipient and the Bank, the Recipient has not submitted a request to the Bank to make the First Disbursement, the Bank may terminate this Agreement upon due notice thereof to the Recipient.

6.3 **Closing Date of Disbursement:** 31/12/2018G, or such later date as shall be agreed between the Recipient and the Bank is the Closing Date of Disbursement under this Agreement.

6.4 Without prejudice to the generality of Section 6.1, the Recipient shall:

(i) when submitting the application for First Disbursement to the Consultant, provide a copy of the signed Consultancy Agreement.

(ii) when submitting the application for First Disbursement under the Contract, provide a signed copy of the Contract (if not submitted earlier) and copy of the insurance policy.

6.5 The Consultant shall verify all Disbursement requests to be submitted to the Bank.

6.6 The Bank shall not be obliged to effect any Disbursement hereunder if the Disbursement application is not in conformity with this Agreement or if the documents submitted by the Recipient are incomplete or otherwise defective. The Recipient shall be responsible for any delay in effecting Disbursement if such delay is due to the application being not in conformity with this Agreement or due to insufficiency of or discrepancy in the required documents.

Section-7 TAKING OVER THE ASSET

7.1 It is agreed that the Contract shall provide for taking over the Asset after completion directly by the Recipient. It is also agreed that in no event shall the Bank be liable to the Recipient for any loss resulting from any delay in taking over the Asset.

7.2 For the avoidance of doubt, it is agreed that if the Recipient after signing the Final Acceptance Certificate, refuses to take over the Asset from the Contractor for any reason whatsoever, the Recipient shall indemnify the Bank for any costs, expenses or loss resulting therefrom.

Section-8 SUSPENSION, CANCELLATION AND TERMINATION

8.1 If within 180 (One Hundred and Eighty) days from the Effective Date the Contract is not signed or the Recipient has not requested for the First Disbursement, the Bank may, by notice to the Recipient, cancel the Approved Amount, unless it is satisfied with the Recipient's justification for such delay.

8.2 The Recipient may request the Bank to terminate this Agreement and cancel the Approved Amount at any time before the signature of the Contract.

8.3 If at any time the Bank determines, after consultation with the Recipient, that any part of

the Approved Amount will not be required to finance the Project, the Bank may give notice to the Recipient terminating the undertaking by the Bank to disburse such part. That part of the Approved Amount shall be considered cancelled upon delivery of such notice.

8.4 Upon delivery of the Asset and issuance of the First Acceptance Certificate, the agency obligations of the Recipient hereunder shall be discharged.

8.5 The Bank may, by notice to the Recipient, suspend or terminate this Agreement and suspend or cancel the Approved Amount or any part thereof in any of the following cases:

(a) An extraordinary situation shall have arisen which,

(i) shall make it, in the opinion of the Bank, improbable that the Recipient would be able to fulfill its obligations under this Agreement, or

(ii) shall prevent the attainment of the purposes for which this Agreement is entered into.

(b) A representation made by the Recipient or any statement furnished and intended to be relied upon by the Bank in processing the Project for approval or for entering into this Agreement, shall have been incomplete or incorrect in any material respect;

(c) The Bank determines that –

(i) the Recipient is in breach of any of its obligations under this Agreement, or

(ii) with respect to the execution of any Contract to be financed in full or in part from the proceeds of the financing hereunder, if any person or entity has engaged in any Sanctionable Practices without the Recipient having taken timely and appropriate action satisfactory to the Bank to remedy the situation or to address such practices when they occur.

(d) The Recipient has failed to discharge its obligations to pay any amount due to the Bank (or any affiliated body to the Bank).

8.6 Any suspension of the Agreement shall continue until the event or events which gave rise to such suspension shall have ceased to exist or until the Bank shall have notified the Recipient that the undertaking of the Bank to construct the Asset has been restored, whichever is earlier; provided, however, that in the case of any such notice of restoration, the undertaking to construct the Asset shall be restored only to the extent and subject to the conditions specified in such notice, and no such notice shall affect or impair any right, power or remedy of the Bank in respect of any other or subsequent event described in this Section.

8.7 In the event that the Contractor fails to fulfill any of its obligations under the Contract the Recipient, in consultation with the Bank, terminates the Contract in accordance with its terms, such termination shall, after 60 (Sixty) days from such termination, operate as a cancellation of any amount remaining undisbursed from the Approved Amount, unless the Bank shall otherwise agree. Notwithstanding the termination of this Agreement, the Recipient shall continue to co-operate and assist the Bank in recovering from the Contractor such part of the Contract Price and any other amount that may have been

disbursed by the Bank before the termination of the Contract.

8.8 Cancellation of the Approved Amount or any part thereof shall not affect any commitment made, obligations incurred or rights accrued prior to the date of cancellation.

8.9 Unless Disbursement has been made from the Approved Amount, if the Approved Amount is cancelled, the Agreement shall deem to be automatically terminated.

8.10 The undisbursed part of the Approved Amount shall automatically be cancelled in the event of termination of this Agreement or the Istisna'a Agreement.

8.11 Upon the cancellation of the Approved Amount or any part thereof and/or termination of this Agreement on account of an Event of Default, or the Recipient's breach of its obligations under this Agreement and/or failure to ensure delivery of the Asset, the Recipient shall indemnify the Bank by an amount equal to the Capital Cost and commitment determined or incurred, as at the date of termination.

8.12 This Agreement shall automatically be terminated upon the termination of the Istisna'a Agreement or the cancellation of the Approved Amount under Istisna'a Agreement.

Section-9 REPRESENTATIONS

The Recipient represents and warrants that:

(i) all governmental authorizations and actions of any kind necessary to authorize or required for the validity or enforceability of the obligations contemplated under the Agreement have been obtained or performed and are valid and subsisting in full force and effect.

(ii) under the laws of Maldives in force at the date of this Agreement, the claims of the Bank against the Recipient under this Agreement will rank at least pari passu with the claims of all other unsecured creditors for any indebtedness of the Recipient; and

(iii) the concerned department or unit charged with servicing external debt has been instructed to make payment of the Sale Price installments on due dates.

Section-10 EVENTS OF DEFAULT

10.1 If one of the events specified in this Section shall have happened and be continuing, then the Bank by notice to the Recipient, may declare the whole or part of the Sale Price to be, and the same shall thereupon become, immediately due and payable (anything in this Agreement notwithstanding) without any further notice:

(a) default shall have occurred in the payment of any of the Sale Price installments and such default shall have continued for a period of 15 (Fifteen) days.

(b) default, other than the default specified in Section 10.1(a), shall have occurred in the performance of any obligation of the Recipient under this Agreement and any such default shall have continued for a period of 30 (Thirty) days.

(c) any representation or warranty confirmed or made by the Recipient in connection with the execution and delivery of this Agreement, or in connection with any request for disbursement under this Agreement, shall be found to have been incorrect in any material respect and shall continue to be incorrect for a period of 30 (Thirty) days after notice thereof shall have been given to the Recipient by the Bank;

(d) the Recipient shall have become unable to pay its debts as they fall due or shall otherwise have become insolvent; or any encumbrancer shall have lawfully taken possession or a receiver or trustee shall have been appointed of the whole or any part of the undertaking or assets of the Recipient; or a distress or execution (or analogous process) shall have been levied or enforced upon or issued out against any of the chattels or property of the Recipient and such distress or execution shall not have been discharged within 15 (Fifteen) days; or an order shall have been made or an effective resolution passed or analogous proceedings taken for the Recipient's winding up, bankruptcy or dissolution; or any other event shall have occurred which under any applicable law would have an effect analogous to any of those events listed above in this paragraph; and

(e) any obligation or purported obligation of the Recipient under or arising out of this Agreement being or becoming wholly or in part invalid or unenforceable because the rights of the Bank have become barred by reason of any legal limitation, disability, incapacity or any other fact or circumstance whether or not always known to the Bank.

10.2 If any Event of Default or any event which, with lapse of time or notice and lapse of time, would become an Event of Default shall have happened, the Recipient shall immediately give the Bank notice thereof by telex or facsimile, specifying the nature of such Event of Default or such event and any steps the Recipient is taking to remedy the same.

10.3 No course of dealing and no delay in exercising, or omission to exercise, any right, power or remedy accruing to the Bank upon any default under this Agreement or any other agreement shall impair any such right, power or remedy or be construed to be a waiver thereof or an acquiescence therein; nor shall the action of the Bank in respect of any such default, or any acquiescence by it therein, affect or impair any right, power or remedy of the Bank in respect of any other default.

Section-11 INDEMNITY

11.1 The Recipient hereby undertakes to indemnify the Bank, on a net after-tax basis (at the applicable local and foreign tax rates) against, and agrees to protect, save and keep harmless, the Bank from any, and all obligations, fees, liabilities, losses, damages, penalties, demands, actions, judgments and expenses, including reasonable legal fees and expenses (including such legal fees and expenses incurred in connection with the enforcement of this Agreement), of every kind and nature whatsoever imposed on, incurred by, or asserted against the Bank arising out of:

(a) ownership, possession, use, documentation, removal, return, or other applications or dispositions under the Contract or the Consultancy Agreement, including such as may arise from:

(i) any loss or damage to any property or death or injury to any person;

(ii) patent or latent defects in the Asset;

(iii) any claims based on strict liability in tort or otherwise;

(iv) any claim based on patent, trademark or copyright infringement;

(v) any claims based on liability arising under the applicable environmental laws or environmental approvals;

(vi) any claim regarding title to the Asset or the land on which it is constructed;

(vii) any claim or dispute relating to the Contract or any Letter of Credit established pursuant thereto or relating to the Consultancy Agreement.

(b) the occurrence of any default or any other failure on the part of the Recipient or the Contractor to perform or comply with any term of this Agreement, or any document, agreement or contract entered into in relation hereto or otherwise in relation to the Asset, but excluding any claim based upon any failure on the part of the Bank to comply with its obligations under this Agreement or any document, agreement or contract entered into by the Bank in relation hereto or otherwise in relation to the Asset;

(c) any claims, encumbrances, security interests, and liens or legal processes regarding title to or interest in the Asset or the land on which it is constructed.

11.2 The Recipient shall give the Bank prompt notice of any occurrence or condition known to the Recipient as a consequence of which the Bank is or is reasonably likely to be entitled to indemnification. The indemnification provided in Section-11.1 shall specifically apply to and include claims or actions brought by or on behalf of employees of the Recipient and the Recipient hereby expressly waive, as against the Bank, any immunity to which the Recipient might otherwise be entitled under any applicable laws. The Recipient shall promptly upon request by the Bank (but in any event within fifteen days of such request) reimburse the Bank for amounts expended by it in connection with any of the foregoing or pay such amounts directly. The Recipient shall be subrogated to the Bank's rights in any matter with respect to which the Recipient has actually reimbursed the Bank for amounts expended by it or has actually paid such amounts directly pursuant to Section-9. In case any action or proceeding is brought against the Bank in connection with any indemnified claim, the Bank will, after receipt of notice of the commencement of such action or proceeding, notify the Recipient thereof, enclosing a copy of all papers served upon the Bank. The Recipient may, and upon the Bank's request, will resist and defend such action or proceeding at the Recipient's expense, or cause the same to be resisted or defended by counsel selected by the Recipient reasonably satisfactory to the Bank. In the event of any failure by the Recipient to do so, the Recipient shall pay all costs and expenses (including reasonable attorney's fees and expenses) incurred by the Bank in connection with such action or proceeding.

Section-12 REPORTS

The Recipient undertakes to submit, or cause to be submitted, the following reports to the Bank:

(i) Within 12 (Twelve) months after the Effective Date of the Agreement and thereafter every three months, a report on the progress and implementation of the Contract in such manner as the Bank may from time to time specify;

(ii) Promptly after the issuance of the Final Acceptance Certificate but not later than six months after issuance of such Certificate, submit a completion report of such scope and in such detail as the Bank may reasonably request, on the construction of the Asset and the initial operation of the Project;

(iii) An Annual Audit Report by the financial auditor of the Project. This report shall be provided throughout the Gestation Period and the payment period of the Sale Price under this Agreement; and

(iv) Any other report or information which the Bank may from time to time reasonably request.

Section-13 WAIVER

Failure of the Bank to exercise or assert any of its rights under this Agreement or its delay in the same or its failure to exercise or assert any remedy it may have against the Recipient or its delay in the same, shall not prejudice such right or remedy and shall not be construed as a waiver of such right or remedy.

Section-14 EFFECTIVENESS

This Agreement shall become effective from the Effective Date of the Istisna'a Agreement.

Section-15 GOVERNING LAW - SETTLEMENT OF DISPUTES

15.1 This Agreement shall be governed by and be construed in accordance with the principles of Shari'ah as pronounced by the Islamic Fiqh Academy, as enunciated in the Shari'ah Standards published by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), and as interpreted by the Bank's Shari'ah Committee.

15.2 Any dispute between the Parties to this Agreement and any claim by any Party against other Party arising under this Agreement, which could not be determined by agreement of the Parties within 30 (Thirty) days of notice by one Party to the other, shall be submitted to an arbitration panel for final and binding decision in accordance with the rules and procedures of the International Islamic Centre for Reconciliation and Arbitration (IICRA), Dubai, United Arab Emirates. The arbitration rules and procedures of IICRA shall be in lieu of any other procedure for the determination of disputes between the Parties to this Agreement or any claim by any Party against the other Party arising thereunder.

15.3 If within 30 (Thirty) days after counterparts of the award shall have been delivered to the Parties, the award is not complied with, any Party may enter judgment upon, or institute a proceeding to enforce the award, in any court of competent jurisdiction against the other Party, may enforce such judgment by execution or may pursue any other appropriate remedy against the other Party for the enforcement of the award or the provisions of this Agreement.

15.4 Each Party to this Agreement agrees that any judgment rendered under this Agreement against it may be executed against its funds (assets) in any jurisdiction. The Parties to this Agreement hereby irrevocably waive any objection they may have to any suit, action or proceeding arising out of or relating to the enforcement of an arbitration judgment under this Agreement, whether brought in any jurisdiction in which they have funds (assets), and hereby further irrevocably waive any claim that any such suit, action or proceeding brought in any jurisdiction have been brought in any inconvenient forum.

15.5 To the extent that the Recipient may in any jurisdiction claim for itself or its assets immunity from suit, execution, attachment (whether in aid or execution, before award or judgment or otherwise) or other legal process or to the extent that in any such jurisdiction there may be attributed to itself or its assets such immunity (whether or not claimed), the Recipient hereby irrevocably agrees not to claim and hereby irrevocably waives such immunity.

Section-16 COORDINATION AND NOTICES

16.1 **Co-ordination:** The Recipient hereby appoints the Minister of Finance and Treasury of the Government of the Republic of Maldives as the authorized representative of the Recipient (the **Recipient's Representative**) on all matters under this Agreement and for all intents and purposes without limitation; accordingly:

(i) to deal with the Bank and to be directly responsible for fulfilling the obligations incumbent on the Recipient by virtue of this Agreement.

(ii) all communications of any kind given by the Bank to the Recipient's Representative shall be deemed to have been duly given to the Recipient;

(iii) all communications received by the Bank from the Recipient's Representative shall be deemed to have been duly given or made by, and received from, the Recipient; and

(iv) the Recipient's Representative shall, at all times, conduct proper and efficient coordination and cooperation, and ensure that the Recipient and the Executing Agency carry out their duties hereunder.

