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**Additional Financing**  
**GRANT NUMBER H694-MV**

**Amendment to**  
**CREDIT NUMBER 4611-MV**

# **Financing Agreement**

**(Additional Financing for the Pension and Social Protection Administration Project  
and Amendment to the Original Financing Agreement)**

**between**

**REPUBLIC OF MALDIVES**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated August 7, 2011**

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Public Disclosure Authorized

## **FINANCING AGREEMENT**

AGREEMENT dated August 7, 2011, entered into between REPUBLIC OF MALDIVES (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing additional financing for activities related to the Original Project (as defined in the Appendix to this Agreement).

This Agreement: (i) sets out the terms and conditions related to the Additional Financing for the Pension and Social Protection Administration Project; and (ii) amends specific provisions of the Original Financing Agreement (as such term is defined in the Appendix to this Agreement).

The Recipient and the Association hereby agree as follows:

### **ARTICLE I — GENERAL CONDITIONS; DEFINITIONS**

- 1.01. The General 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 General Conditions or in the Appendix to this Agreement.

### **ARTICLE II — FINANCING**

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equivalent to seven million six hundred thousand Special Drawing Rights (SDR 7,600,000) (“Financing”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Payment Dates are March 15 and September 15 in each year.

- 2.05. The Payment Currency is Dollars.

### **ARTICLE III — PROJECT**

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out Parts A.1, A.2 (a) and D of the Project through MOHF, and Part C of the Project through MOFT, and cause Parts A.2(b), A.2(c), A.2(d), B and E of the Project to be carried out by the Project Implementing Entity in accordance with the provisions of Article IV of the General Conditions and the Project Agreement.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

### **ARTICLE IV — REMEDIES OF THE ASSOCIATION**

- 4.01. The Additional Event of Suspension consists of the following:

The Project Implementing Entity's Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under the Project Agreement.

### **ARTICLE V — EFFECTIVENESS; TERMINATION**

- 5.01. The Additional Condition of Effectiveness consists of the following:

The Subsidiary Agreement has been executed on behalf of the Recipient and the Project Implementing Entity.

- 5.02. The Additional Legal Matter consists of the following:

The Subsidiary Agreement has been duly authorized or ratified by the Recipient and the Project Implementing Entity and is legally binding upon the Recipient and the Project Implementing Entity in accordance with its terms.

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

- 5.04. For purposes of Section 8.05(b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.

**ARTICLE VI — REPRESENTATIVE; ADDRESSES**

- 6.01. The Recipient's Representative is its Minister of Finance and Treasury.

- 6.02. The Recipient's Address is:

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

Facsimile: (960) 332 4432

- 6.03. The Association's Address is:

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

Cable:

Telex:

Facsimile:

INDEVAS  
Washington, D.C.

248423 (MCI)

1-202-477-6391

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

REPUBLIC OF MALDIVES

By /s/ Qasim Ibrahim

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Diarietou Gaye

Authorized Representative

## SCHEDULE 1

### Project Description

The objectives of the Project are to support the implementation of the Recipient's National Pension Act, to strengthen the institutional capacity of key agencies responsible for implementing the National Pension Act, and to develop the processes and platforms required for the delivery of social protection programs.

The Project consists of the Original Project with amendments incorporated below, as follows:

**Part A:**            **Technical Assistance and Capacity Building for the Recipient's New Pension Program**

1.    Policy Analysis and Legal Framework: Provision of technical advisory services, goods and training to MOHF for the development of:
  - (i)    a new pension system, including strategic reform planning and fiscal impact analysis; and
  - (ii)   a new pension legal framework, including drafting laws, rules, regulations, institutional by-laws for MPAO, and other related documents.
  
