
CTF LOAN NUMBER TF0B4303

Clean Technology Fund Loan Agreement

(Accelerating Renewable Energy Integration and Sustainable Energy Project)

between

REPUBLIC OF MALDIVES

and

**INTERNATIONAL DEVELOPMENT ASSOCIATION
acting as an implementing entity of the Clean Technology Fund**

Dated 02-Mar-2021 _____

CTF LOAN NUMBER TF0B4303

CLEAN TECHNOLOGY FUND LOAN AGREEMENT

02-Mar-2021

AGREEMENT dated _____, entered into between REPUBLIC OF MALDIVES (“Borrower”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“World Bank”), acting not in its individual capacity but solely in its capacity as an implementing entity of the Clean Technology Fund (“CTF”).

WHEREAS (A) the Borrower is seeking to unlock investments in renewable energy by improving the investment climate and thereby facilitating investment by independent power producers, development of battery energy storage systems, upgrade and reinforcement of select grid systems and procurement of technical assistance.

(B) To facilitate investments by independent power producers, the Borrower wishes to offer a robust package of risk mitigation options at each bidding round. Based on market sounding, a combination of risk mitigation products would be offered to independent power producers during bid preparation. The Borrower has requested the following types of support for risk mitigation:

(a) from the World Bank, financial support in the form of a grant to offer concessional resources to selected independent power producers, in each case for the purpose of reducing the overall cost of the investment and its ultimate impact on the tariff; and

(b) from the World Bank, acting as administrator of the CTF, a grant to finance the Borrower’s contribution to the establishment of payment security mechanisms in accordance with its contractual obligations to selected independent power producers which, in each case, is one of the conditions of the independent power producer’s investment; and

(c) Additionally, independent power producers will have the option to request a guarantee from Multilateral Investment Guarantee Agency (MIGA), to mitigate their risk.

(C) For the development of its battery energy storage systems, the Borrower has requested from the World Bank, acting as an implementing entity of the CTF, a CTF loan.

(D) For the modernization and expansion of its grid for variable renewable energy integration and other related activities, the Borrower:

- (a) intends to use part of the proceeds of the grant from the World Bank;
- (b) has requested from the Asian Infrastructure Investment Bank (“AIIB”) an AIIB financing; and
- (c) continues to explore other possible sources of financing.

(E) Finally, to procure related technical assistance, the Borrower intends to use part of the funds of the CTF grant and other potential sources of financing.

NOW, THEREFORE, the Borrower and the World Bank hereby agree as follows.

Article I Standard Conditions; Definitions

- 1.01. The Standard Conditions (as defined in the Appendix to this 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 Standard Conditions or in the Appendix to this Agreement.

Article II Loan

- 2.01. The World Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of twenty-three million Dollars (\$23,000,000) (“Loan”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Loan is funded out of the resources made available to the World Bank as an implementing entity of the CTF. In accordance with Section 3.02 of the Standard Conditions, the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it from the CTF trust fund, and the Borrower’s right to withdraw the Loan proceeds is subject to the availability of such funds.

- 2.04. The Management Fee payable by the Borrower, pursuant to Section 4.01(a) of the Standard Conditions, shall be equal to forty-five one hundredth of one percent (0.45%) of the Loan. The Borrower shall pay the Management Fee not later than 60 days after the Effective Date.
- 2.05. The Service Charge payable by the Borrower on the Withdrawn Loan Balance shall be equal to one-fourth of one percent (1/4 of 1%) per annum.
- 2.06. The Payment Dates are May 15 and November 15 in each year.
- 2.07. The principal amount of the Loan shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
- 2.08. The Payment Currency is Dollar.

**Article III
The Project**

- 3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall carry out the Project through its Ministry of Environment in accordance with the provisions of Article II of the Standard Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the World Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

**Article IV
Effectiveness; Termination**

- 4.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

Article V
Borrower's Representative; Addresses

5.01. The Borrower's Representative referred to in Section 10.02 of the Standard Conditions is its Minister of Finance.

5.02. The Borrower's Address referred to in Section 10.01 of the Standard Conditions is:

Ministry of Finance
Ameenee Magu
Male 20379
Republic of Maldives; and

Telex:
+9603349200

Facsimile:
+9603338034

E-mail:
dmd@finance.gov.mv

5.03. The World Bank's Address referred to in Section 10.01 of the Standard Conditions is:

World Bank
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable:

INDEVAS
Washington, D.C.