16.2 **Notices:** Any notice, request or other communication to be given or made under this Agreement or in connection therewith shall be in writing and shall be deemed to have been duly given when delivered by hand, airmail, established courier service, or facsimile to the Party to which it is given at such Party's address specified below or at such other address as such Party shall have designated by notice to the Party giving such notice, request or communication.

For the Recipient:

Insert M Ministry of Finance and Treasury
Block 379, Ameenee Magu
Male', Republic of Maldives
Tel: +960-3449 223
Fax: +960-330 7802
Email:

For the Bank:

P.O. Box 5925, Jeddah-21432
Kingdom of Saudi Arabia
Tel: +966 2 6361400
Fax: +966 2 6366871
Email: archives@isdb.org

Section-17 MISCELLANEOUS

17.1 The recital and the annexes are an integral part of this Agreement.

17.2 **Authority**: The person signing this Agreement on behalf of each Party hereby represents and warrants to the other Party that he or she has the requisite legal power and authority to execute this Agreement on behalf of the Party and bind the Party to the obligations herein.

17.3 **Counterparts**: This Agreement, including any amendments, may be executed in counterparts which, when taken together, shall constitute a single agreement. Copies of this Agreement shall be equally binding as originals and faxed or scanned and emailed counterpart signatures shall be sufficient to evidence execution, though the Parties may require original signed documents to be delivered.

17.4 **Entire Agreement**: This Agreement is the entire agreement and supersedes any prior oral or written agreement or communications between the Parties regarding its subject matter.

17.5 **Delay**: No failure or delay on the part of Bank, in exercising any right hereunder, shall operate as a waiver of, or impair, any such right unless given in writing. No single or partial exercise of any such right shall preclude any other or further exercise thereof or the exercise of any other right or deemed a waiver of any other right hereunder.

17.6 **Amendment**: This Agreement may only be amended by a mutual written agreement of the Parties.

13.1 **Agreement Date**: The date of this Agreement shall, for all purposes of this Agreement, be that appearing in the Preamble.

[END OF ARTICLES]

Execution Page:

In witness whereof, the Parties, through their duly authorized representatives, have signed this Agreement concerning financing of the Asset related to Sanitation Project in Five Islands for an amount not exceeding USD8,000,000.00 (United States Dollars Eight Million) (approximately equivalent to ID5,270,000.00) (Islamic Dinars Five Million Two Hundred-Seventy Thousand) on the date first above written.

FOR AND ON BEHALF OF
REPUBLIC OF MALDIVES

____

Name:

Title:

FOR AND ON BEHALF OF
ISLAMIC DEVELOPMENT BANK

____

Name:

Title:

Annex-I DESCRIPTION OF THE ASSET

As part of the civil works, IDB is financing the full cost of construction of sewerage networks and the associated treatment and discharge facilities in three islands (Himmafushi, Nolhivaranfaru and Thulusdhoo).

The proposed project components are described below:
The sewerage networks will be gravity based, but will include lifting stations, because of the flat land topography. The works include:

1. Himmafushi:
   - Supply and installation of street gravity sewers: 6.3 Km (diameter 150 mm in UPVC).
   - Supply and installation of pumping mains: 1.52 Km (diameter 150 mm in HDPE).
   - Supply and installation of house connection sewers: 1.56 Km (diameter 100 mm in UPVC).
   - Supply and installation of sea outfall pipeline: 0.2 Km and diameter 150 mm.
   - Acquisition and installation of 5 lifting stations (total flow of 169 m3/d).
2. Nolhivaranfaru:
   - Supply and installation of street gravity sewers: 12.2 Km (diameter 150 mm in UPVC).
   - Supply and installation of pumping mains: 0.56 Km (diameter 150 mm in HDPE).
   - Supply and installation of house connection sewers: 2.76 Km (diameter 100 mm in UPVC).
   - Supply and installation of sea outfall pipeline: 0.4 Km and diameter 150 mm.
   - Acquisition and installation of 3 lifting stations (total flow of 299 m3/d).
3. Thulusdhoo:
   - Supply and installation of street gravity sewers: 8.8 Km (diameter 150 mm in UPVC).
   - Supply and installation of pumping mains: 1.23 Km (diameter 150 mm in HDPE).
   - Supply and installation of house connection sewers: 2.10 Km (diameter 100 mm in UPVC).
   - Supply and installation of sea outfall pipeline: 0.1 Km and diameter 150 mm.
   - Acquisition and installation of 3 lifting stations (total flow of 227 m3/d).

In addition, the project will finance the construction, in each island, of a wastewater treatment plant (WWTP), based on the activated sludge process with extended aeration. The wastewater will be subject to physical and biological treatment, and will be chlorinated. The treatment process will also include a sludge treatment line, with sludge drying beds. Furthermore, the project will finance the construction of 3 laboratories in order to test and monitor water and sludge quality.

Annex-II DESCRIPTION OF THE PROJECT

The project has 4 major components:

1. ***Component A: Collection and treatment infrastructure:*** Under this component, the project will finance the construction of sewerage networks and the associated treatment and discharge facilities in five islands (Himmafushi, Nolhivaranfaru, Naifaru, Thulusdhoo, and Veymandoo).

2. The sewerage networks will be gravity based, but will include lifting stations, because of the flat land topography.

3. In addition, the project will finance the construction, in each island, of a wastewater treatment plant (WWTP), based on the activated sludge process with extended aeration. The wastewater will be subject to physical and biological treatment, and will be chlorinated. The treatment process will also include a sludge treatment line, with sludge drying beds. Furthermore, the project will finance the construction of five laboratories in order to test and monitor water and sludge quality.

4. ***Component B: Consultancy services.*** The component consists of the selection of a consultancy firm to supervise works during the construction phase of the project. The firm to be selected will not have to undertake the detailed design of the project which will be the responsibility of the contractor(s).

5. ***Component C: Support to project management.*** The activities under this component will cover:

6. ***Sub-component C1: PMU allowances.*** All aspects of project administration, coordination and day-to-day operations will be managed by the PMU which will be established under the Water and Sanitation Department. The PMU will be staffed with qualified specialists. The PMU will have the following composition:
   - A PMU Manager
   - An Accountant/Financial Management Specialist
   - An Assistant Project Officer/Support staff

7. The project will finance the payment of nominal incentives for these PMU staff members.

8. ***Sub-component C2: IT equipment and Operating cost.*** The project will finance the incremental operating costs including communication services (telephone and internet costs), maintenance and office supplies, per diem and transportation, in addition and the acquisition of IT equipment to the benefit of the PMU. This sub-component will also cover the expenses related to the advertisement in international support media of the different procurement notices (GPN, EOI, etc.).

9. ***Sub-component C3: Familiarization visit & Start-up workshop.*** The familiarization visit includes a trip to the Bank which is intended to familiarize the representatives of Ministry of Finance and Treasury / Ministry of Environment and Energy PMU with the Bank's procedures in terms of procurement, disbursement and project implementation. In

addition, a project start-up workshop will be organized in Maldives, in order to help build the local capacity for the project implementation.

10. ***Sub-component C4: Capacity strengthening.*** The sub-component will finance the services of an individual expert well experienced in project management who will be recruited to assist the PMU staff in the project implementation and, at the same time, provide on-the-job training and capacity development.

11. ***Component D: Financial Audit.*** A qualified, independent audit firm will be selected in order to audit the project financial statements.

ISLAMIC DEVELOPMENT BANK
JEDDAH – SAUDI ARABIA

البنك الإسلامي للتنمية
جدة – المملكة العربية السعودية

معاً نبني مستقبلاً أفضل
TOGETHER WE BUILD A BETTER FUTURE
ENBSEMBLE NOUS CONSTRUISONS UN AVENIR MELLEUR

Ref: CTY/CD-1/ 14/ 1108

Date: ٢١ جمادى الأول ١٤٣٤
02 APR 2013

H.E. Mohamed Ahmed
Financial Controller
(IDB Alternate Governor)
Ministry of Finance and Treasury
Male', Maldives
Fax: +960 332 4432
Email: mohamed.ahmed@finance.gov.mv

Cc: **Hon. Abul Kalam Azad**
IDB Executive Director for the Region
Dhaka, Bangladesh
Fax: +88 2 811 3088
Email: secy_erd@bangla.net

Subject: Approval of Sanitation Project in Five Islands, Republic of Maldives

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Excellency,

Assalam-o-Alaikum Warahmatullahi Wabarakatuh.

Reference is made to the letter from the Government of the Republic of Maldives No. 13-N1/PRIV/2013/239 dated 17th March 2013, regarding the acceptance of the terms and conditions of the Islamic Development Bank (IDB) proposed financing for the above mentioned project.

I am pleased to inform Your Excellency that the Board of Executive Directors of the Bank, at its 289th Meeting held on 31st March 2013, has approved the financing proposal to support the subject project in favor of the Government of the Republic of Maldives. The financing is in the form of IDB Loan for an amount of ID 4.60 million (approximately US$ 7.00 million) and Istisna'a for an amount of US$ 8 million (approximately ID 5.26 million).

The terms and conditions of the financing are as per those conveyed to you vide IDB letter no. CTY/CD-1/14/739 dated 2nd March 2013. The draft Financing Agreement is being prepared and will be conveyed to Your Excellency's office for review.

I would like to take this opportunity to assure Your Excellency of IDB's commitment to contribute to the socio-economic development of the Republic of Maldives.

Yours Sincerely,

Birama Boubacar Sidibé
Vice-President (Operations)

Project No: MAL-___

ISTISNA'A AGREEMENT

BETWEEN

REPUBLIC OF MALDIVES

AND

ISLAMIC DEVELOPMENT BANK

CONCERNING
SANITATION PROJECT IN FIVE ISLANDS

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ISTISNA'A AGREEMENT

This Agreement is entered into on ___/___/___H (corresponding to ___/___/___G) between the Republic of Maldives as purchaser (hereinafter referred to as the "**Recipient**") and the Islamic Development Bank as vendor (hereinafter referred to as the "**Bank**").

The Recipient and the Bank are collectively referred to as "**Parties**" and individually as "**Party**".

Whereas,

A) The Recipient has requested the Bank to finance the construction of the works as described in Annex-I (hereinafter referred to as the "**Asset**") through Istisna'a for use in Sanitation Project in Five Islands (Himmafushi, Nolhivaranfaru, Naifaru, Thulusdhoo, and Veymandoo) as described in Annex-II (hereinafter referred to as the "**Project**");

B) The Board of Executive Directors of the Bank has on 19/05/1434H (corresponding to 30/03/2013G) approved the construction of the Assets for the Project in an amount not exceeding USD8,000,000.00 (United States Dollars Eight Million) (approximately equivalent to ID5,270,000.00) (Islamic Dinars Five Million Two Hundred-Seventy Thousand) (hereinafter referred to as the "**Approved Amount**").

C) The Sale Price shall be paid by the Recipient to the Bank in 15 (Fifteen) years after a Gestation Period of 4 (Four) years. These terms and conditions have been communicated to, and have been accepted by the Recipient.

D) The relationship between the Bank and the Recipient is that of vendor and purchaser with the principles of Shari'ah as interpreted by the Islamic Fiqh Academy and enunciated in the Shari'ah Standards published by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

Now, therefore, the Bank and the Recipient hereby agree as follows:

Section-1 DEFINITIONS - INTERPRETATION

1.1 In this Agreement, unless the context otherwise requires, the following terms shall have the meaning appearing against each of them hereunder:

Agency Agreement: the agreement of even date between the Bank and the Recipient whereby the Recipient shall act as the Bank's agent in selection of the Contractor and the Consultant and supervision of the construction of the Asset.

Approved Amount: the amount specified in Recital-B above.

Asset: the works described in Annex-I.

Business Day: any day on which banks are officially open for business in the place where a sum or sums are payable by the Recipient to the Bank in the currency in which such payment shall be effected.

Capital Cost: the total cost of the construction of the Asset which shall include the Contract Price, fee under the Consultancy

	Agreement and any other costs or expenses incurred by the Bank in or in connection with the construction of the Asset plus a floating mark-up rate of 6-month USD Libor plus 155 per annum applied to each Disbursement during the Gestation Period.
Consultancy Agreement:	the agreement with the Consultant for the provision of consultancy services pertaining to the Asset.
Consultant:	the consultant who shall be entrusted with the supervision of the Asset to be constructed under the Contract as indicated in the Consultancy Agreement.
Contract:	the contract for the construction of the Asset concluded on behalf of the Bank by the Recipient, through the Executing Agency, with the Contractor.
Contract Price:	the price payable to the Contractor for the construction of the Asset.
Contractor:	the contractor who shall be entrusted with the construction of the Asset.
Disbursement:	actual payment of any part of the Approved Amount.
Effective Date:	the date on which the Bank declares this Agreement effective in accordance with Section-9.
Event of Default	the occurrence of any of the events set out in Section-7.
Executing Agency:	the Ministry of Finance and Treasury.
First Disbursement:	the first payment following the effectiveness of this Agreement in accordance with relevant Bank's policies and guidelines.
Gestation Period:	the period commencing on the Date of First Disbursement and ending 4 (Four) years thereafter.
LIBOR	(i) in respect of any relevant period of one (1) month or more, the rate of interest for deposits for a period being the number of whole months most closely corresponding to the duration of the period, and (ii) in respect of a relevant period less than a month, the rate of interest for deposits in USD for a period of one (1) month, (the period for which the rate is taken being hereafter called the "Representative Period") as set by the British Bankers Association and released by Reuter Monitor Money Rates Service or any financial news providers at 11.00 a.m. London time or at a later time acceptable to the Bank on the day (the "Reset Date") which falls two (2) London Business Days prior to the first day of the relevant period.

If such rate is not so released by Reuter or any financial news providers, the Bank shall request the principal London offices of "Reference Banks" to quote the rate at which USD deposits in a comparable amount are offered by each of them, at approximately 11.00 am London time on the Reset Date, to prime banks in the London interbank market for a period equal to the Representative Period. If at least two such quotations are provided, the rate will be the arithmetic mean of the quotations provided.

If fewer than two quotations are provided as requested, the vendor shall request the principal New York City offices of Reference Banks to quote the rate at which USD deposits in a comparable amount are offered by each of them at approximately 11.00 am New York City time on the day falling two (2) New York Business Days after the Reset Date, to prime banks in European market for a period equal to the Representative Period. If at least two such quotations are provided, the rate will be the arithmetic mean of the quotations provided.

For the purposes of the foregoing definition:

(i) London Business Day: a day on which banks are open for normal business in London and New York Business Day means a day on which banks are open for normal business in New York City.

(ii) All percentages resulting from any calculations referred to in this definition will be rounded, if necessary to five decimal places.

(iii) The Bank shall inform the Recipient without delay of the quotations received by the Bank.

(iv) Reference Banks: the principal London offices of the JPMorgan Chase, Citibank N.A. and HSBC and/or any other bank appointed by the Bank in substitution for any of the foregoing banks.

Project: has the meaning ascribed to it in Recital-A above.

Sanctionable Practices: any of Corrupt Practice, Coercive Practice, Collusive Practice, Fraudulent Practice or Obstructive Practice as defined below:

(a) **Corrupt Practice:** means the offering, giving, receiving, or soliciting, directly or indirectly, anything of value to influence improperly the actions of another party;

(b) **Coercive Practice:** means any act or omission

impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party.