2.    Institution and Capacity Building: Provision of technical advisory services, goods, and training for institution and capacity building, to, *inter alia*:
  - (a)    MOHF for the setting up of MPAO, including: (i) preparing MPAO's departmental and staffing structures, terms of references for its departments and staff and an annual operational budget; and (ii) providing basic infrastructure, including office equipment, furniture, air conditioning and office hardware;
  
  - (b)    MPAO for: (i) preparing its operational instructions; (ii) strengthening the capacity of new staff; (iii) contracting external asset managers and other service providers, including insurance companies to manage the payout of beneficiaries under the Maldives Retirement Pension Scheme; (iv) developing options of disability insurance under the Maldives Retirement Pension Scheme; (v) data consolidation from the public sector entities to be used for the purpose of calculation of individual pension liabilities; and (vi) defining and implementing in a

manner agreed with the Association the process of annuitization of pension balances;

- (c) MPAO for the development of transitional provisions, policy toward survivors, disability provisions for MRPS, and benefit withdrawal; and
- (d) MPAO to assist CMDA in: (i) the establishment of a supervisory unit for pensions, including the drafting of rules and regulations pertaining to the supervision of the pension sector; and (ii) the elaboration of a strategy and regulations for developing new and longer term investment instruments for the pension assets.

**Part B: Public Awareness Campaign**

Provision of technical advisory services, goods and training to MPAO to design and implement a public information campaign to educate members of the new pension system on the objectives and mechanisms of the system including improving awareness of: (i) employers about their contributory obligations; (ii) workers about their rights and benefits; and (iii) senior citizens about the mechanism for claiming basic pension.

**Part C: Public Accounting System**

Provision of technical advisory services, goods, and training, to *inter alia*:

- (a) support MOFT in the implementation of the PAS within *inter alia*, MOFT, line agencies, and local government bodies;
- (b) support MOFT in the development and implementation of accounting standards, policies and instructions related to the Recipient's Public Finance Law;
- (c) strengthen capacity of the staff of MOFT, line agencies, and local government bodies in the use, operation and maintenance of PAS; and
- (d) support MOFT in the development and implementation of a payroll system for the public employees of the Recipient, including a mechanism to track the pension contributions.

**Part D: Administration of Health Insurance, Disability, and Targeted Assistance**

1. Development of a targeting system to be used by the Recipient to focus limited resources on the poor, including: (i) carrying out initial piloting of a new

targeting method; (ii) development of database management specifications and a management information system for targeting; (iii) establishment of a system for data collection; (iv) development of standard operating procedures, manuals and training plans for the scale-up of the targeting system; (v) carrying out of outreach campaigns, training and capacity building; and (vi) development of monitoring and evaluation systems for the targeting system.

2. Provision of technical advisory services and training for the development of disability coding and strengthening of benefit administration, including developing standard operating procedures, designing a disability registry and administration of cash benefits.
3. Development of efficient systems including a management information system for the delivery of health insurance and the strengthening of the capacity of MOHF to administer and monitor the health insurance scheme.

**Part E: Payout of Pension Liabilities**

Supporting the Recipient's pension scheme through the provision of Pension Payouts to public sector employees retiring during the period of project implementation, who have been credited with Recognition Bonds in accordance with the laws of the Recipient.



## SCHEDULE 2

### Project Execution

#### Section I. Implementation Arrangements

**A. Institutional Arrangements.** The Recipient shall carry out the Project in accordance with Schedule 2 Section I.A of the Original Financing Agreement, the Schedule to the Project Agreement, and with the amendments set out below:

1. Section I paragraph A.1 of Schedule 2 to the Financing Agreement is amended to read as follows:

“1. The Recipient shall maintain, throughout the period of implementation of the Project, a Steering Committee to be chaired by a senior official from MOFT, and to include a representative from ERMD, the Project Director from MPAO, and two Project co-Directors (one from MOFT and one from MOHF) to, inter alia, monitor the overall progress of the Project semi-annually, including approving proposed annual Project implementation plans, which Committee shall have a mandate, terms of reference and composition satisfactory, at all times, to the Association. The Project co-Directors, including the one for MPAO shall be appointed by the Recipient no later than two (2) months after the date of this Agreement. The Project Director from MPAO shall be responsible for overseeing and coordinating the implementation of Parts A.2(b), A.2(c), A.2(d), B and E of the Project and for coordinating with the two (2) other co-Directors on the implementation of the Project overall. The Project co-Director from MOFT shall be responsible for overseeing the implementation of Part C of the Project and the Project Co-Director from MOHF shall be responsible for overseeing the implementation of Parts A.1, A.2(a) and D of the Project.”