Telex:

248423 (MCI) or
64145 (MCI)

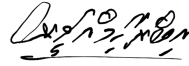
Facsimile:

1-202-477-6391

AGREED at Male, Republic of Maldives, as of the day and year first above written.

REPUBLIC OF MALDIVES

By



Authorized Representative

Ibrahim Ameer

Name: _____

Minister of Finance

Title: _____

INTERNATIONAL DEVELOPMENT ASSOCIATION
acting as an implementing entity of the Clean
Technology Fund

By



Authorized Representative

Faris H. Hadad-Zervos

Name: _____

Country Director

Title: _____

SCHEDULE 1

Project Description

The objectives of the Project are to increase renewable energy generation capacity and enhance the financial and environmental sustainability of the power sector in the Maldives.

The Project consists of the following parts:

Part 1: Solar Photovoltaic Risk Mitigation

Provision of financial instruments to be offered to independent power producers selected for deploying solar photovoltaic subprojects, in the form of: (a) tariff buydown grants, reducing the impact of the financial cost of independent power production on the tariff; and (b) contributions into secured payment mechanisms, mitigating the risk of payment default of the offtaker in connection with power purchase agreements and associated agreements.

Part 2: Battery Energy Storage Systems

Deployment (procurement and operation) of battery energy storage systems and related equipments in selected grid systems.

Part 3: Grid Modernization for Variable Renewable Energy Integration

Upgrade and reinforcement of selected grid systems, including through: the strengthening of network capacity; the deployment of supervisory control and data acquisition systems; the optimization of interactions among renewable energy generation, battery energy storage systems and existing conventional power plants; interconnection among islands; and associated infrastructure for electric mobility development.

Part 4: Technical Assistance

Provision of technical assistance to support: (a) institutional capacity building of the stakeholders relevant for renewable energy integration; (b) independent power producer subprojects identification and preparation including tendering process; (c) other sustainable energy development activities; (d) Project management and implementation; and (e) energy sector gender gap mitigation actions.

SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. Institutional Arrangements.

1. The Borrower shall vest the overall responsibility for Project implementation in its Ministry of Environment (“ME”). To this end, the Borrower shall establish and maintain the following arrangements for the period of implementation of the Project.
 - (a) The Borrower shall establish, by no later than one (1) month after the Effective Date and thereafter maintain, a steering committee for the Project (“Steering Committee”), with membership and terms of reference satisfactory to the World Bank. Without limitation to the foregoing provision, the Steering Committee shall: (i) be comprised of a chair appointed by the Ministry of Environment, and officials representing respectively ME, STELCO, FENAKA, Maldives Energy Authority, Ministry of National Planning, Housing and Infrastructure, Ministry of Finance and other relevant stakeholders invited on an as needed basis; and (ii) provide guidance on the investment pipeline, review Project implementation progress and make key decisions on Project implementation.
 - (b) The Borrower shall establish, by no later than one (1) month after the Effective Date and thereafter maintain, a technical committee for the Project (“Technical Committee”), with membership, functions and terms of reference satisfactory to the World Bank, for the purpose of, among other things, providing technical advices to the Steering Committee and the PMU.
 - (c) The Borrower shall update no later than one (1) month after the Effective Date the terms of reference and composition of the Project Management Unit (“PMU”) within the ME, to reflect its added responsibilities and needs for the implementation of the Project, and maintain it with functions and resources satisfactory to the World Bank, and with staff in adequate numbers and with qualifications, experience and terms of reference satisfactory to the World Bank. Without limitation on the foregoing, the PMU shall: (i) be headed by the Project Director; and (ii) shall be responsible for the management of Project activities including fiduciary,

environmental and social related activities, planning, supervision, monitoring and reporting.