(c) **Collusive Practice:** means an arrangement between two or more parties designed to achieve an improper purpose, including influencing improperly the actions of another party.

(d) **Fraudulent Practice:** means any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation.

(e) **Obstructive Practice:** means,

(i) deliberately destroying, falsifying, altering or concealing of evidence material to the investigation or making of false statements to investigators, in order to materially impede the Bank investigation into allegations of a Corrupt, Fraudulent, Coercive or Collusive practice, and/or threatening, harassing or intimidating any party to prevent it from disclosing its knowledge of matters relevant to the investigation or from pursuing the investigation, or

acts intended to materially impede the exercise of the Bank's access to contractually required information in connection with the Bank's investigation into allegations of a Corrupt, Fraudulent, Coercive or Collusive practice.

Sale Price: the price of the Asset payable by the Recipient to the Bank in accordance with Section-4.

SWAP Rate: the rate to be selected by the Bank in calculating the Sale Price, one business day prior to the end of the Gestation Period, from the lowest rate obtained when comparing,

(a) the rates quoted by and obtained from institutions dealing with SWAP acceptable to the Bank; and

(b) the rates quoted on Bloomberg or any other financial news providers acceptable to the Bank.

For the sake of clarity, any rate to be obtained or calculated shall be for a fixed-floating amortizing swap having zero NPV at start for which,

(i) the currency of both legs are in USD currency,

(ii) both legs have a maturity equal to the Repayment

Period,

(iii) both legs are subject to the agreed amortization schedule of the Capital Cost,

(iv) fixed leg has a coupon payment with semi-annual frequency and 30/360 day count basis,

(v) floating leg has a coupon payment of 6-month USD Libor (i.e. with semi-annual frequency and Actual/360 day count basis),

both legs use mid swap curves available in Bloomberg (Swap Manager-SWPM)for pricing purposes. In this case, the swap rate shall be the coupon of the fixed leg.

Tax: any tax, levy, impost, duty or other charge of similar nature (including without limitation any penalty payable in connection with any failure to pay or delay in paying any of the same).

US Dollar/USD/ US$: the lawful currency of the United States of America.

1.2 **Interpretation:**

(i) an "annex", "schedule", shall, subject to any contrary indication, be construed as a reference to an annex, schedule of the agreement or document in which such reference appears;

(ii) "including" shall be construed as a reference to "including, without limitation";

(iii) this Agreement or any other agreement or document shall be construed as a reference to this Agreement or, as the case may be, such other agreement or document as the same may have been, or may from time to time be, amended, varied, notated or supplemented;

(iv) "Article", "Section", "paragraph", or "preamble" shall, unless a contrary indication appears, be construed as one in or to this Agreement;

(v) the headings in this Agreement are for convenience only and are not intended, and shall not be construed, to alter, limit, or enlarge in any way the scope or meaning of the language contained in this Agreement;

(vi) the singular includes the plural and vice versa; and

(vii) a "day" and "year" shall be to a day, month and year, respectively of the Gregorian calendar.

(viii) Words and expressions defined in the Agency Agreement and not defined herein shall have the same meaning as given in the Agency Agreement.

Section-2 CONSTRUCTION AND COMPLETION OF THE ASSET

2.1 The Bank agrees to have the Asset constructed in accordance with the terms and conditions of this Agreement and the Recipient agrees to take over the Asset on the terms and conditions set out in this Agreement and to pay the Sale Price.

2.2 For the avoidance of any doubt, the Recipient agrees that the Bank will have the Asset constructed by the Contractor to be selected in accordance with the relevant provisions indicated in the Agency Agreement.

2.3 Subject to Sections 3 and 6, the construction of the Asset will be completed within 4 (Four) years from the date of First Disbursement.

2.4 The Recipient shall afford all reasonable opportunity for accredited representatives of the Bank to make visits for purposes related to the Asset, and inspect the Project, the Asset and any relevant records and documents and shall furnish to the bank all such information as the Bank shall reasonably request concerning the expenditure of the Approved Amount, the Project, the Asset and the operations and financial position of the Recipient during the implementation of the Project and until all payments hereunder are made by the Recipient in full.

Section-3 ACCEPTANCE AND STATUS OF THE ASSET

3.1 The Recipient shall direct the Executing Agency to irrevocably accept the Asset for all purposes thereof when the Executing Agency signs the Final Acceptance Certificate.

3.2 **Condition of the Asset:** Without prejudice to the foregoing, the Bank shall not have any responsibility or liability whatsoever to the Recipient or any other person or entity, with respect to:

(a) any liability, loss or damage caused (or alleged to be caused) directly or indirectly by the Asset or by any inadequacy thereof or deficiency or defect therein or by any other circumstances in connection therewith;

(b) in respect of the use or operation of the Asset or any risks relating thereto;

(c) any interruption of service, loss of business or anticipated profit or consequential damages.

3.3 The Bank undertakes to assign to the Recipient the benefit of any guarantee, condition or warranty relating to the Asset which may have been given by the Contractor to the Bank and which had been examined and accepted by the Recipient and all other conditions or warranties as may be implied by law or recognized by custom in favor of the Bank. In addition, the Bank shall take such other action as the Recipient shall reasonably request to enable the Recipient to claim against the Contractor.

3.4 **Ownership and Risk**: The title to and the risk in the Asset shall pass to the Recipient on the signing of the Final Acceptance Certificate.

Section-4 PAYMENT OF THE SALE PRICE

4.1 The Sale Price is at USD10,446,538.00 (United States Dollars Ten Million Four Hundred Forty-Six Thousand Five Hundred Thirty-Eight).

4.2 (i) The Sale Price will be recalculated at the end of the Gestation Period based on the Capital Cost plus a mark-up of 6-months USD Libor Swap Rate prevailing at the time corresponding to the capital amortization period plus 155 basis points per annum applied to each disbursement.

(ii) The Capital Cost shall be determined based on the total disbursements at the end of the Gestation Period, or the time of sale, plus a floating mark-up rate of 6-months USD Libor plus 155 basis points per annum.

4.3 The Recipient shall pay the Sale Price in 30 (Thirty) semi-annual equal and consecutive installments, the first of which shall become due and payable 6 (Six) months from the end of the Gestation Period. The Bank shall send the Sale Price Payment Schedule to the Recipient shortly after the issue of the Final Acceptance Certificate.

4.4 Subject to Section 4.6 and 4.7, each payment to be made by the Recipient to the Bank hereunder shall be made in any convertible currency acceptable to the Bank for value on the due date to the account of the Bank or in such other manner as the Bank may from time to time notify the Recipient in writing.

4.5 Any payment due hereunder shall be deemed to have been duly paid when any of the following banks confirms to the Bank the receipt of such payment in the Bank's account with it:

In US Dollars:	**In Pounds Sterling:**	**In EURO:**
A/c No:	A/c No:	A/c No:
GB36SINT60928000159111	GB13SINT60928000159137	FR7643899000019696500151088
Gulf International Bank (UK)	Gulf International Bank (UK)	Union De Banques Arabes Et
Ltd, One Knightsbridge	Ltd, One Knightsbridge	Françaises (UBAF)
London SW1X 7XS	London SW1X 7XS	92523 Paris, Neuilly Cedex
United Kingdom	United Kingdom	France
Telex No. 8812261/2	Telex No. 8812261/2	Télex No. 610334 UBAF
Swift Code: SINTGB2L	Swift Code: SINTGB2L	Swift Code: UBAFRPPXXX

4.6 If any payment falls due hereunder on a day which is not a Business Day, payment shall be made on the next following Business Day.

4.7 All payments made by the Recipient hereunder shall be made free and clear of and without deduction of, or on account of, any tax, set-off, counter-claim or other matter. If the Recipient is required by law to make any deduction or withholding from any sum payable by it hereunder, the sum payable by it in respect of which such deduction or withholding is required to be made shall be increased to the extent necessary to ensure that, after the making of such deduction or withholding, the Bank receives and retains (free from any liability in respect of any such deduction or withholding) a net sum equal to the sum which it would have received and so retained had no such deduction or withholding been made.

4.8 If the Recipient fails to pay any amount payable hereunder when it is due, the Recipient shall,

(i) in accordance with the Principles of Islamic Shari'ah, compensate the Bank for any loss, damage, reasonable actual costs and expenses (including, but not limited to any legal, or collecting agent's costs and expenses) incurred by the Bank as a result of delay in payment to the Bank.

(ii) pay the Bank a late payment charge in respect of the overdue amount, any such late payment charge shall be calculated and applied as a sum determined by the Bank after applying the formula indicated below:

$\frac{A \times B \times C}{360}$ Where: "A" means the unpaid amount;
"B" means **01%** per annum; and
"C" means the number of days from and including such due date to, and, including the date of actual payment (whether before or after judgment).

The Bank shall, after the deduction of all actual costs and expenses incurred, pay any amount received pursuant to this Section to the Bank's Waqf Fund Account.

Account No:	0000 100 102
Bank Name:	The British Arab Commercial Bank
SWIFT Code:	BACMGB2L
IBAN:	GB69 BACM 4051 3200 100 102

Section-5 SUSPENSION, CANCELLATION AND TERMINATION

5.1 If within 180 (One Hundred and Eighty) days from the Effective Date the Contract is not signed or the Recipient has not requested for the First Disbursement, the Bank may, by notice to the Recipient cancel the Approved Amount, unless it is satisfied with the Recipient's justification for such delay.

5.2 The Recipient may request the Bank to terminate this Agreement and cancel the Approved Amount at any time before the signature of the Contract.

5.3 If at any time the Bank determines, after consultation with the Recipient, that any part of the Approved Amount will not be required to finance the Project, the Bank may give notice to the Recipient terminating the undertaking by the Bank to disburse such part. That part of the Approved Amount shall be considered cancelled upon delivery of such notice.

5.4 Upon payment to the Bank of all the amounts due under this Agreement, this Agreement shall be terminated and the obligations of the Parties hereunder discharged.

5.5 The Bank may, by notice to the Recipient, suspend or terminate this Agreement and suspend or cancel the Approved Amount or any part thereof in any of the following cases:

(a) An extraordinary situation shall have arisen which,

(i) shall make it, in the opinion of the Bank, improbable that the Recipient would be able to fulfill its obligations under this Agreement, or

(ii) shall prevent the attainment of the purposes for which this Agreement is entered into.

(b) A representation made by the Recipient or any statement furnished and intended to be relied upon by the Bank in processing the Project for approval or for entering into this Agreement, shall have been incomplete or incorrect in any material respect.

(c) The Bank determines that –

(i) the Recipient is in breach of any of its obligations under this Agreement, or

(ii) with respect to the execution of any Contract to be financed in full or in part from the proceeds of the financing hereunder, any person or entity has engaged in any Sanctionable Practices without the Recipient having taken timely and appropriate action satisfactory to the Bank to remedy the situation or to address such practices when they occur.

(d) The Recipient has failed to discharge its obligations to pay any amount due to the Bank (or any affiliated body to the Bank).

5.6 Any suspension of the Agreement or the Approved Amount shall continue until the event or events which gave rise to such suspension shall have ceased to exist or until the Bank shall have notified the Recipient that the undertaking of the Bank to construct the Asset has been restored, whichever is earlier; provided, however, that in the case of any such notice of restoration, the undertaking to construct the Asset shall be restored only to the extent and subject to the conditions specified in such notice, and no such notice shall affect or impair any right, power or remedy of the Bank in respect of any other or subsequent event described in this Section.

5.7 In the event that the Contractor fails to fulfill any of its obligations under the Contract and the Recipient, in consultation with the Bank, terminates the Contract in accordance with its terms, such termination shall after 60 (Sixty) days, operate as a cancellation of any amount remaining undisbursed from the Approved Amount, unless the Bank shall otherwise agree. Notwithstanding the termination of this Agreement, the Recipient shall continue to co-operate and assist the Bank in recovering from the Contractor such part of the Contract Price and any other amount that may have been disbursed by the Bank before the termination of the Contract.

5.8 Cancellation of the Approved Amount or any part thereof shall not affect any commitment made, obligations incurred or rights accrued prior to the date of cancellation.

5.9 Unless Disbursement has been made from the Approved Amount, if the Approved Amount is cancelled, the Agreement shall deemed to be automatically terminated.

5.10 The undisbursed part of the Approved Amount shall automatically be cancelled in the event of termination of this Agreement or the Agency Agreement.

5.11 Upon the cancellation of the Approved Amount or any part thereof and/or termination of this Agreement on account of an Event of Default, or the Recipient's breach of its obligations under this Agreement and/or failure to ensure delivery of the Asset, the Recipient shall indemnify the Bank by an amount equal to the Capital Cost determined and commitment incurred, as at the date of termination.

Section-6 REPRESENTATIONS

The Recipient represents that:

(i) all governmental authorizations and actions of any kind necessary to authorize or required for the validity or enforceability of the obligations contemplated under the Agreement have been obtained or performed and are valid and subsisting in full force and effect.

(ii) under the laws of the Republic of Maldives in force at the date of this Agreement, the claims of the Bank against the Recipient under this Agreement will rank at least pari passu with the claims of all other unsecured creditors for any indebtedness of the Recipient; and

(iii) the concerned department or unit charged with servicing external debt has been instructed to make payment of the Sale Price installments on due dates.

Section-7 EVENTS OF DEFAULT

7.1 If one of the events specified in this Section shall have happened and be continuing, then the Bank, by notice to the Recipient, may declare the whole or part of the Sale Price to be, and the same shall thereupon become, immediately due and payable (anything in this Agreement notwithstanding) without any further notice:

(a) default shall have occurred in the payment of any of the Sale Price installments and such default shall have continued for a period of 15 (Fifteen) days.

(b) default, other than the default specified in Section 7.1(a), shall have occurred in the performance of any obligation of the Recipient under this Agreement and any such default shall have continued for a period of 30 (Thirty) days.

(c) any representation or warranty confirmed or made by the Recipient in connection with the execution and delivery of this Agreement, or in connection with any request for disbursement under this Agreement, shall be found to have been incorrect in any material respect and shall continue to be incorrect for a period of 30 (Thirty) days after notice thereof shall have been given to the Recipient by the Bank;

(d) the Recipient shall have become unable to pay its debts as they fall due or shall otherwise have become insolvent; or any encumbrancer shall have lawfully taken possession or a receiver or trustee shall have been appointed of the whole or any part of the undertaking or assets of the Recipient; or a distress or execution (or analogous process) shall have been levied or enforced upon or issued out against any of the chattels or property of the Recipient and such distress or execution shall not have been discharged within 15 (Fifteen) days; or an order shall have been made or an effective resolution passed or analogous proceedings taken for the Recipient's winding up, bankruptcy or dissolution; or any other event shall have occurred which under any applicable law would have an effect analogous to any of those events listed above in this paragraph; and

(e) any obligation or purported obligation of the Recipient under or arising out of this Agreement being or becoming wholly or in part invalid or unenforceable because the rights of the Bank have become barred by reason of any legal limitation, disability, incapacity or any other fact or circumstance whether or not always known to the Bank.

7.2 If any Event of Default or any event which, with lapse of time or notice and lapse of time, would become an Event of Default shall have happened, the Recipient shall immediately give the Bank notice thereof by telex or facsimile, specifying the nature of

such Event of Default or such event and any steps the Recipient is taking to remedy the same.