2. Section I paragraph A. 2 of Schedule 2 to the Financing Agreement is amended to read as follows:

“2. The Steering Committee shall facilitate coordination and implementation of the Project across the various government ministries and entities, including sharing information related to pension fund reforms and resolving any implementation issues.

3. Section I paragraph A. 3 of Schedule 2 to the Financing Agreement is amended to read as follows:

“3. The Recipient shall cause MPAO to maintain, throughout the period of the implementation of the Project, a PMU located within the Project Implementing Entity, with terms of reference, staffing, including staff for

financial management as per the PIP and other resources, in each case acceptable to the Association, which will, under the supervision of the Project Implementing Entity and guidance of the Steering Committee, be responsible for the overall coordination and supervision of the execution of the Project, including undertaking procurement and carrying out financial management, and monitoring and evaluation of the Project.”

4. Section I paragraph A. 6 of Schedule 2 is amended to read as follows:

“The Recipient shall no later than three months after the date of this Agreement, update the PIP in form and substance acceptable to the Association and thereafter implement the Project in accordance with the PIP, which shall include:

- (i) an outline of the responsibilities of the staff of the PMU, MPAO and MOFT;
- (ii) a description of a coordination mechanism between the PMU, MPAO, MOHF and MOFT regarding activities of the technical assistance to be received by such members;
- (iii) a financial management manual incorporating policy and procedures, acceptable to the Association, regarding accounting, reporting, disbursement, internal control and audit mechanisms and procedures; and
- (iv) procurement procedures and model contracts for services and goods as set forth in the Procurement Plan”.

**B. Subsidiary Agreement**

1. To facilitate the carrying out of the Project Implementing Entity’s Respective Parts of the Project and its other obligations related to financial management, procurement and progress reporting for the entire Project, the Recipient shall make part of the proceeds of the Financing available to the Project Implementing Entity through a grant provided under a subsidiary agreement between the Recipient and the Project Implementing Entity, under terms and conditions approved by the Association, which shall include:

- (a) The amount of the grant shall be made available in United States Dollars (determined on the date, or respective dates, of withdrawal from the Financing Account) of the value of the currency or currencies so withdrawn;
- (b) The Project Implementing Entity shall undertake to carry out its Respective Parts of the Project with due diligence and efficiency and in accordance with appropriate management, financial, engineering and public utility practices and social and environmental standards acceptable to the Association, and

provide, promptly as needed, the funds, facilities and other resources required for the purpose;

- (c) The Project Implementing Entity shall undertake to carry out the Project in accordance with the Anti-Corruption Guidelines and to procure the goods and consultants' services to be financed out of the proceeds of the grant in accordance with the provisions of Section III of Schedule 2 to this Agreement, and utilize such goods and consultants' services exclusively in the carrying out of its Respective Parts of the Project;
- (d) The Project Implementing Entity shall undertake to enable the Recipient and the Association to inspect such goods and any relevant records and documents;
- (e) The Project Implementing Entity shall undertake to take out and maintain with responsible insurers such insurance, against such risks and in such amounts, as shall be consistent with sound business practice, including, without limitation, such insurance to cover hazards incident to the acquisition, transportation and delivery of goods financed out of the proceeds of the grant to the place of use or installation, any indemnity thereunder to be made payable in a currency freely usable to replace or repair such goods;
- (f) The Project Implementing Entity shall, in relation to the Project, undertake to:
  - (i) maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition;
  - (ii) retain all records (contracts, orders, invoices, bills, receipts and other documents) evidencing expenditures under the Project until at least the later of: (i) one (1) year after the Recipient and the Association have received the audited financial statements covering the period during which the last withdrawal from the Financing Account was made; and (ii) a minimum of two (2) years after the Closing Date;
  - (iii) enable the Recipient's representatives and the Association's representatives to examine such records;
  - (iv) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association, and as part of the audit, MPAO shall ensure that a special performance audit

of Part E of the Project (verifying the establishment of individual pension accounts, Pension Payouts and fulfillment of disbursement-linked indicators) will be carried out on terms of reference agreed with the Association;

