

Public Disclosure Authorized

CONFOMRED COPY

CREDIT NUMBER 4393-MV

Project Agreement

(Mobile Phone Banking Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

MALDIVES MONETARY AUTHORITY

Dated June 23, 2008

PROJECT AGREEMENT

AGREEMENT dated June 23, 2008, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and the MALDIVES MONETARY AUTHORITY (“Project Implementing Entity”) (“Project Agreement”) in connection with the Financing Agreement (“Financing Agreement”) of same date between the Republic of Maldives (“Recipient”) and the Association. The Association and the Project Implementing Entity hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to the Financing Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Financing Agreement or the General Conditions.

ARTICLE II — PROJECT

- 2.01. The Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall carry out the Project in accordance with the provisions of Article IV of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for the Project.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — TERMINATION

- 3.01. For purposes of Section 8.05(c) of the General Conditions, the date on which the provisions of this Agreement shall terminate is twenty years (20) after the date of this Agreement.

ARTICLE IV — REPRESENTATIVE; ADDRESSES

- 4.01. The Project Implementing Entity’s Representative is the Governor of the Maldives Monetary Authority.

4.02. The Association's Address is:

International Development Association
1818 H Street, NW
Washington, DC 20433
United States of America

Cable:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423(MCI)	1-202-477-6391

4.03. The Project Implementing Entity's Address is:

Maldives Monetary Authority
Malé,
Republic of the Maldives

Facsimile:
960 332 3862

AGREED at Male, Republic of Maldives, and District of Columbia, United States of America, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Marco Scuriatti

Authorized Representative

MALDIVES MONETARY AUTHORITY

By /s/ Abdullah Jihad

Authorized Representative

SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. The Project Implementing Entity shall, throughout the period of implementation of the Project, maintain, a MPBU to be provided with sufficient resources and competent staff in adequate numbers, with terms of reference satisfactory to the Association and other resources acceptable to the Association, to be responsible for the overall coordination and supervision of the execution of the Project, including carrying out financial management and procurement activities, establishing appropriate systems, and building staff capacity.
2. The Project Implementing Entity shall prepare, adopt and implement an Operations Manual acceptable to the Association for the implementation of the Project.
3. The Project Implementing Entity shall take such actions to establish an independent MIPS Business Unit by December 31, 2011.
4. The Project Implementing Entity shall enter into a Subsidiary Agreement with the Recipient, which shall include the provisions set out in Section I.B of Schedule 2 of the Financing Agreement.
5. The Project Implementing Entity shall exercise its rights, and carry out its obligations, under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Project Implementing Entity shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.
6. The Project Implementing Entity shall maintain throughout the period of implementation of the Project a Policy Steering Committee to be headed by the Governor of the MMA which will: (a) monitor the implementation of the Project; (b) ensure that all Recipient's relevant agencies provide adequate collaboration and support to the Project; and (c) provide overall guidance to the Project Implementing Entity on the Project, including advice on the communication, regulatory reform and market adoption strategy for the Project, and will comprise, *inter-alia*, representatives from the Recipient and the Project Implementing Entity.

7. The Project Implementing Entity shall maintain throughout the period of implementation of the Project, a Project Advisory Committee to be headed by the Governor of the MMA which will: (a) provide a forum for discussion between the Recipient, the Project Implementing Entity and relevant private sector players; and (b) promote and monitor the adaptation of market players to the MIPS, with representation, including representatives of: the Recipient, the Project Implementing Entity, the financial institutions participating in the MIPS and the telecom operators participating in the MIPS.

B. Anti-Corruption

1. The Project Implementing Entity shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Project Implementing Entity shall monitor and evaluate the progress of the Project in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators set forth in the Annex to this Schedule. Each such Project Report shall cover the period of one (1) calendar quarter, and shall be furnished to the Recipient not later than forty-five (45) days after the end of the period covered by such report for incorporation and forwarding by the Recipient to the Association of the overall Project Report.

B. Financial Management, Financial Reports and Audits

1. The Project Implementing Entity shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations and financial condition of the Project Implementing Entity, including the operations, resources and expenditures related to the Project.
2. The Project Implementing Entity shall have its financial statements referred to above audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of these financial statements shall cover the period of one (1) fiscal year of the Project Implementing Entity. The audited financial statements for each period shall be furnished to the Association not later than six (6) months after the end of the period.

Section III. Procurement

All goods and services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement.

**ANNEX
to
SCHEDULE**

Project Indicators

1. Project Outcome Indicators:
 - (a) A large proportion of the adult population will have a phone account (>75% of adults will have a phone account by the end of the project period).
 - (b) A large proportion of the adult population will have a regular bank account that can be accessed from their mobile phone account (>70% of adults will have a regular bank account by the end of the project period).
 - (c) A large share of salary and supply chain payments will be effectuated electronically directly into people's bank accounts that in turn can be accessed through mobile phone accounts.
 - (d) The amount of cash in circulation (M1) will decline as more transactions are made electronically (the amount of cash in circulation will begin to decline in the second year after the mobile payments system becomes fully functional).
 - (e) An appropriate legal and regulatory system will be in place for mobile phone transactions (a general framework regulation covering all necessary topics will be in place by the time transactions in the system begin).
 - (f) Everyone with a phone account will be able to deposit and withdraw reasonable amounts of cash from their accounts anywhere in the country.

2. Project Output Indicators:
 - (a) 70% of salary to public sector will be effectuated electronically directly into people's bank accounts that in turn can be accessed through mobile phone accounts.
 - (b) 100% of the populated islands by end of the project will have at least one (1) local agent at which mobile phone accounts can be opened.
 - (c) 60% of the fishing boat load purchases by processing plants and official trading companies will be paid electronically.

- (d) An appropriate legal and regulatory framework for mobile phone banking and a national payments system will be designed by December 31, 2008.
- (e) 100% of the people with a mobile phone account will be able to deposit cash and withdraw reasonable amounts of cash from their accounts anywhere in the country.
- (f) Regulations for implementation of the mobile phone banking and payment system will be finalized before MPS transactions under the Project commences.