7.3 No course of dealing and no delay in exercising, or omission to exercise, any right, power or remedy accruing to the Bank upon any default under this Agreement or any other agreement shall impair any such right, power or remedy or be construed to be a waiver thereof or an acquiescence therein; nor shall the action of the Bank in respect of any such default, or any acquiescence by it therein, affect or impair any right, power or remedy of the Bank in respect of any other default.

Section-8 INDEMNITY

8.1 The Recipient hereby undertakes to indemnify the Bank, on a net after-tax basis (at the applicable local and foreign tax rates) against, and agrees to protect, save and keep harmless, the Bank from any, and all obligations, fees, liabilities, losses, damages, penalties, demands, actions, judgments and expenses, including reasonable legal fees and expenses (including such legal fees and expenses incurred in connection with the enforcement of this Agreement), of every kind and nature whatsoever imposed on, incurred by, or asserted against the Bank arising out of:

(a) ownership, possession, use, documentation, removal, return, or other applications or dispositions under the Contract or the Consultancy Agreement, including such as may arise from:

(i) any loss or damage to any property or death or injury to any person;

(ii) patent or latent defects in the Asset;

(iii) any claims based on strict liability in tort or otherwise;

(iv) any claim based on patent, trademark or copyright infringement;

(v) any claims based on liability arising under the applicable environmental laws or environmental approvals;

(vi) any claim regarding title to the Asset or the land on which it is constructed;

(vii) any claim or dispute relating to the Contract or any Letter of Credit established pursuant thereto or relating to the Consultancy Agreement.

(b) the occurrence of any default or any other failure on the part of the Recipient or the Contractor to perform or comply with any term of this Agreement, or any document, agreement or contract entered into in relation hereto or otherwise in relation to the Asset, but excluding any claim based upon any failure on the part of the Bank to comply with its obligations under this Agreement or any document, agreement or contract entered into by the Bank in relation hereto or otherwise in relation to the Asset;

(c) any claims, encumbrances, security interests, and liens or legal processes regarding title to or interest in the Asset or the land on which it is constructed.

8.2 The Recipient shall give the Bank prompt notice of any occurrence or condition known to the Recipient as a consequence of which the Bank is or is reasonably likely to be entitled to indemnification. The indemnification provided in Section-8.1 shall specifically apply to and include claims or actions brought by or on behalf of employees of the Recipient and the Recipient hereby expressly waive, as against the Bank, any immunity to which the Recipient might otherwise be entitled under any applicable laws. The Recipient shall promptly upon request by the Bank (but in any event within fifteen days of such request) reimburse the Bank for amounts expended by it in connection with any of the foregoing or pay such amounts directly. The Recipient shall be subrogated to the Bank's rights in any matter with respect to which the Recipient has actually reimbursed the Bank for amounts expended by it or has actually paid such amounts directly pursuant to Section-8.1. In case any action or proceeding is brought against the Bank in connection with any indemnified claim, the Bank will, after receipt of notice of the commencement of such action or proceeding, notify the Recipient thereof, enclosing a copy of all papers served upon the Bank. The Recipient may, and upon the Bank's request, will resist and defend such action or proceeding at the Recipient's expense, or cause the same to be resisted or defended by counsel selected by the Recipient reasonably satisfactory to the Bank. In the event of any failure by the Recipient to do so, the Recipient shall pay all costs and expenses (including reasonable attorney's fees and expenses) incurred by the Bank in connection with such action or proceeding.

Section-9 EFFECTIVENESS

9.1 This Agreement shall not be effective unless and until the Recipient furnishes the Bank with the following documents:

(i) Evidence satisfactory to the Bank to the effect that the execution and delivery of this Agreement on behalf of the Recipient has been duly authorized or ratified by the Republic of Maldives;

(ii) Legal opinion acceptable to the Bank emanating from the chief legal counsel of the Recipient stating that the terms and conditions of the Agreement constitute enforceable binding obligations upon the Republic of Maldives substantially in the form provided in Annex-III to this Agreement;

(iii) A letter issued by the Ministry of Finance or any other duly authorized organ of the Recipient to the Central Bank of Maldives instructing/authorizing the Central Bank that payment of the Sale Price instalments by the Recipient under this Agreement shall be effected by the Central Bank on the dates on which they fall due; &

The Central Bank acknowledging that it has received the said letter of instruction/authorization and that it will adhere to the instructions contained therein;

OR

The Recipient, through its Ministry of Finance or any other duly authorized organ, shall provide the Bank with a letter confirming that the concerned department or unit charged with servicing external debt has been instructed to make payment of the Sale Price instalments on due dates; and

(iv) A letter issued by a duly authorized organ of the Recipient giving assurance that the priority list of the Five Islands (Himmafushi, Nolhivaranfaru, Naifaru, Thulusdhoo, and Veymandoo) shall remain unchanged throughout the implementation and completion of the Project.

(v) All conditions precedent to the Recipient's right to obtain funds from other financiers of the Project shall have been fulfilled.

9.2 If the Agreement shall not have entered into effect within 6 (Six) months from the date of signature, the Agreement and all obligations of the Parties thereunder shall terminate, unless the Bank, after consideration of the reasons for the delay, shall establish a later date for the purposes of this Section. The Bank shall promptly inform the Recipient of such later date or the termination of the Agreement, as the case may be.

Section-10 WAIVER

Failure of the Bank to exercise or assert any of its rights under this Agreement or its delay in the same or its failure to exercise or assert any remedy it may have against the Recipient or its delay in the same, shall not prejudice such right or remedy and shall not be construed as a waiver of such right or remedy.

Section-11 GOVERNING LAW - SETTLEMENT OF DISPUTES

11.1 This Agreement shall be governed by and be construed in accordance with the principles of Islamic Shari'ah as pronounced by the Islamic Fiqh Academy, as enunciated in the Shari'ah Standards published by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), and as interpreted by the Bank's Shari'ah Committee.

11.2 Any dispute between the Parties to this Agreement and any claim by any Party against the other Party arising under this Agreement, which could not be determined by agreement of the Parties within 30 (Thirty) days of notice by one Party to the other, shall be submitted to an arbitration panel for final and binding decision in accordance with the rules and procedures of the International Islamic Centre for Reconciliation and Arbitration (IICRA), Dubai, United Arab Emirates. The arbitration rules and procedures of IICRA shall be in lieu of any other procedure for the determination of disputes between the Parties to this Agreement or any claim by any Party against the other Party arising thereunder.

11.3 If within 30 (Thirty) days after counterparts of the award shall have been delivered to the Parties, the award is not complied with, any Party may enter judgment upon, or institute a proceeding to enforce the award, in any court of competent jurisdiction against the other Party, may enforce such judgment by execution or may pursue any other appropriate remedy against the other Party for the enforcement of the award or the provisions of this Agreement.

11.4 Each Party to this Agreement agrees that any judgment rendered under this Agreement against it may be executed against its funds (assets) in any jurisdiction. The Parties to this Agreement hereby irrevocably waive any objection they may have to any suit, action or proceeding arising out of or relating to the enforcement of an arbitration judgment under this Agreement, whether brought in any jurisdiction in

which they have funds (assets), and hereby further irrevocably waive any claim that any such suit, action or proceeding brought in any jurisdiction have been brought in any inconvenient forum.

11.5 To the extent that the Recipient may in any jurisdiction claim for itself or its assets immunity from suit, execution, attachment (whether in aid or execution, before award or judgment or otherwise) or other legal process or to the extent that in any such jurisdiction there may be attributed to itself or its assets such immunity (whether or not claimed), the Recipient hereby irrevocably agrees not to claim and hereby irrevocably waives such immunity.

Section-12 COORDINATION AND NOTICES

12.1 **Co-ordination:** The Recipient hereby appoints the Minister of Finance and Treasury of the Government of the Republic of Maldives as the authorized representative of the Recipient (the **Recipient's Representative**) on all matters under this Agreement and for all intents and purposes without limitation; accordingly:

(i) to deal with the Bank and to be directly responsible for fulfilling the obligations incumbent on the Recipient by virtue of this Agreement.

(ii) all communications of any kind given by the Bank to the Recipient's Representative shall be deemed to have been duly given to the Recipient;

(iii) all communications received by the Bank from the Recipient's Representative shall be deemed to have been duly given or made by, and received from, the Recipient; and

(iv) the Recipient's Representative shall, at all times, conduct proper and efficient coordination and cooperation, and ensure that the Recipient and the Executing Agency carry out their duties hereunder.

12.2 **Notices:** Any notice, request or other communication to be given or made under this Agreement or in connection therewith shall be in writing and shall be deemed to have been duly given when delivered by hand, airmail, established courier service, or facsimile to the Party to which it is given at such Party's address specified below or at such other address as such Party shall have designated by notice to the Party giving such notice, request or communication.

<u>For the Recipient:</u>
Ministry of Finance and Treasury
Block 379, Ameenee Magu
Male', Republic of Maldives
Tel: +960-3449 223
Fax: +960-330 7802
Email:

<u>For the Bank:</u>
P.O. Box 5925, Jeddah-21432
Kingdom of Saudi Arabia
Tel: +966 2 6361400
Fax: +966 2 6366871

Email: archives@isdb.org

Section-13 MISCELLANEOUS

13.1 The recital and the annexes are an integral part of this Agreement.

13.2 **Authority:** The person signing this Agreement on behalf of each Party hereby represents and warrants to the other Party that he or she has the requisite legal power and authority to execute this Agreement on behalf of the Party and bind the Party to the obligations herein.

13.3 **Counterparts:** This Agreement, including any amendments, may be executed in counterparts which, when taken together, shall constitute a single agreement. Copies of this Agreement shall be equally binding as originals and faxed or scanned and emailed counterpart signatures shall be sufficient to evidence execution, though the Parties may require original signed documents to be delivered.

13.4 **Entire Agreement:** This Agreement is the entire agreement and supersedes any prior oral or written agreement or communications between the Parties regarding its subject matter.

13.5 **Delay:** No failure or delay on the part of Bank, in exercising any right hereunder, shall operate as a waiver of, or impair, any such right unless given in writing. No single or partial exercise of any such right shall preclude any other or further exercise thereof or the exercise of any other right or deemed a waiver of any other right hereunder.

13.6 **Amendment:** This Agreement may only be amended by a mutual written agreement of the Parties.

13.7 **Agreement Date:** The date of this Agreement shall, for all purposes of this Agreement, be that appearing in the Preamble.

[END OF ARTICLES]

Execution Page:

In witness whereof, the Parties, through their duly authorized representatives, have signed this Agreement relating to Sanitation Project in Five Islands for an amount not exceeding USD8,000,000.00 (United States Dollars Eight Million) (approximately equivalent to ID5,270,000.00) (Islamic Dinars Five Million Two Hundred-Seventy Thousand) on the date first above written.

FOR AND ON BEHALF OF
REPUBLIC OF MALDIVES

____

Name:

Title:

FOR AND ON BEHALF OF
ISLAMIC DEVELOPMENT BANK

____

Name:

Title:

Annex-I DESCRIPTION OF THE ASSET

As part of the civil works, IDB is financing the full cost of construction of sewerage networks and the associated treatment and discharge facilities in three islands (Himmafushi, Nolhivaranfaru and Thulusdhoo).

The proposed project components are described below:
The sewerage networks will be gravity based, but will include lifting stations, because of the flat land topography. The works include:

1. **Himmafushi:**
   - Supply and installation of street gravity sewers: 6.3 Km (diameter 150 mm in UPVC).
   - Supply and installation of pumping mains: 1.52 Km (diameter 150 mm in HDPE).
   - Supply and installation of house connection sewers: 1.56 Km (diameter 100 mm in UPVC).
   - Supply and installation of sea outfall pipeline: 0.2 Km and diameter 150 mm.
   - Acquisition and installation of 5 lifting stations (total flow of 169 m3/d).

2. **Nolhivaranfaru:**
   - Supply and installation of street gravity sewers: 12.2 Km (diameter 150 mm in UPVC).
   - Supply and installation of pumping mains: 0.56 Km (diameter 150 mm in HDPE).
   - Supply and installation of house connection sewers: 2.76 Km (diameter 100 mm in UPVC).
   - Supply and installation of sea outfall pipeline: 0.4 Km and diameter 150 mm.
   - Acquisition and installation of 3 lifting stations (total flow of 299 m3/d).

3. **Thulusdhoo:**
   - Supply and installation of street gravity sewers: 8.8 Km (diameter 150 mm in UPVC).
   - Supply and installation of pumping mains: 1.23 Km (diameter 150 mm in HDPE).
   - Supply and installation of house connection sewers: 2.10 Km (diameter 100 mm in UPVC).
   - Supply and installation of sea outfall pipeline: 0.1 Km and diameter 150 mm.
   - Acquisition and installation of 3 lifting stations (total flow of 227 m3/d).

In addition, the project will finance the construction, in each island, of a wastewater treatment plant (WWTP), based on the activated sludge process with extended aeration. The wastewater will be subject to physical and biological treatment, and will be chlorinated. The treatment process will also include a sludge treatment line, with sludge drying beds. Furthermore, the project will finance the construction of 3 laboratories in order to test and monitor water and sludge quality.

Annex-II DESCRIPTION OF THE PROJECT

The project has 4 major components:

1. ***Component A: Collection and treatment infrastructure:*** Under this component, the project will finance the construction of sewerage networks and the associated treatment and discharge facilities in five islands (Himmafushi, Nolhivaranfaru, Naifaru, Thulusdhoo, and Veymandoo).

2. The sewerage networks will be gravity based, but will include lifting stations, because of the flat land topography.

3. In addition, the project will finance the construction, in each island, of a wastewater treatment plant (WWTP), based on the activated sludge process with extended aeration. The wastewater will be subject to physical and biological treatment, and will be chlorinated. The treatment process will also include a sludge treatment line, with sludge drying beds. Furthermore, the project will finance the construction of five laboratories in order to test and monitor water and sludge quality.

4. ***Component B: Consultancy services.*** The component consists of the selection of a consultancy firm to supervise works during the construction phase of the project. The firm to be selected will not have to undertake the detailed design of the project which will be the responsibility of the contractor(s).

5. ***Component C: Support to project management.*** The activities under this component will cover:

6. ***Sub-component C1: PMU allowances.*** All aspects of project administration, coordination and day-to-day operations will be managed by the PMU which will be established under the Water and Sanitation Department. The PMU will be staffed with qualified specialists. The PMU will have the following composition:
   - A PMU Manager
   - An Accountant/Financial Management Specialist
   - An Assistant Project Officer/Support staff

7. The project will finance the payment of nominal incentives for these PMU staff members.

8. ***Sub-component C2: IT equipment and Operating cost.*** The project will finance the incremental operating costs including communication services (telephone and internet costs), maintenance and office supplies, per diem and transportation, in addition and the acquisition of IT equipment to the benefit of the PMU. This sub-component will also cover the expenses related to the advertisement in international support media of the different procurement notices (GPN, EOI, etc.).

9. ***Sub-component C3: Familiarization visit & Start-up workshop.*** The familiarization visit includes a trip to the Bank which is intended to familiarize the representatives of Ministry of Finance and Treasury / Ministry of Environment and Energy PMU with the Bank's procedures in terms of procurement, disbursement and project implementation. In

addition, a project start-up workshop will be organized in Maldives, in order to help build the local capacity for the project implementation.