B. Anti-Corruption

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

C. Environmental and Social Standards.

1. The Borrower shall ensure that Part 2 of the Project is carried out in accordance with the Environmental and Social Standards, in a manner acceptable to the World Bank.
2. Without limitation to paragraph 1 above, the Borrower shall ensure that Part 2 of the Project is implemented in accordance with the Environmental and Social Commitment Plan (“ESCP”), in a manner acceptable to the World Bank. To this end, the Borrower shall ensure that:
 - (a) the measures and actions specified in the ESCP are implemented with due diligence and efficiency, and as provided in the ESCP;
 - (b) sufficient funds are available to cover the costs of implementing the ESCP;
 - (c) policies, procedures are maintained, and qualified and experienced staff in adequate numbers are retained, to implement the ESCP, as provided in the ESCP; and
 - (d) the ESCP or any provision thereof, is not amended, repealed, suspended or waived, except as the World Bank shall otherwise agree in writing as specified in the ESCP, and the revised ESCP is disclosed promptly thereafter.
3. In case of any inconsistencies between the ESCP and the provisions of this Agreement, the provisions of this Agreement shall prevail.
4. The Borrower shall ensure that:
 - (a) all measures necessary are taken to collect, compile, and furnish to the World Bank through regular reports, with the frequency specified in the

ESCP, and promptly in a separate report or reports, if so requested by the World Bank or whenever the circumstances warrant, information on the status of compliance with the ESCP and the environmental and social instruments referred to therein, all such reports in form and substance acceptable to the World Bank, setting out, *inter alia*: (A) the status of implementation of the ESCP; (B) conditions, if any, which interfere or threaten to interfere with the implementation of the ESCP; and (C) corrective and preventive measures taken or required to be taken to address such conditions; and

(b) the World Bank is promptly notified of any incident or accident related to or having an impact on Part 2 of the Project which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers, in accordance with the ESCP, the environmental and social instruments referenced therein and the Environmental and Social Standards.

5. The Borrower shall establish (if not already done), publicize, maintain and operate an accessible grievance mechanism, to receive and facilitate resolution of concerns and grievances of Project-affected people, and take all measures necessary and appropriate to resolve, or facilitate the resolution of, such concerns and grievances, in a manner acceptable to the World Bank.
6. The Borrower shall ensure that all bidding documents and contracts for civil works under the Project include the obligation of contractors, subcontractors and supervising entities, to: (i) comply with the relevant aspects of ESCP and the environmental and social instruments referred to therein; and (ii) adopt and enforce codes of conduct that should be provided to and signed by all workers, detailing measures to address environmental, social, health and safety risks, and the risks of sexual exploitation and abuse, sexual harassment and violence against children, all as applicable to such civil works commissioned or carried out pursuant to said contracts.

D. Project Operations Manual.

1. No later than one (1) month after the Effective Date, the Borrower shall adopt the Project Operations Manual, in form and substance satisfactory to the World Bank. The Project Operations Manual shall set forth:
 - (a) the requirement for the preparation of subprojects and bidding documents for the selection of investors, including model legal agreements;

- (b) environmental and social requirements applicable for each Part of the Project, in accordance with ESCP;
 - (c) required staff, minimum qualifications and allocation of responsibilities; and
 - (d) the administrative, accounting, auditing, internal control, asset management, reporting, financial, procurement and disbursement (flow of funds) procedures for the Project; which procedures shall be consistent with those included or referred to in this Agreement.
2. (a) Throughout the implementation of the Project, the Borrower shall ensure that the Project is carried out in accordance with the Project Operations Manual.
- (b) The Borrower shall obtain the World Bank's written agreement prior to assigning, amending, abrogating, or waiving its Project Operations Manual, or any of its provisions, or permitting any other entity participating in the implementation of the Project to do so.
3. In the event of any conflict between the provisions of the Project Operations Manual and those of this Agreement, the provisions of this Agreement shall prevail.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports; Completion Report

1. Reports.
- (a) The Borrower shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators acceptable to the World Bank. Each Project Report shall cover the period of one calendar semester and shall be furnished to the World Bank not later than forty-five (45) days after the end of the period covered by such report.
 - (b) The Borrower shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six months after the Closing Date.