- (v) furnish to the Recipient and the Association as soon as available, but in any case not later than six (6) months after the end of each such year, certified copies of said financial statements and accounts for such year as so audited; an opinion on such statements by said auditors in such scope and detail as the Recipient and the Association shall have reasonably requested; and all such other information concerning said records, accounts and financial statements, as well as the audit thereof, as the Recipient and the Association shall reasonably request;
  - (vi) prepare and furnish to the Association not later than forty-five (45) calendar days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association;
  - (vii) prepare and furnish to the Recipient and the Association all such other information concerning said records, accounts and financial statements, as well as the audit thereof, as the Recipient and the Association shall reasonably request; and
  - (viii) manage the designated account for the Project on behalf of the Recipient.
- (g) The Project Implementing Entity shall undertake to:
- (i) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Recipient and the Association the carrying out of the Project and the achievement of the objectives thereof; and
  - (ii) prepare, under terms of reference satisfactory to the Association, and furnish to the Recipient and the Association for their review, consolidation in the Project Reports and submission to the Association, semi-annual reports integrating the results of the monitoring and evaluation activities performed pursuant to clause (i) of this sub-paragraph (h) on the progress achieved in the carrying out of the Project during the period preceding the date of each such report.

- (h) The Recipient shall have the right to suspend or terminate the right of the Project Implementing Entity to use the proceeds of the grant made available under the Subsidiary Agreement with said Project Implementing Entity upon failure by the Project Implementing Entity to perform its obligations under such agreement.
- 2. The Recipient shall exercise its rights 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 Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

**C. Anti-Corruption**

The Recipient 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 Recipient shall, together with MPAO, monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators acceptable to the Association. Each Project Report shall cover a bi-annual period (six months), and shall be furnished to the Association not later than forty five (45) calendar days after the end of the period covered by such report.
- 2. For purposes of Section 4.08(c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than six (6) months after the Closing Date.

**B. Financial Management, Financial Reports and Audits**

- 1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
- 2. Without limitation on the provisions of Part A of this Section, the Recipient shall, and shall cause MPAO to, prepare and furnish to the Association not later than forty-five (45) calendar days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.

3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. As part of that audit, the Recipient shall ensure that a special performance audit of Part E of the Project (verifying the establishment of individual pension accounts, Pension Payouts and fulfillment of disbursement-linked indicators) will be carried out on terms of reference agreed with the Association. Each audit of the Financial Statements and the special performance audit for Part E of the Project shall cover the period of one (1) fiscal year of the Recipient. The audited Financial Statements and special performance audit for Part E for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

### **Section III. Procurement**

#### **A. General**

1. **Goods.** All goods required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

#### **B. Particular Methods of Procurement of Goods**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods. The Procurement Plan shall specify the circumstances under which such methods may be used:

<b>Procurement Methods</b>
(a) National Competitive Bidding, subject to the use of the World Bank’s standard bidding documents or sample bidding documents as agreed with the Association.
(b) Shopping subject to the use of sample invitation for quotation documents as agreed with the Association.
(c) Direct Contracting

**C. Particular Methods of Procurement of Consultants’ Services**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.
2. **Other Methods of Procurement of Consultants’ Services.** The following table specifies methods of procurement, other than Quality- and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<b>Procurement Methods</b>
(a) Quality-Based Selection
(b) Selection Based on the Consultant’s Qualifications
(c) Single Source Selection
(d) Individual Consultants

**D. Review by the Association of Procurement Decisions**

The Procurement Plan shall set forth those contracts which shall be subject to the Association’s Prior Review. All other contracts shall be subject to Post Review by the Association.

**Section IV. Withdrawal of the Proceeds of the Financing**

**A. General**

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing (“Category”), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<b>Category</b>	<b>Amount of the Original Credit as Reallocated through this Financing Agreement (expressed in SDR)</b>	<b>Amount of the Additional Financing Allocated (expressed in SDR)</b>	<b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b>
(1) Goods, consultants’ services, training and workshops and operating costs for Parts A.1, A.2 and B of the Project <sup>1</sup>	700,000		100%
(2) Goods , consultants’ services, and training and workshops for Part A.3 of the Project <sup>2</sup>	630,000		100%
(3) Refund of Preparation Advance	183,992.80		Amount payable pursuant to Section 2.07 of the General Conditions
(4) Goods, consultants’ services, training, workshops, and Incremental Operating Costs* under Parts A, B, C and D of the Project	1,086,007.20	2,520,000	100%
(5) Pension Payouts			

<sup>1</sup> No further withdrawals will be made out of this Category after the effectiveness date.