10. ***Sub-component C4: Capacity strengthening.*** The sub-component will finance the services of an individual expert well experienced in project management who will be recruited to assist the PMU staff in the project implementation and, at the same time, provide on-the-job training and capacity development.

11. ***Component D: Financial Audit.*** A qualified, independent audit firm will be selected in order to audit the project financial statements.

Annex-III FORM OF OPINION OF COUNSEL TO THE

[TO BE PRINTED AND PROVIDED ON THE LETTERHEAD]

Islamic Development Bank,
P.O. Box: 5925, Jeddah 21432
Kingdom of Saudi Arabia

Dear Sirs,

In my capacity as the counsel to the Government of the Republic of Maldives, under the powers vested in me under the laws of the Republic of Maldives, I hereby certify that this document constitutes the Legal Opinion issued in relation to Istisna'a and Agency Agreements dated __/__/____H (__/__/____G) entered into between the Republic of Maldives and the Islamic Development Bank (the "**Agreements**") for the construction of the works as described in Annex-I to the Agreements (the "**Asset**") for use in the Sanitation Project in Five Islands (the "**Project**") in an amount USD8,000,000.00 (United States Dollars Eight Million) (approximately equivalent to ID5,270,000.00) (Islamic Dinars Five Million Two Hundred-Seventy Thousand).

For the purpose of this Legal Opinion, I have examined,

(i) the Agreements;

(ii) the authorization to enter into and sign the Agreements;

(iii) all laws, rules, regulations, orders, decrees and the like of the Republic of Maldives; and

(iv) such other documents and instruments as I deemed necessary.

Accordingly, I am of the opinion that the said Agreements signed for and on behalf of the Government of the Republic of Maldives by Name and Title/Position of the signatory on __/__/____H (__/__/____G):

(a) has been duly authorized, executed, delivered and ratified by all necessary corporate and governmental action;

(b) constitute legal valid and binding obligations of the Republic of Maldives enforceable against the Republic of Maldives in accordance with its terms;

(c) does not violate any provision of the Constitution, any law, rule, regulation, order or decree of the Republic of Maldives;

and therefore will constitute binding obligations of the Republic of Maldives in accordance with the terms and conditions stipulated in the said Agreements.

In stating the foregoing, I express no opinion other than as to the laws of the Republic of Maldives.

DONE at Insert data on __/__/____H (corresponding to __/__/____G).

Yours truly,
Signature|Name|Designation

MINUTES OF MEETING
(IDB Mission 19 – 23 January 2013)

During the period of 19-23 January 2013, meetings were held between the representatives of the Government of Maldives (GOM) and an Islamic Development Bank (IDB) mission, in respect of the Sanitation Project in Five Islands (hereinafter the "Project").

The GOM was represented by the following officials (hereinafter "the GOM Team"):

A) Ministry of Finance and Treasury (MOFT):
- Mr. Mohamed Ahmed, Financial Controller
- Ms Aminath Ali Manik, Director General
- Ms Asma Moosa, Assistant Director
- Ms Aminath Seema Mohamed, Senior Accounts Officer

B) Ministry of Environment and Energy (MEE):
- Mr. Abdul Matheen Mohamed, Minister of State of Environment & Energy
- Ms Shaheeda Adam Ibrahim, Director General MEE
- Mr. Afsal Hussain, Environment Analyst
- Ms Fathimath Shahuza, Senior data processing officer

C) FENAKA:
- Mr. Ahmed Numan, Chairman
- Mr. Moosa Ibrahim, Assistant Managing Director

The IDB was represented by the following officers (hereinafter "the IDB's Team"):

- Dr. Nizar Zaied, Senior Water & Sanitation Specialist, Infrastructure Department
- Mr. Abdallah Sow, Senior Financial Analyst, Infrastructure Department

The following matters relating to the financing and implementation of the Project were discussed:

1) Name of the Project: Sanitation Project in Five Islands

2) Project Objective: The project development objective is to contribute to improving the quality of life of the population in five selected islands (Himmafushi, Nolhivaranfaru, Naifaru, Thulusdhoo and Veymandoo). This objective will be achieved by:

(a) significantly increasing coverage of sanitation services which are currently inexistent to achieve full coverage through the provision of satisfactory wastewater collection and treatment facilities; and

(b) mitigating the environmental impacts from wastewater pollution.

3) Project Components and Costs:

The project scope covers the following components:

A – Increase access to sewerage services in the following islands:
A1 – Himmafushi
A2 – Nolhivaranfaru
A3 – Naifaru
A4 – Thulusdhoo
A5 – Veymandoo

B - Consultancy services

C – Support to Project Management
C1 – PMU allowances
C2 – IT Equipment and Operating cost
C3 – International advertisement
C4 – Familiarization visit and Start-up workshop
C5 – External project management expertise

D – Financial audit

The total project cost is estimated at US$ 18.40 million including contingencies a sshowns in Table 1 below (details in Annex-1).

Table 1. Project Cost Estimate

			US$ x million
Component	**L.C.**	**F.C.**	**Total**
A- Increase access to sewerage services	1.45	13.30	14.75
B - Consultancy services	0.37	0.37	0.74
C - Support to Project Management	0.19	0.27	0.46
D - Financial audit	0.05	-	0.05
Base Cost	2.06	13.94	16.00
Contingencies	0.31	2.09	2.40
Grand Total	2.37	16.03	18.40

(4) Proposed Financing Plan and Government/Beneficiary's Contribution:

It is proposed that the project be financed by IDB for an amount of US$ 15.0 million and the GOM for an amount of US$ 3.40 million.

IDB involvement would be by way of a combination of:

i) Istisna'a financing for an amount of US$ 8.0 million to cover the full cost related to works and equipment in: (i) Himmafushi, (ii) Nolhivaranfaru, and (iii) Thulusdoo.

The Istisna'a financing will be based on the following terms: (i) 4 years of gestation period and 15 years of repayment period, (ii) floating 6 month labor rate with a spread of 155 bps during the gestation period, and (iii) at the end of the gestation period, a SWAP rate equivalent to the 6 month libor for the relevant duration prevailing at that time plus 155 bps.

ii) Loan for an amount of US$ 7.0 million (approximately equivalent to ID 4.60 million) in order to finance: (i) the works and equipment in Naifaru (62 percent), the works the works and equipment in Veymandoo (62 percent), and (iii) the full cost of the consultancy services, the support to project management and the financial audit.

The loan will be for a period of 25 years, including a grace period of 7 years, with a service fee not exceeding 2.5 percent when calculated on annual basis, and

The financing plan is presented in Table 2 (details in Annex-2).

Table 2. Financing plan

US$ x million

Component	Source of Funds			Grand Total
	IDB Loan	IDB Istisna'a	GoM	
A- Increase access to sewerage services	4.84	6.95	2.96	14.75
B - Consultancy services	0.74	-	-	0.74
C - Support to Project Management	0.46	-	-	0.46
D - Financial audit	0.05	-	-	0.05
Base Cost	6.09	6.95	2.96	16.00
Contingencies	0.91	1.05	0.44	2.40
Grand Total	7.00	8.00	3.40	18.40

(5) Implementation Schedule:

The project will be implemented over a four-year period starting from the date of first disbursement.

(6) Procurement Procedures to be applied:

The works and equipment in the five islands will be grouped into two lots to be procured through International Competitive Bidding based on design-build procedure.

The consultant for the supervision of works will selected among a shortlist of firms limited to IDB member countries.

The IT equipment for the PMU will be acquired through national shopping.

The procedures for the start up workshop will be based on national shopping.

The individual expert to assist in the project management and capacity building will be recruited through open selection limited to experts from IDB member countries.

The audit firm will be selected through shortlisting of local reputed audit firms.

(7) Monitoring and Evaluation (M&E)

The mission agreed with the MEE on the strategy for M&E of the project outputs and outcomes and the setting up by the PMU of a computer-based system which will be designed for that purpose. The project key performance indicators (KPIs) were agreed on, and baseline and target values for these KPIs were defined.

(8) Miscellaneous:

a) Land availability for the construction of the treatment facilities

It is the mission's understanding that the draft land use plans in the five beneficiary islands have already made an allocation for the construction of wastewater treatment plants (WWTPs). This should be re-confirmed by the MEE, in coordination with the island councils and the Ministry of Housing and Infrastructure, in the final land use plans.

b) List of beneficiary islands

The list of beneficiary islands has been finalized in full coordination with the MOFT and the MEE, after it has been endorsed by the special parliament committee '*Majlis*'.

The mission emphasized the importance of maintaining the list of islands unchanged during the project implementation. It also stressed that if such changes were to occur, they will have detrimental impact on the project outcomes, as they will not only delay its implementation

and the achievement of its results, but will also have financial consequences on the cost of financing.

In order to mitigate such risk, it has been agreed that MEE should initiate an early information/awareness campaign to inform the beneficiary island councils and the population of the respective islands about the upcoming project.

In addition, all parties (MOFT, MEE, and IDB) agreed to exert all efforts to speed up the signing (and effectiveness) of the financing agreements, which may take place during the 38th IDB Group Annual Meeting to be held in Dushanbe, Tajikistan, during the period 21-22 May 2013.

c) Retroactive financing

The timely implementation of the project will depend to a large extent on the early appointment of the international individual expert. Hence, it is proposed that this appointment should be finalized as soon as the loan agreement is signed. However, given that the Bank will not be able to make disbursements before the effectiveness of the agreement, it is proposed that the expert be pre-financed by the GOM, which will be reimbursed for the disbursed amounts, once the loan agreement is declared effective.

(9) Conclusion:

The IDB team takes this opportunity to express its appreciation to all officials and their colleagues for their assistance and hospitality extended during its stay in Maldives.

For the avoidance of any doubt, all the parties agree that the content of these Minutes of Meeting will be subject to the approval of the authorities concerned in the GOM and the Islamic Development Bank.

Annex-1. Detailed project cost estimate

			US$ x million
Component	**L.C.**	**F.C.**	**Total**
A- Increase access to sewerage services			
A1 - Himmafushi	0.18	1.62	1.80
A2 - Nolhivaranfaru	0.27	2.44	2.71
A3 - Naifaru	0.56	5.09	5.65
A4 - Thulusdoo	0.24	2.20	2.44
A5 - Veymandoo	0.20	1.95	2.15
Sub-Total A	**1.45**	**13.30**	**14.75**
B - Consultancy services	**0.37**	**0.37**	**0.74**
C - Support to Project Management			
C1 - PMU allowances	0.07	-	0.07
C2 - IT Equipment & Operating cost	0.08	-	0.08
C3 - International advertisement	-	0.03	0.03
C4 - Familiarization visit & workshop	0.04	-	0.04
C5 - External project management expertise	-	0.24	0.24
Sub-Total C	**0.19**	**0.27**	**0.46**
D - Financial audit	**0.05**	**-**	**0.05**
Base Cost	**2.06**	**13.94**	**16.00**
Contingencies			
Physical contingencies	0.10	0.70	1.60
Price contingencies	0.21	1.39	0.80
Grand Total	**2.37**	**16.03**	**18.40**

Annex-2. Detailed financing plan

US$ x million

Component	Source of Funds			Grand Total
	IDB Loan	IDB Istisna'a	GoM	
A- Increase access to sewerage services				
A1 - Himmafushi	-	1.80	-	1.80
A2 - Nolhivaranfaru	-	2.71	-	2.71
A3 - Naifaru	3.50	-	2.15	5.65
A4 - Thulusdoo	-	2.44	-	2.44
A5 - Veymandoo	1.34	-	0.81	2.15
Sub-Total A	**4.84**	**6.95**	**2.96**	**14.75**
B - Consultancy services	**0.74**	-	-	**0.74**
C - Support to Project Management				
C1 - PMU allowances	0.07	-	-	0.07
C2 - IT Equipment & Operating cost	0.08	-	-	0.08
C3 - International advertisement	0.03	-	-	0.03
C4 - Familiarization visit & workshop	0.04	-	-	0.04
C5 - External project management expertise	0.24	-	-	0.24
Sub-Total C	**0.46**	-	-	**0.46**
D - Financial audit	**0.05**	-	-	**0.05**
Base Cost	**6.09**	**6.95**	**2.96**	**16.00**
Contingencies				
Physical contingencies	0.61	0.70	0.29	1.60
Price contingencies	0.30	0.35	0.15	0.80
Grand Total	**7.00**	**8.00**	**3.40**	**18.40**

Project No.: MAL-____

LOAN AGREEMENT

BETWEEN

REPUBLIC OF MALDIVES

AND

ISLAMIC DEVELOPMENT BANK

CONCERNING
SANITATION PROJECT IN FIVE ISLANDS

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LOAN AGREEMENT

This Loan Agreement (the **Agreement**) is made on ___/___/___H corresponding to ___/___/___G, between the Republic of Maldives (hereinafter referred to as the "**Borrower**") and the Islamic Development Bank (hereinafter referred to as the "**Bank**").

The Borrower and the Bank are hereinafter referred to individually as "**Party**" and collectively as "**Parties**".

Whereas,

A. The Borrower has requested the Bank to assist in financing Sanitation Project in Five Islands ((Himmafushi, Nolhivaranfaru, Naifaru, Thulusdhoo, and Veymandoo) as described in Annex-II (hereinafter referred to as the "**Project**");

B. One of the purposes of Bank is to assist its Member Countries by way of making loans for financing productive projects and programmes;

C. The Board of Executive Directors of the Bank has on 20/05/1434H (30/03/2013G) approved loan financing, as specified in Article-2, to the Borrower upon the terms and conditions hereinafter set forth; and

F. The Project is co-financed by the Borrower.

Now, therefore, the Parties agree as follows:

Article-1 GENERAL CONDITIONS, DEFINITIONS

1.1 The Parties accept all the provisions of the General Conditions with the same force and effect as if they were fully set forth herein.

1.2 In addition to the provisions of the General Conditions, all capitalized terms used in this Agreement shall have the meaning ascribed to them in Annex-I.

1.3 Interpretation:

(i) an "annex", "schedule", shall, subject to any contrary indication, be construed as a reference to an annex, schedule of the agreement or document in which such reference appears;

(ii) "including" shall be construed as a reference to "including, without limitation";

(iii) this Agreement or any other agreement or document shall be construed as a reference to this Agreement or, as the case may be, such other agreement or document as the same may have been, or may from time to time be, amended, varied, notated or supplemented;

(iv) "Article", "Section", "paragraph", or "preamble" shall, unless a contrary indication appears, be construed as one in or to this Agreement;

(v) the headings in this Agreement are for convenience only and are not intended, and shall not be construed, to alter, limit, or enlarge in any way the scope or meaning of the language contained in this Agreement;

(vi) the singular includes the plural and vice versa; and

(vii) a "day" and "year" shall be to a day, month and year, respectively of the Gregorian calendar.

Article-2 THE LOAN

2.1 The Bank shall make available to the Borrower a loan in an amount not exceeding ID4,600,000/- (Islamic Dinars Four Million Six Hundred Thousand) approximately equivalent to USD7,000,000.00 (United States Dollars Seven Million)].

2.2 Except as the Bank shall otherwise agree, contracts to be financed out of the proceeds of the Loan Amount shall be procured in accordance with the Procurement Guidelines. In this regard, the Borrower shall abide by the Regulations of the OIC concerning Boycott of Israel.