2. Annual Work Plans and Budgets.

- (a) Except for the Borrower's fiscal year during which this Agreement shall become effective, each year, the Borrower shall: (i) prepare and furnish to the World Bank by October 1 in each year, beginning in 2021, a draft Annual Work Plan and Budget for review and comment, summarizing the implementation progress of the Project for the said year and the Project activities to be undertaken in the following fiscal year (including subprojects and risk mitigation tools, together with documentary evidence that the environmental and social obligations related to such upcoming Project activities shall be fully complied with in a timely fashion in accordance with the Borrower's environmental and social obligations with respect to the Project), as well as the proposed annual budget and sources of financing for the Project (Loan, counterpart financing if any, and any other source of financing which are or may become available for the Project); (ii) taking into account the World Bank's comments, finalize and furnish to the World Bank no later than December 1 in each year, beginning in 2021, the Annual Work Plan and Budget, acceptable to the World Bank; and (iii) thereafter ensure that the Project is implemented during the following fiscal year in accordance with the Annual Work Plan and Budget agreed with the World Bank and in a manner acceptable to the World Bank (and update such Annual Work Plans and Budgets on a quarterly basis). The Borrower shall not amend, suspend, abrogate, or waive said Annual Work Plans and Budgets or any provision thereof without the prior written agreement of the World Bank.
- (b) For the Borrower's fiscal year during which this Agreement shall become effective, the date referred to in Section II.A.2(a)(i) of this Schedule shall be one (1) month after the Effective Date and the date referred to in Section II.A.2(a)(ii) of this Schedule shall be two (2) months after the Effective Date. Such Annual Work Plan and Budget shall not include any reporting related to activities implemented during the fiscal year during which it is prepared.

3. Midterm Review.

The Borrower shall:

- (a) not later than thirty-six (36) months after the Effective Date, or such other date as may be agreed with the World Bank, carry out jointly with the World Bank, a midterm review of the Project (the "Midterm Review"), to assess the status of Project implementation, as measured against the indicators referred to in Section II.A.1 of this Schedule and the legal

covenants included in this Agreement. Such review shall include an assessment of the following: (i) overall progress in implementation; (ii) results of monitoring and evaluation activities; (iii) progress on procurement and disbursement; (iv) progress on implementation of environmental and social measures; (v) implementation arrangements and Project staffing; and (vi) the need to make any adjustments to the Project and reallocate funds to improve performance, if any;

- (b) to this end, prepare and furnish to the World Bank, at least one (1) month before the Midterm Review, a report (or reports), in scope and detail satisfactory to the World Bank and integrating the results of the monitoring and evaluation activities performed pursuant to Section II.A.1 of this Schedule, on the progress achieved in the carrying out the Project during the period preceding the date of such report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of its objectives during the period following such date; and
- (c) review jointly with the World Bank the report or reports referred to in the preceding paragraph, and thereafter take all measures required to ensure the efficient completion of the Project and the achievement of its objectives, based on the conclusions and recommendations of such report or reports and the World Bank's views on the matter.

B. Financial Management; Financial Reports; Audits

1. The Borrower shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.
2. The Borrower shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than forty-five (45) days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.
3. The Borrower shall have its Financial Statements for the Project audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six months after the end of such period.

Section III. Procurement

All goods, works, non-consulting services and consulting services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in the Procurement Regulations and the provisions of the Procurement Plan.