<sup>2</sup> Part A. 3 of the Project is now amended to become Part C of the Project. No further withdrawals will be made out of this Category after the effectiveness date.



<b>Category</b>	<b>Amount of the Original Credit as Reallocated through this Financing Agreement (expressed in SDR)</b>	<b>Amount of the Additional Financing Allocated (expressed in SDR)</b>	<b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b>
(a) upon compliance with DLI #1 set out in Schedule 3  (i) DLI # 1(i) (ii) DLI # 1(ii) (iii) DLI # 1(iii) (iv) DLI # 1(iv)		630,000  260,000  130,000  130,000	100%
(b) upon compliance with DLI # 2 set out in Schedule 3  (i) DLI # 2(i) (ii) DLI # 2(ii) (iii) DLI # 2(iii) (iv) DLI # 2(iv)		500,000  260,000  260,000  260,000	100%
(c) upon compliance with DLI # 3 set out in Schedule 3  (i) DLI # 3(i) (ii) DLI # 3(ii)		310,000  260,000	100%

<b>Category</b>	<b>Amount of the Original Credit as Reallocated through this Financing Agreement (expressed in SDR)</b>	<b>Amount of the Additional Financing Allocated (expressed in SDR)</b>	<b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b>
(iii) DLI # 3(iii)		500,000	
(iv) DLI # 3(iv)		760,000	
(v) DLI # 3(v)		820,000	
<b>TOTAL AMOUNT</b>	<b>2,600,000</b>	<b>7,600,000</b>	

For purposes of this table, “Incremental Operating Costs” means the incremental expenses incurred on account of Project implementation and management, including the operation and maintenance of vehicles, office supplies, communication charges, insurance costs, office administration costs, banking charges, advertising expenses, utility charges, domestic travel and per diem allowances, but excluding salaries of the officials of the Recipient’s civil service.

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
  - (a) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed SDR 1,200,000 equivalent may be made for payments made prior to this date but on or after January 1, 2011, for Eligible Expenditures;
  - (b) for payments under any sub-category under Category 5 unless and until the Disbursement Linked Indicators (DLIs) set out in Schedule 3 to this Agreement have been met in a manner satisfactory to the Association, and the following additional conditions have been met for all disbursements under Category 5:
    - (i) MPAO has fully established corresponding individual retirement savings accounts for retiring employees on its management information system to track auditable individual balances and transactions in those accounts; and

- (ii) MOFT has established a single agency in charge of award and administration of the retirement benefits accrued to retiring civil service retirees, including a unified approach to benefit value determination; and
  - (c) for the first payment under Category 5 unless and until MPAO has furnished to the Association a technical assessment report satisfactory to the Association on the operations of MRPS, certifying, *inter alia*: (i) the accuracy of the opening balances of all individual retirement savings accounts; (ii) the integrity of the data collection, verification and the maintenance process; (iii) accuracy and completeness of the record keeping, internal controls (including self balancing control ledgers) and accounting system; (iv) the quality of the database including secure access, ability to search and track data, ability to produce aggregate data and reports, maintenance procedures, and backup systems; and (v) an agreed dated action plan to strengthen the book keeping practices, data maintenance procedures, internal controls and associated management information systems to enhance safekeeping and integrity of the records.
2. With respect to Category 5, the Recipient shall ensure that each DLI is fulfilled by the date specified in Schedule 3. In the event that a DLI is not met by the specified date, the Recipient and the Association shall agree on actions to be taken by the Recipient to meet the DLI within a time period agreed with the Association. Failure to meet DLI's within such time period may lead to cancellation of the amount allocated to the corresponding sub-Category.
  3. The Closing Date is June 30, 2015.