2.3 The Loan Amount shall be available for withdrawal from the Date of Effectiveness to the Closing Date and shall be withdrawn by the Borrower in accordance with Schedule-C of Annex-III and other provisions of this Agreement, the General Conditions and the Disbursement Procedure. In accordance with Section 6.03 of the General Conditions any part of the Loan Amount not withdrawn by the Closing Date shall be cancelled.

2.4 The Closing Date shall be 31/12/2018G.

2.5 The obligation of the Bank hereunder is conditional upon:

(i) the Date of Effectiveness being achieved within 180 (One Hundred and Eighty) days from the date of this Agreement or a later date established for the purposes of achieving the Date of Effectiveness; and

(ii) the Borrower submitting a request to the Bank to make the First Disbursement within 180 (One Hundred and Eighty) days from the Date of Effectiveness or such later date as shall be agreed between the Borrower and the Bank.

2.6 **Proceeds of the Loan Amount:** All amounts withdrawn by the Borrower from the Loan Amount shall be used solely for the purposes of the Project and all payments for Goods and services provided for in this Project and financed under the present Agreement shall be made by direct payment in accordance with the Disbursement Procedures.

Article-3 PAYMENT OF PRINCIPAL AMOUNT AND SERVICE FEE

3.1 The Borrower shall repay the Principal Amount in 25 (Twenty-Five) years including 7 (Seven) years grace period commencing from the date of this Agreement, in 36 (Thirty-Six)] consecutive semi-annual installments as set forth in Schedule-A of Annex-III.

3.2 The Borrower shall, in respect of the Loan Amount pay to the Bank a Service Fee of an amount estimated initially at ID304,290.00 (Islamic Dinars Three Hundred Four Thousand Two Hundred Ninety)] in the manner set forth in Schedule-B of Annex-III.

The Service Fee will be payable from the date of this Agreement and shall be

calculated and levied in accordance with Bank's Guidelines for Calculation and Levy of Service Fee on Loans.

3.3 The Parties agree that the initial amount of the Service Fee referred to in Section 3.2 is an estimation based on the assumption of the implementation period and the period of disbursement of the full Loan Amount as herein envisaged. It is further agreed that the actual amount of the Service Fee shall be calculated after the implementation of the Project, provided that the actual amount so calculated shall not exceed 2.5% (Two Point Five percent) of the Loan Amount when calculated on annual basis.

3.4 Any payment, including repayments of the Principal Amount, shall be considered duly made when funds constituting such payments are credited to an account indicated for this purpose by the Bank.

3.5 Without prejudice to the generality of the provisions of Section 3.4, any payment hereunder shall be deemed to have been duly made when either of the following banks confirms the receipt of such payment to the Bank.

US Dollars Account:	Pounds Sterling Account:	EURO Account:
No:GB36SINT60928000159111 Gulf International Bank (UK) Ltd One Knightsbridge London SW1X 7XS United Kingdom Telex No. 8812261/2 Swift Code: SINTGB2L	No:GB13SINT60928000159137 Gulf International Bank (UK) Ltd One Knightsbridge London SW1X 7XS United Kingdom Telex No. 8812261/2 Swift Code: GULF GB2L	No:FR7643899000019696500151088 Union De Banques Arabes Et Francaises (UBAF) 92523 Paris, Neuilly Cedex France Telex No. 610334 UBAF Swift Code: UBAFRPPXXX

3.6 If any payment becomes due on a day on which the banks are not officially open for business in the place where payment is to be effected by the Borrower in the currency concerned, such payment shall be made on the following day on which such banks are open for business.

3.7 **Late Payments:** If the Borrower fails to pay any amount payable hereunder when it is due, the Borrower shall in accordance with the Principles of Islamic Sharia'h, compensate any actual costs and expenses (including, but not limited to any legal costs and expenses) incurred by the Bank as a result of delay in payment to the Bank.

Article-4 EFFECTIVENESS

The effectiveness of this Agreement and the obligations of the Bank hereunder are conditional upon the Borrower providing the following documents to the satisfaction of the Bank:

(i) Evidence satisfactory to the Bank to the effect that the execution and delivery of this Agreement on behalf of the Borrower have been duly authorized or ratified by the Republic of Maldives;

(ii) Legal opinion acceptable to the Bank emanating from the chief legal counsel of the Borrower stating that the terms and conditions of the Agreement constitute enforceable binding obligations upon the Republic of Maldives substantially in the form provided in Annex-IV to this Agreement;

(iii) A letter issued by the Ministry of Finance or any other duly authorized organ of the Borrower to the Central Bank of Maldives] instructing/authorizing the

Central Bank that payment of the Principal Amount and the Service Fee installments by the Borrower under this Agreement shall be effected by the Central Bank on the dates on which they fall due; [and]

The Central Bank acknowledging that it has received the said letter of instruction/authorization and that it will adhere to the instructions contained therein;

OR

The Borrower, through its Ministry of Finance or any other duly authorized organ, shall provide the Bank with a letter confirming that the concerned department or unit charged with servicing external debt has been instructed to make payment of the Principal Amount and the Service Fee installments on due dates;

(iv) A letter issued by a duly authorized organ of the Borrow giving assurance that the priority list of the Five Islands (Himmafushi, Nolhivaranfaru, Naifaru, Thulusdhoo, and Veymandoo) shall remain unchanged throughout the implementation and completion of the Project; and

(v) All conditions precedent to the Borrower's right to obtain funds under any other loan shall have been fulfilled.

Article-5 SUSPENSION, CANCELLATION AND TERMINATION

5.1 The Bank may upon notice to the Borrower terminate this Agreement and all obligations of the Parties if:

(i) the Date of Effectiveness has not been achieved within 180 (One Hundred and Eighty) days from the date of this Agreement unless the Bank, after consideration of the reasons for delay shall establish a later date for the purposes of this Article and notify the Borrower accordingly; or

(ii) within 180 (One Hundred and Eighty) days from the Date of Effectiveness or such later date as shall be agreed between the Borrower and the Bank, the Borrower has not submitted a request to the Bank to make the First Disbursement.

5.2 In addition to the provisions of Article-VI of the General Conditions, the Bank may, by notice to the Borrower, suspend the Loan Amount or any part thereof, if at any time, with respect to the negotiation, execution or implementation of the Project, including with respect to the procurement or execution of any contract to be financed in full or in part from the proceeds of the financing, the Bank determines that any person or entity has engaged in Sanctionable Practices without the Borrower having taken timely and appropriate action satisfactory to the Bank to remedy the situation or to address such practices when they occur.

Article-6 EXECUTION OF THE PROJECT

6.1 The Ministry of Finance and Treasury shall be the Executing Agency responsible for the implementation of the Project for and on behalf of the Borrower.

6.2 The implementation of the Project shall be completed within 4 (Four) years from the date of First Disbursement.

6.3 The Borrower undertakes to:

(i) execute the Project and to conduct its operations and affairs through the Executing Agency with due diligence and efficiency and in accordance with sound administrative, financial, engineering and economic practices, under the supervision of qualified and experienced management and personnel and in accordance with the budgets, plans and specifications concerning the Project submitted to and approved by the Bank;

(ii) ensure or cause to be ensured that, all contractors and consultants providing Goods or carrying out works and/or services under the Project carry out their activities under the Project with due diligence and efficiency and in accordance with sound, technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Bank, including with the provisions of any anti-corruption guidelines applicable to the Borrower;

(iii) make appropriate arrangements so that the Executing Agency will at all times function under rules and regulations in form and substance satisfactory to the Bank and have such powers, management and administration as are necessary for the diligent and efficient implementation of the Project.

(iv) submit to the Bank for its approval, in such detail as the Bank may reasonably request, any envisaged important modifications to the budget, plans and specifications of the Project as well as any substantial changes in any contract for services or procurement of Goods relating to the execution of the Project.

(v) ensure that the proceeds of the Loan Amount shall not be used to finance any expenditure with respect to which the Bank determines that Sanctionable Practices were engaged in by representatives of the Borrower or other recipient of the proceeds of the Loan Amount, without the Borrower having taken timely and appropriate action satisfactory to the Bank to address such practices when they occur.

Article-7 PARTICULAR COVENANTS

7.1 The Borrower shall make available promptly, as needed, all sums including amounts necessary for local currency cost which shall be required for the implementation of the Project, on terms and conditions satisfactory to the Bank. Without prejudice to the generality of the foregoing, the Borrower undertakes to provide from its own resources the necessary funds for adequate operation and regular maintenance of the Project after completion thereof.

7.2 Except as the Bank shall otherwise agree, the Borrower shall award contracts for civil works, procurement of Goods and other supplies financed from the proceeds of the Loan Amount for the execution of the Project as follows:

(i) Works and equipment in Naifaru and Veymandoo will be grouped in one lot to be procured through International Competitive Bidding (ICB).

(ii) IT equipment (computers and printers) for the use of the PMU staff will be procured under National Shopping (NS) procedure.

(iii) The selection of start-up workshop related services provider will be procured through National Shopping (NS) procedure.

(iv) The consultant to provide capacity strengthening and project management expertise will be hired through a shortlist of individuals from the Bank's member countries. The PMU staff members will be hired from the pool of civil servants within or outside the staff of Ministry of Environment and Energy (MEE), with the prior approval of the Bank, by comparing the CVs of 3 candidates for each position.

(v) The consultant firm for the project supervision will be selected from a shortlist of firms limited to the Bank's member countries.

(vi) The selection of audit firm will be based on the Bank's standard RFP, among a list of local reputable audit firms.

7.3 The Borrower shall seek the prior approval of the Bank for the awarding of:

(i) any contract for Goods and works with value exceeding the equivalent of ID150,000.00 (Islamic Dinars One Hundred Fifty Thousand); and

(ii) all contracts for consultancy services.

7.4 Without any limitation or restriction upon any of its other obligations under this Agreement, the Borrower shall allow the Bank a reasonable time period to comment on any substantial changes or any extension of the stipulated time in any contract for services or procurement of Goods relating to the execution of the Project.

7.5 The Borrower shall ensure, or cause to be ensured, that anti-corruption and anti-fraud provisions acceptable to the Bank are included in all bidding documents and contracts, including provisions specifying the right of the Bank to audit and examine the records and accounts of the executing and implementing agencies and all contractors, suppliers, consultants, and other service providers as they relate to the Project.

7.6 The Borrower shall furnish the Bank, promptly upon their approval by the Borrower, with the studies of, and the plans and specifications for, the Project, the schedule of its execution and any material modifications subsequently made therein, in such detail as the Bank shall from time to time request.

7.7 The Borrower shall establish and maintain records adequate to:

(i) identify the Goods and/or services financed out of the proceeds of the Loan Amount;

(ii) disclose their use in the Project;

(iii) record the progress of the Project; and

(iv) reflect in accordance with consistently maintained sound accounting practices, the operations and financial position of the Executing Agency.

7.8 The Borrower shall afford all reasonable opportunity for accredited representatives of

the Bank to make visits for purposes related to the Loan Amount and to inspect the Project, the Goods and any relevant records and documents; and shall furnish to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan Amount, the Project, the Goods and the operations and financial position of the Executing Agency during the implementation of the Project and until all payments hereunder are made by the Borrower in full.

7.9 The Borrower shall insure or shall cause to be insured with reputable insurers acceptable to the Bank, all Goods and works financed out of the proceeds of the Loan Amount. Such insurance shall cover marine, transit and other risks incidental to purchase and importation of the Goods into the territory of the Borrower and delivery thereof to the site of the Project, and shall be for such amounts, as are consistent with sound commercial practices. Such insurance will be made in accordance with applicable laws on the understanding that the proceeds of insurance will be paid in the currency of the contract or in a freely convertible currency in accordance with the Procurement Guidelines.

7.10 The Borrower shall take all such action as deemed necessary to make available, as and when needed, all such land and rights in respect of land as shall be required for carrying out the Project and shall furnish to the Bank, at its request, evidence satisfactory to the Bank that such land and rights in respect of land are available for purposes related to the Project.

7.11 The Borrower shall take all action which shall be necessary on its part to enable the Executing Agency to execute the Project and shall not take, or permit to be taken any action which would prevent or interfere with the execution or operation of the Project or the performance of any of the provisions of this Agreement.

7.12 All Bank documents, records, correspondence, and similar material shall be considered by the Bank and the Borrower as confidential matters.

7.13 All taxes, charges, fees and duties related to the Bank's financing of the Project shall be borne by the Borrower.

7.14 The Borrower shall be responsible to provide all funds that may be required for the completion of the Project. All cost overruns will be borne by the Borrower.

7.15 The Borrower shall ensure that in the implementation of the Project, the Bank's participation is acknowledged by, amongst other measures, sign-postings at all sites, and with printing on all equipment and documents, the following phrase and its translation in all languages used and understood in the locality of the Project.

"Project Financed by the Islamic Development Bank".

Article-8 REPORTS

8.1 The Borrower and the Bank shall cooperate fully to ensure that the purposes of the Loan Amount will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan Amount. On the part of the Borrower, such information shall include information with respect to financial and economic conditions in the territory

and the balance of payments position of the Borrower.

8.2 The Borrower and the Bank shall, from time to time, at the request of either Party, exchange views through their representatives with regard to matters relating to the purposes of the Loan Amount, the maintenance of the services thereof and the performance by the Borrower of its obligations under this Agreement.

8.3 (i) The Borrower undertakes to ensure submission, or to cause to be submitted, to the Bank, to the latter's satisfaction and at the times specified for each, the following reports:

(a) within 30 (Thirty) days after the end of each calendar semester, or within such other period as the Parties may agree, reports on the execution of the Project in such manner as the Bank may, from time to time, specify;

(b) such other reports as the Bank may reasonably request regarding the application of the Loan Amount disbursed and the progress of the Project;

(c) promptly after completion of the Project, but in any event not later than 180 (One Hundred and Eighty) days after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, the Borrower shall prepare and furnish to the Bank a completion report, of such scope and in such detail as the Bank shall reasonably request, on the execution and initial operation of the Project.

(ii) The documents described in this Section shall be certified at the option of the Bank, in such manner as the Bank may reasonably require.

Article-9 CO-ORDINATION AND NOTICES

9.1 The Borrower hereby appoints the Minister of Finance and Treasury of the Government of the Republic of Maldives as the authorized representative of the Borrower (the **Borrower's Representative**) for the purposes of Section 10.03 of the General Conditions and on all matters under this Agreement and for all intents and purposes without limitation; accordingly:

(i) to deal with the Bank and to be directly responsible for fulfilling the obligations incumbent on the Borrower by virtue of this Agreement.

(ii) all communications of any kind given by the Bank to the Borrower's Representative shall be deemed to have been duly given to the Borrower;

(iii) all communications received by the Bank from the Borrower's Representative shall be deemed to have been duly given or made by, and received from, the Borrower; and

(iv) the Borrower's Representative shall, at all times, conduct proper and efficient coordination and cooperation, and ensure that the Borrower and the Executing Agency carry out their duties hereunder.

9.2 The Borrower may change the Borrower's Representative hereunder by giving written notice to the Bank.

9.3 Any notice, request or other communication to be given or made under this Agreement and for the purpose of Section 10.01 of the General Conditions shall be in writing and shall be deemed to have been duly given when delivered by hand, airmail, established courier service, or fascimile to the Party to which it is given at such Party's address specified below or at such other address as such Party shall have designated by notice to the Party giving such notice, request or communication.