Section IV. Withdrawal of Loan Proceeds

A. General

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) and such additional instructions as the World Bank may specify by notice to the Borrower (including the “Disbursement Guidelines for Investment Project Financing” dated February 2017, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan (“Category”), the allocations of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works, non-consulting services and consulting services under Part 2 of the Project	23,000,000	100%
TOTAL AMOUNT	23,000,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made:

- (a) from the Loan Account until the Bank has received payment in full of the Management Fee; or
 - (b) for payments made prior to the date of this Agreement.
2. The Closing Date is January 31, 2026.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Loan repayable (expressed as a percentage)
On each May 15 and November 15:	
commencing May 15, 2031 to and including November 15, 2040	1%
commencing May 15, 2041 to and including November 15, 2060	2%

APPENDIX
Definitions

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 and as of July 1, 2016.
2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “Environmental and Social Commitment Plan” or the acronym “ESCP” means the environmental and social commitment plan for the Project, dated March 11, 2020, as the same may be amended from time to time in accordance with the provisions thereof, which sets out the material measures and actions that the Borrower shall carry out or cause to be carried out to address the potential environmental and social risks and impacts of the Project, including the timeframes of the actions and measures, institutional, staffing, training, monitoring and reporting arrangements, and any environmental and social instruments to be prepared thereunder.
4. “Environmental and Social Standards” or “ESSs” means, collectively: (i) “Environmental and Social Standard 1: Assessment and Management of Environmental and Social Risks and Impacts”; (ii) “Environmental and Social Standard 2: Labor and Working Conditions”; (iii) “Environmental and Social Standard 3: Resource Efficiency and Pollution Prevention and Management”; (iv) “Environmental and Social Standard 4: Community Health and Safety”; (v) “Environmental and Social Standard 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement”; (vi) “Environmental and Social Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources”; (vii) “Environmental and Social Standard 7: Indigenous Peoples/Sub-Saharan Historically Underserved Traditional Local Communities”; (viii) “Environmental and Social Standard 8: Cultural Heritage”; (ix) “Environmental and Social Standard 9: Financial Intermediaries”; and (x) “Environmental and Social Standard 10: Stakeholder Engagement and Information Disclosure”; effective on October 1, 2018, as published by the World Bank.
5. “FENAKA” means FENAKA Corporation Limited, the company responsible for the supply of electricity, water and sewerage services to the outer islands of the Borrower, wholly owned by the Borrower, established by Presidential Decree under the Companies Act of 10/96 on June 18, 2012, and registered on August 1, 2012; or any successor thereto.

6. “Maldives” means the territory of the Borrower.
7. “Maldives Energy Authority” means the Borrower’s independent regulatory body affiliated to the ME, mandated to regulate the energy sector activities, or any successor thereto.
8. “Ministry of Environment” or “ME” means the Borrower’s ministry responsible for environment.
9. “Ministry of Finance” means the Borrower’s ministry responsible for finance.
10. “Ministry of National Planning, Housing and Infrastructure” means the Borrower’s ministry of planning, housing and infrastructure, or any successor thereto.
11. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated October 31, 2020 and provided for under Section IV of the Procurement Regulations, as the same may be updated from time to time in agreement with the World Bank.
12. “Procurement Regulations” means the “World Bank Procurement Regulations for IPF Borrowers”, dated July 2016, revised November 2017 and August 2018.
13. “Project Management Unit” or “PMU” means the unit initially established for the management of the Borrower’s Accelerating Sustainable Private Investments in Renewable Energy Project, reorganized/strengthened for the purpose of the Project in accordance with the provisions of Section I.A.1(c) of the Schedule to this Agreement.
14. “Project Operations Manual” or “POM” means the manual to be prepared or updated and adopted for the Project in accordance with the provisions of Section I.D.1 of Schedule 2 to this Agreement.
15. “Standard Conditions” means the Standard Conditions for Loans Made by the World Bank Out of the Climate Investment Funds, dated February 18, 2014.
16. “Steering Committee” means the committee to be established for the Project in accordance with Section I.A.1(a) of Schedule 2 to this Agreement.
17. “STELCO” means State Electric Company Ltd; the company responsible for power generation, distribution and retail, wholly owned by the Borrower, and

established by the Presidential decree of #1997/83 of June 1997; or any successor thereto.

18. "Technical Committee" means the committee to be established in accordance with Section I.A.1(b) of Schedule 2 to this Agreement.