For the Borrower:
Ministry of Finance and Treasury
Block 379, Ameenee Magu
Male', Republic of Maldives
Tel: +960-3449 223
Fax: +960-330 7802
Email:

For the Bank:
P.O. Box 5925, Jeddah-21432
Kingdom of Saudi Arabia
Tel: +966 2 6361400
Fax: +966 2 6366871
Email: archives@isdb.org

Article-10 MISCELLANEOUS

10.1 The recital and the annexes are an integral part of this Agreement.

10.2 The person signing this Agreement on behalf of each Party hereby represents and warrants to the other Party that he or she has the requisite legal power and authority to execute this Agreement on behalf of the Party and bind the Party to the obligations herein.

10.3 This Agreement, including any amendments, may be executed in counterparts which, when taken together, will constitute a single agreement. Copies of this Agreement will be equally binding as originals and faxed or scanned and emailed counterpart signatures will be sufficient to evidence execution, though the Parties may require original signed documents to be delivered.

10.4 This Agreement is the entire agreement and supersedes any prior oral or written agreement or communications between the Parties regarding its subject matter. The provisions of this Agreement are severable so that if any provision is found to be invalid, illegal or unenforceable, such finding shall not affect the validity, construction or enforceability of any remaining provision.

10.5 This Agreement may only be amended by a mutual written agreement of the Parties.

10.6 The date of this Agreement shall, for all purposes of this Agreement, be that appearing in the Preamble.

[END OF ARTICLES]

Execution Page

In Witness Whereof, the duly authorized representatives of the Parties have signed this Agreement concerning Sanitation Project in Five Islands for an amount not exceeding ID4,600,000/- (Islamic Dinars Four Million Six Hundred Thousand) approximately equivalent to USD7,000,000.00 (United States Dollars Seven Million) on the date first above written.

FOR AND ON BEHALF OF
REPUBLIC OF MALDIVES

____

FOR AND ON BEHALF OF
ISLAMIC DEVELOPMENT BANK

____

Annex-I DEFINITIONS

Consultant:	includes an individual consultant as well as any consulting firm selected in accordance with the provisions of this Agreement for the implementation of the Project.
Disbursement Procedure:	the "Disbursement Procedure" of the Bank.
Disbursement:	withdrawal of the Loan Amount or any part thereof.
Executing Agency:	has the meaning ascribed to it in Section 6.1 of the Agreement.
First Disbursement:	the first payment following the Date of Effectiveness in accordance with the relevant Bank's policies and guidelines.
General Conditions:	the "General Conditions Applicable to Loan and Guarantee Agreements" dated 08/11/1976G approved by the Board of Executive Directors of the Bank (BED Resolution No.47/BED/96/10(27)).
Loan Amount:	the amount the Bank has agreed to lend to the Borrower as specified in Article-2.
Member Countries:	member countries of the Bank
Principal Amount:	the Loan Amount actually withdrawn by the Borrower in accordance with this Agreement.
Procurement Guidelines:	the Bank's "Guidelines for Procurement of Goods and Services".
Sanctionable Practices:	any of Corrupt practice, Coercive practice, Collusive practice, Fraudulent practice or Obstructive practice.:

(i) **Corrupt Practice:** means the offering, giving, receiving, or soliciting, directly or indirectly, anything of value to influence improperly the actions of another party;

(ii) **Coercive Practice:** means any act or omission impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party.

(iii) **Collusive Practice:** means an arrangement between two or more parties designed to achieve an improper purpose, including influencing improperly the actions of another party.

(iv) **Fraudulent practice:** means any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation.

(v) **Obstructive Practice:** means,

(a) deliberately destroying, falsifying, altering or concealing of evidence material to the investigation or making of false statements to investigators, in

order to materially impede the Bank investigation into allegations of a Corrupt, Fraudulent, Coercive or Collusive practice, and/or threatening, harassing or intimidating any party to prevent it from disclosing its knowledge of matters relevant to the investigation or from pursuing the investigation, or

(b) acts intended to materially impede the exercise of the Bank's access to contractually required information in connection with the Bank's investigation into allegations of a Corrupt, Fraudulent, Coercive or Collusive practice.

Service Fee: the fee to cover the administrative expenses of the Bank in administering the Loan.

Annex-II DESCRIPTION OF THE PROJECT

The project has 4 major components:

1. ***Component A: Collection and treatment infrastructure:*** Under this component, the project will finance the construction of sewerage networks and the associated treatment and discharge facilities in five islands (Himmafushi, Nolhivaranfaru, Naifaru, Thulusdhoo, and Veymandoo).

2. The sewerage networks will be gravity based, but will include lifting stations, because of the flat land topography.

3. In addition, the project will finance the construction, in each island, of a wastewater treatment plant (WWTP), based on the activated sludge process with extended aeration. The wastewater will be subject to physical and biological treatment, and will be chlorinated. The treatment process will also include a sludge treatment line, with sludge drying beds. Furthermore, the project will finance the construction of five laboratories in order to test and monitor water and sludge quality.

4. ***Component B: Consultancy services.*** The component consists of the selection of a consultancy firm to supervise works during the construction phase of the project. The firm to be selected will not have to undertake the detailed design of the project which will be the responsibility of the contractor(s).

5. ***Component C: Support to project management.*** The activities under this component will cover:

6. ***Sub-component C1: PMU allowances.*** All aspects of project administration, coordination and day-to-day operations will be managed by the PMU which will be established under the Water and Sanitation Department. The PMU will be staffed with qualified specialists. The PMU will have the following composition:
    - A PMU Manager
    - An Accountant/Financial Management Specialist
    - An Assistant Project Officer/Support staff

7. The project will finance the payment of nominal incentives for these PMU staff members.

8. ***Sub-component C2: IT equipment and Operating cost.*** The project will finance the incremental operating costs including communication services (telephone and internet costs), maintenance and office supplies, per diem and transportation, in addition and the acquisition of IT equipment to the benefit of the PMU. This sub-component will also cover the expenses related to the advertisement in international support media of the different procurement notices (GPN, EOI, etc.).

9. ***Sub-component C3: Familiarization visit & Start-up workshop.*** The familiarization visit includes a trip to the Bank which is intended to familiarize the representatives of Ministry of Finance and Treasury / Ministry of Environment and Energy PMU with the Bank's procedures in terms of procurement, disbursement and project implementation. In

addition, a project start-up workshop will be organized in Maldives, in order to help build the local capacity for the project implementation.

10. ***Sub-component C4: Capacity strengthening.*** The sub-component will finance the services of an individual expert well experienced in project management who will be recruited to assist the PMU staff in the project implementation and, at the same time, provide on-the-job training and capacity development.

11. ***Component D: Financial Audit.*** A qualified, independent audit firm will be selected in order to audit the project financial statements.

****

Annex-III SCHEDULES

Schedule-A **Repayment of the Principal Amount**		
Number	Date	Amount (ID)
1	30/09/2020	127,777.78
2	31/03/2021	127,777.78
3	30/09/2021	127,777.78
4	31/03/2022	127,777.78
5	30/09/2022	127,777.78
6	31/03/2023	127,777.78
7	30/09/2023	127,777.78
8	31/03/2024	127,777.78
9	30/09/2024	127,777.78
10	31/03/2025	127,777.78
11	30/09/2025	127,777.78
12	31/03/2026	127,777.78
13	30/09/2026	127,777.78
14	31/03/2027	127,777.78
15	30/09/2027	127,777.78
16	31/03/2028	127,777.78
17	30/09/2028	127,777.78
18	31/03/2029	127,777.78
19	30/09/2029	127,777.78
20	31/03/2030	127,777.78
21	30/09/2030	127,777.78
22	31/03/2031	127,777.78
23	30/09/2031	127,777.78
24	31/03/2032	127,777.78
25	30/09/2032	127,777.78
26	31/03/2033	127,777.78
27	30/09/2033	127,777.78
28	31/03/2034	127,777.78
29	30/09/2034	127,777.78
30	31/03/2035	127,777.78
31	30/09/2035	127,777.78
32	31/03/2036	127,777.78
33	30/09/2036	127,777.78
34	31/03/2037	127,777.78
35	31/09/2037	127,777.78
36	31/03/2038	127,777.78
	Total:	4,600,000.00

****

Schedule-B **Repayment of Service Fee Amount**		
Number	Date	Amount (ID)
1	30/09/2013	6,085.80
2	31/03/2014	6,085.80
3	30/09/2014	13,524.00
4	31/03/2015	13,524.00
5	30/09/2015	13,524.00
6	31/03/2016	13,524.00
7	30/09/2016	13,524.00
8	31/03/2017	13,524.00
9	30/09/2017	13,524.00
10	31/03/2018	13,524.00
11	30/09/2018	13,524.00
12	31/03/2019	17,040.24
13	30/09/2019	17,040.24
14	31/03/2020	17,040.24
15	30/09/2020	17,040.24
16	31/03/2021	17,040.24
17	30/09/2021	17,040.24
18	31/03/2022	17,040.24
19	30/09/2022	17,040.24
20	31/03/2023	17,040.24
21	30/09/2023	17,040.24
	Total:	304,290.00

****

Schedule-C Withdrawal of Proceeds of the Loan/Istisna'a Amount (USD Million)							
Components	Total Cost	IDB Loan		IDB Istisna'a		GoM	
		Amount	%	Amount	%	Amount	%
A. Collection and treatment infrastructure							
A1. Himmafushi	1.80	-	-	1.80	100	-	-
A2. Nolhivaranfaru	2.71	-	-	2.71	100	-	-
A3. Naifaru	5.65	3.50	62	-	-	2.15	38
A4. Thulusdoo	2.44	-	-	2.44	100	-	-
A5. Veymandoo	2.15	1.34	62	-		0.81	38
Sub-total A	**14.75**	**4.84**	33	**6.95**	47	**2.96**	20
B. Consultancy Services	**0.74**	**0.74**	100	-	-	-	-
C. Support to Project Management							
C1. PMU allowances	0.07	0.07	100	-	-	-	-
C2. IT Equipment & Operating cost	0.11	0.11	100	-	-	-	-
C3. Familiarization visit & workshop	0.04	0.04	100	-	-	-	-
C4. Capacity strengthening	0.24	0.24	100	-	-	-	-
Sub-total C	**0.46**	**0.46**	100	-	-	-	-
D. Financial Audit	**0.05**	**0.05**	100	-	-	-	-
Base cost	**16.00**	**6.09**	38	**6.95**	43	**2.96**	19
Contingencies							
Physical contingencies	1.60	0.61	38	0.70	43	0.29	19
Price contingencies	0.80	0.30	38	0.35	43	0.15	19
Grand total	**18.40**	**7.00**	**38**	**8.00**	**43**	**3.40**	**19**

****

Annex-IV LEGAL OPINION OF THE BORROWER'S LEGAL AUTHORITY

[TO BE PROVIDED ON THE LETTERHEAD]

Islamic Development Bank,
P.O. Box: 5925, Jeddah 21432
Kingdom of Saudi Arabia

Dear Sirs,

In my capacity as the counsel to the Government of the Republic of Maldives, under the powers vested in me under the laws of the Republic of Maldives, I hereby certify that this document constitutes the Legal Opinion issued in relation to Loan Agreement dated __/__/__H(__/__/__G) entered into between the Republic of Maldives and the Islamic Development Bank (the "**Bank**") (the "**Agreement**") for financing Sanitation Project in Five Islands ((Himmafushi, Nolhivaranfaru, Naifaru, Thulusdhoo, and Veymandoo) (the "**Project**") in an amount not exceeding ID4,600,000/- (Islamic Dinars Four Million Six Hundred Thousand) approximately equivalent to USD7,000,000.00 (United States Dollars Seven Million).

For the purpose of this Legal Opinion, I have examined,

(i) the Agreement;

(ii) the authorization to enter into and sign the Agreement;

(iii) all laws, rules, regulations, orders, decrees and the like of the Republic of Maldives; and

(iv) such other documents and instruments as I deemed necessary.

Accordingly, I am of the opinion that the said Agreement signed for and on behalf of the Republic of Maldives by ******* on __/__/__H(__/__/__G):

(a) has been duly authorized, executed, delivered and ratified by all necessary corporate and governmental action;

(b) constitute legal valid and binding obligations of the Republic of Maldives enforceable against the the Republic of Maldives in accordance with its terms;

(c) does not violate any provision of the Constitution, any law, rule, regulation, order or decree of the Republic of Maldives;

and therefore will constitute binding obligations of the Republic of Maldives in accordance with the terms and conditions stipulated in the said Agreement.

In stating the foregoing, I express no opinion other than as to the laws of the Republic of Maldives.

DONE at ******* on __/__/__H (corresponding to __/__/__G).

Yours truly,
Signature| Name| Designation

****

بسم الله الرحمن الرحيم

Proposal for Development
of
Sewerage Systems
In
Five Islands

December 2012

Ministry of Environment and Energy
Republic of Maldives

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1. WATER AND SANITATION SECTOR

1.1. Water and sanitation sector, its present state and future plan

The provision of safe drinking water supply and sanitation is regarded as a basic right for all Maldivians in the new constitution of the country. The Government of Maldives is committed to fulfill its constitutional obligation that all Maldivians have access to basic water supply and sanitation services at a cost which is affordable both to the household and to the country as a whole.

The Ministry of Environment and Energy (MEE), has developed a policy on water and sanitation in line with national development agenda and Millennium Development Goals (MDGs). The Water and Sanitation Policy outlines the governments' policy on provision of safe water and sanitation services to the population. The Policy also outlines the key strategies for achieving the national development agenda and MDGs.

Having access to safe water and sewerage facilities is a constitutional right of citizens of Maldives. The MEE is mandated to fulfill the constitutional obligations of the government.

The government has initiated plans to provide social infrastructure and improved services in outer islands. The water and sewerage services policies outlined in the current development plan includes the following major 4 polices

- Designate the provision of sake drinking water and sewerage services to all as a basic human right in national policies and implement these polices;
- Prioritize provision of safe drinking water and adequate sewerage services when formulating government policies and designing development projects;
- Increase the technical capacity and financial means required to provide water and sewerage facilities;
- Facilities and regulate the provision of water and sewerage services.

The water and sanitation sector is facing enormous challenges. The primary problems addressed by this sector is a significant, climate change-induced decline of freshwater security that is affecting vulnerable communities in different isolated islands in Maldives, Freshwater resources are scarce in the Maldives. As surface freshwater is generally lacking throughout the country (with the exception of a limited number of brackish water swampy areas in some of the islands), the key problems pertaining to freshwater security relate to the management of increasingly saline groundwater and increasingly variable rainfall patterns. Groundwater is a scarce resource in Maldives, due to the hydrogeology of the country. Many freshwater aquifers are already stressed from over-extraction and face the risk of total

depletion. This already precarious hydrological system is further aggravated by climate change-induced effects of sea level rise and flooding during extreme weather events, which increases saltwater intrusion into the freshwater lens. Salinization of groundwater is affecting the quality of life in the islands, as people depend on groundwater for washing, bathing and other non-potable uses. Saltwater intrusion is also affecting soil and vegetation, causing impacts on agriculture and terrestrial ecosystems.

Roof top harvested rainwater is the main source of drinking water available on islands across Maldives. Overall, 77% of people in atolls use rainwater for drinking. However, due to limited storage capacity within house plots, householders can collect and store only a small quantity of water (the average household storage capacity on islands across Maldives is 2500L). In dry periods, many householders experience a shortage of drinking water, which is due to shifting weather patterns and prolonged dry periods. In such instances, the government is called upon to transport potable water to the affected islands. Over the last few years the National Disaster Management Centre has transported potable water to many islands facing acute water shortages due to prolonged dry periods costing over US$ 2 million every year

About 1.5% of the population in the atolls uses desalinated water. In Malé, by contrast, approximately 96% of the population was served by desalinated water supplied to the home through a piped distribution system, but overall, only about 22% of the Maldivian population has such service. There is urgency to improve access to services, as well as the quality of the services provided, given the vulnerability of existing systems and the population growth.

In addition to unregulated extraction of groundwater from shallow aquifers, a major challenge for the conservation and protection of valuable groundwater resources during dry periods is the absence of appropriate means for domestic wastewater disposal. 98% of the population of Malé has access to flushing toilets that are connected to a sewerage system. In the atolls only 16% of the population had access to toilets connected by sewer pipes to sea, while 73% of toilets were connected to septic tanks with soak pits. On some islands, this is combined with shallow sewer or small bore sewerage systems. However these septic tanks with soak pits placed in the household premises have been contaminating the shallow groundwater aquifer of the island. The effluent from septic tanks and soak pits are often discharged through sewage outfall at the shore, which heavily pollute the coastal environment. A small proportion of the population in the Maldives still uses a rudimentary form of latrine (giffili).

After the 2004 tsunami, with loans from development banks and support by donor agencies, sewerage systems have started to be built with fair treatment and central collection facilities with ocean outfalls. It is essential to connect wastewater treatment planning to considerations of long-term freshwater supply, and to make sure to treat the management of wastewater and

the management of freshwater in an integrated manner. If this connection is not made, the lack of proper wastewater management planning will undermine all efforts to ensure supply of safe water to the people against climate-related hazards.

Under such circumstances, provision of safe water supply and sanitation consequently became an urgent task for the Government. In order to fill the gaps of current status and sector goals of access to safe water and sanitation for all, the MEE is working to provide water supply and sewerage services and to the affected islands considering the long term sector goals and objectives.

1.2.Role of the sector in the socio-economic development

Health

Improved water and sanitation will help in bringing better health and improved living conditions for individuals. The government is also emphasizing on preventive health, advocacy and awareness as integral part for reducing water have borne diseases.

The main goal of the sector is maintaining better health of the population especially vulnerable groups. This has been shown as the health status of the population has improved during the last 32 years. Life expectancy has been increased from 48 in 1978 to 73 in 2010, infant mortality and maternal mortality rate has been significantly decreased since late 70s and early 80s. Water borne diseases such as cholera and shigellosis has also significantly decreased.

Economy

Preservation of fragile environment and water resources is crucial for the economy of the country. The Maldivian economy is heavily dependent on the tourism; therefore protection of the fragile ecosystem is important for the economy and also the survival of the country. The sector is addressing the issue of sanitation systems to prevent further adverse impacts on the fragile natural resources.

Regional Development

The sector has been contributing to the regional development by providing better services and facilities in the islands. Providing appropriate social services to the target population contributes creation of development opportunities in regional centres. Providing better services in the islands will reduce the population migration to capital the Male' and also accelerates the decentralization process of the government. Through provision of public services, capacity building and knowledge transfer to the local population can be taken

considered, which will enhance regional development and create more opportunities in the islands.

2. THE PROJECT

2.1. Objectives and Scope

2.1.1. Project Objectives

The project aims to provide sanitation facilities to the five target islands namely K. Hinmafushi, Hdh. Makunudhoo, Lh. Naifaru, K. Thulusdhoo and Th. Veymandoo. In addition to this aim, the project will help to achieve the following objectives along with the provision of sewerage systems.

- Reduce frequency of water borne and water related diseases;
- Protect groundwater aquifer from different sources of pollution including leaking of sewage from existing facilities;
- Create development opportunities in the islands by providing basic infrastructure and services; and
- Develop capacity and increase local knowledge on sanitation facilities management;
- Provide job opportunities for the local people and thus improve their economic conditions

2.1.2. The Output

- The expected outputs of the project are shown below.
- Access to safe drinking water and sanitation increased among the population of the island ;
- Protection of ground water aquifer from contamination.
- Provision of social infrastructure facilities for regional and commercial growth centres.

2.1.3. The Beneficiaries

The Project will directly benefit a population of about 13540 people and a population of about16420 by improving the living standard through provision sanitation services in five islands.

2.1.4. The Project Concept

The project will be implemented in line with the government's policies on Environmental Protection and Preservation Polices and Land Management Plans. The project will combine the principles of social norms, community participation, capacity building and sustainable management in all stages. The sewerage facilities will be designed and constructed in meeting the long-term needs and objectives of national development.

Technical assessments will be carried out for designing a sustainable sewerage system and best option for the islands. The following areas will be considered in designing and constructing the facilities.

Sewerage System

- Simplified conventional sewerage system with sea-outfalls;
- Low-coast treatment options and technologies;
- Energy efficiency hence considering renewable energy options;
- Minimize environment impact; and
- Efficient land management.

2.1.5. Geographic location

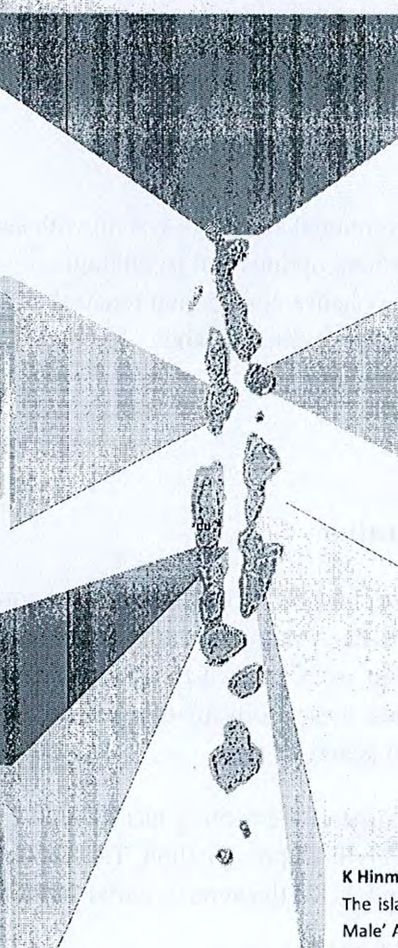
The Republic of Maldives located in the Indian Ocean south of India and southwest of Sri Lanka. The country consists of more than 1000 coral islands; Stretching 820 km north to south and 120 km east to west, formed by 26 natural atolls vary in shape and size. Of different sizes and shapes, these atolls are divided into 20 administrative atolls with total number of 199 inhabited islands.

As located around the Equator, the country has a tropical climate with high daily ambient temperatures and relatively high precipitation. The annual average daily temperatures are ranged between 31 °C and 24°C; the annual rainfall is an average of about 1950mm.

The target island specific information are given below:

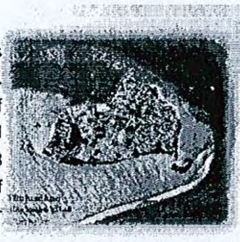
Hdh. Nolhivaranfaru

The island of Nolhivaranfaru is situated in the South Thiladhunmathi Atoll. The island has an area of 172.0 hectares. The island has a population of more than 260 (Statistical Year Book of Maldives, 2011) people with a density of more than 1.51 people per hectare. The island has 260 persons as per the 2006 census data. However, the registered population in December 2012 as per the Hdh. Nolhivaranfaru Island council is 1,788 persons.



K. Thulhusdhoo

The island of Thulusdhoo is situated in the Male' Atoll. The island has an area of 36.6 hectare. The island has a population of 1358 people with a density of more than 32.6 people per hectare.



Lh. Naifaru

The island of Naifaru is situated in the Faadhippolhu Atoll. The island has an area of 48.5 hectare. The island has a population of more than 5012 people with a density of more than 73.8 people per hectare.

Th. Veymandhoo

The island of Veymandhoo is situated in the Kolhumadulu Atoll. The island has an area of 41.8 hectare. The island has a population of more than 1190 people with a density of more than 23.3 people per hectare.

K Hinmafushi

The island of Hinmafushi is situated in the Male' Atoll. The total beach line area of the island is approximately 33.4 hectares with a reclaimed land area of 4.0 hectares. According to the island council, the current population of the island is of 1,003 having a population density of approximately, 26.82 people per hectare.

2.2. Status of the present Sanitation

The prevailing sanitation in these entire target islands is onsite sanitation systems using septic tanks and soak pits constructed by household owners. Most of the cases, these are not well constructed. Therefore, the risk of groundwater pollutions is very high, making groundwater unsuitable for use and threatening the public health.

All of target islands are designated as affected during the Indian Ocean tsunami on December 2004. Existing sanitation systems were damaged significantly resulting into contamination and deterioration of the freshwater aquifer. Under government's tsunami recovery and reconstruction programme, sewerage facilities were proposed for these islands but due to shortage of funds the project has not been materialized till to date.

2.3. Proposed Components

The project design must be feasible and appropriate to the island context. As the project horizon is 30 years, the sewerage system shall conform to the long-term development strategy. The main components of the project are listed below.

HARDWARE COMPONENT

Sewerage System

- Lateral connection
- Sewer network with pumping stations
- Treatment plant
- Sludge management facility
- O&M office house

SOFTWARE COMPONENT

- Establishment of PMU
- Community consultation
- Community mobilization and awareness raising
- Training for O&M (managerial, financial and technical trainings)
- Participatory monitoring and evaluation

Proper planning, design and implementation of both components are important for the project sustainability. In consultation with and involvement of EPA, The MEE will be responsible for supervising the overall quality of project design, output as well as operation and management.

2.4. Implementation Plan

The executing agency of the project will be The Ministry of Finance and Treasury (MoFT) and the implementing agency will be the MEE.

The overall project management will be undertaken by MEE. The consultant will be employed on fulltime basis under the responsibility for supervising and managing the project design and implementation. The MEE will oversee the progress of the work and provide technical assistance to the consultant when required. The consultant will submit monthly progress reports to MEE. The reports will be shared with relevant stake-holders and also translated and shared with local authorities.

Contractors will be engaged through competitive bidding process. Both national and international bidders will be invited to take part. However, joint venture(s) of local and international firms will be preferred to facilitate technology transfer to the local construction firms.

The project will be implemented in consultation with line ministries and authorities such as Environment Protection Agency (EPA), Department of National Planning (DNP), Atolls and Island Councils, Ministry of Finance and Treasury (MoFT), and other necessary authorities relevant to the project management.

In addition, Island Councils, Community Development Organizations and Non – Governmental Organization (NGOs) will be consulted in planning, design and implementation of the project.

2.5. Procurement

Procurement of consultants and contractors is undertaken on the basis of competitive bidding. The procurement will be undertaken by the executing agency on behalf of the funding agency. The necessary tender documents will be prepared by the consultant in consultation with the MEE. The projects will be contracted through government bidding process.

Where feasible, tenders will be announced locally in order to keep the size of the contracts small and thus encourage more participation by local parties. The civil work will be given to local contractors in accordance with the Government of Maldives procurement regulations. In case of international competitive bidding, encouragement will be given to the formation of joint ventures with local firm(s) by international bidder(s) will be preferred to facilitate technology transfer to the local construction firms.

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2.6. Operation and maintenance

Once the construction of the system is completed and commissioned, the responsibility for O&M will be shifted to the utility company.

2.7. Monitoring and Evaluation

At the post-construction phase, each stakeholder will be assigned different monitoring and evaluation tasks. The utility company will monitor and evaluate the services technically and financially, while MEE will conduct Monitoring and Evaluation (M&E) of the outcome of project implementation, service support, programme review and assessment.

Monitoring will be carried out continuously, and assessment on function, utilisation and impacts of the project will be done periodically. Monitoring system will be established after completion of implementation. It is important to establish the communication and coordination system for collecting and analysing data to measure project progress and to enable accountability of the project.

To verify the objectives of the project, the indicators developed by the MEE will be used for the evaluation and review. The indicators will be used for measuring the achievement of the project outcome.

Ultimately, the following outcomes will be expected by the end of the project.

- Roles and responsibility of stakeholders;
- Coordination and communication between stakeholders;
- Accountability and delegation of duties, authority;
- Respect on user demand and preferences, community satisfaction;
- Financial and service delivery objectives; and
- Trained staff at all levels, adequate human resource.

2.8. Training needs and technical assistance

After construction, operation and maintenance personnel will be sourced from the project islands. Trainings for O&M and management of sewer system will be conducted to build the capacity of the people in aspects of project management, financial management and technical skills. Trainings and workshops will be held periodically during and after the implementation stage.

2.9. Environmental aspects

2.9.1. Outline of the proposed Sewerage System

The sewerage system would be simplified conventional system rather than shallow and settled sewerage. There would not be household septic tanks and any form of wastewater shall not be discharged into the ground within the house premises. The combined wastewater (black and grey) would be collected into intermediated collection cum pump stations where sewage effluent shall be pumped to the central treatment facilities. The effluent then can be pumped into deep sea beyond the house reefs. The effluent can be given a tertiary treatment before discharge if the option is feasible at that point in time. However the entire sewerage system would be designed such that tertiary treatment could be incorporated when needed. The facility for sludge management is included so as to minimize the environmental impacts.

2.9.2. Impact on environment

Any similar projects will have environmental impacts either positive or negative. If there is any negative impact, it can be minimized during the implementation of the project with considering suitable mitigation measures.

Environmental Impact Assessment (EIA) shall be conducted by the consultant in line with the General EIA Guidelines issued by the Environmental Protection Agency (EPA). The EIA report shall be submitted to the Environmental Protection Agency (EPA) for the approval during the design phase before the construction phase starts.

2.10. Project cost estimates

2.10.1.Cost Estimate

The estimated cost for the project is about 17.74 million US dollars. Island wise project cost estimates are shown below. The costing includes consultancy work, facilities construction and procurement of equipment such as sewer pumps and desludging units for the project.

(All the values in US $ x Million)

COMPONENT	L.C.	F.C.	TOTAL	IDB LOAN	IDB ISTISN	GOM	TOTAL
A- Access to sewerage services							
A1 – K. Himmafushi			3.85	2.93	0.00	0.92	3.85
A2 - Hdh. Nolhivaranfaru			4.00	3.04	0.00	0.96	4.00
A3 - Lh. Naifaru			4.00	3.04	0.00	0.96	4.00
A4 - K. Thulusdhoo			2.50	0.00	2.50	0.00	2.50
A5 -Th. Veymandoo			2.00	0.00	2.00	0.00	2.00
SUB-TOTAL A			**16.35**	**9.01**	**4.50**	**2.84**	**16.35**
B - Consultancy services			0.74	0.74	0.00	0.00	0.74
C - Project Management			0.38	0.38	0.00	0.00	0.38
D - Financial audit			0.05	0.05	0.00	0.00	0.05
E - Familiarization visit & Workshop			0.04	0.04	0.00	0.00	0.04
BASE COST			**1.21**	**1.21**	**0.00**	**0.00**	**1.21**
Contingencies							
Physical contingencies			0.12	0.12	0.00	0.00	0.12
Price contingencies			0.06	0.06	0.00	0.00	0.06
GRAND TOTAL			**17.74**	**10.40**	**4.50**	**2.84**	**17.74**

2.10.2.Basis of cost estimate

The project cost has been estimated with discussions of IDB mission of September 2012.