**Section V**      **Other Undertakings**

1. The Recipient shall no later than August 15, 2011 appoint an independent consultant to carry out the technical assessment required under Section IV. B.1 (c) and Section V.2 of Schedule 2 to this Agreement.
2. The Recipient shall no later than March 31, 2012 submit to the Association a technical assessment report on the progress made by the Recipient in fulfilling the agreed actions referred to in Section IV.B.1(c)(v) of Schedule 2 to this Agreement.
3. The Recipient shall no later than September 30, 2011 submit to the Association final terms of reference for the audit to be prepared under Section II.B.3 of Schedule 2 to this Agreement, and shall no later than December 31, 2011 appoint an independent auditor to carry out such audit.

### SCHEDULE 3

#### Disbursement Linked Indicators (DLIs) for Part E of the Project

<b>Indicator</b>	<b>Measurable Targets to be Achieved</b>
1. DLI #1: Enrollment of workers into the MRPS.	<p>MPAO has submitted to the Association from its generated management information system reports reflecting workers enrollment into the MRPS as follows:</p> <ul style="list-style-type: none"><li>(i) By September 30, 2011, 40,000 workers.</li><li>(ii) By March 31, 2012, 43,000 workers.</li><li>(iii) By September 30, 2012, 47,000 workers.</li><li>(iv) By March 31, 2013, 50, 000 workers.</li></ul>

<b>Indicator</b>	<b>Measurable Targets to be Achieved</b>
2. DLI #2: Electronic reporting of contributions.	<p>MPAO has submitted to the Association reports from its management information system of contributions as follows:</p> <ul style="list-style-type: none"><li data-bbox="787 456 1816 521">(i) By September 30, 2011, 80% of all entities of the Recipient and 20% of all private employers (with 10 or more employees).</li><li data-bbox="787 553 1816 618">(ii) By March 31, 2012, 80% of all entities of the Recipient and 40% of all private employers (with 10 or more employees).</li><li data-bbox="787 651 1816 716">(iii) By September 30, 2012, 100% of all entities of the Recipient and 60% of all private employers (with 10 or more employees).</li><li data-bbox="787 748 1816 813">(iv) By March 31, 2013, 100% of all entities of the Recipient and 80% of all private employers (with 10 or more employees).</li></ul>
3. DLI #3: Implementation of key administrative arrangements for the reform to the pension and social protection systems.	<p>MPAO has submitted to the Association evidence of fulfillment of the following conditions:</p> <ul style="list-style-type: none"><li data-bbox="787 950 1816 1015">(i) By March 31, 2012, regulations on foreign worker participation in the pension program.</li><li data-bbox="787 1015 1816 1079">(ii) By September 30, 2012, a strategy defining the term self-employed including matching contributions.</li><li data-bbox="787 1079 1816 1144">(iii) By March 31, 2013, online access of MRPS to individuals of their individual accounts.</li><li data-bbox="787 1144 1816 1209">(iv) By September 30, 2013, regulations defining MRPS annuity provisions and evidence of implementation of such provisions.</li><li data-bbox="787 1209 1816 1274">(v) By March 31, 2014, implementation of the health insurance management information system.</li></ul>

## APPENDIX

### **Section I. 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.
2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “CMDA” means the Recipient’s Capital Markets Development Authority established and operating in accordance with Maldives Securities Act Law No. 2/2006 dated 26 January 2006.
4. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” published by the Bank in January 2011.
5. “ERMD” means the External Resources Management Division of the Recipient’s Ministry of Finance and Treasury, or any successor thereto.
6. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010.
7. “MPAO” means the Maldives Pension Administration Office set up under Part A. 2 of the Project, and operating pursuant to the Project Implementing Entity’s Legislation (as hereunder defined).
8. “MRPS” or “Maldives Retirement Pension Scheme” means a pension scheme established by the National Pension Act and administered by MPAO.
9. “MOHF” means the Recipient’s Ministry of Health and Family or any successor thereto.
10. “MOFT” means the Recipient’s Ministry of Finance and Treasury or any successor thereto.
11. “MOFT PAS Unit” means the Unit within MOFT that will be responsible for implementing Part C of the Project on behalf of MOFT.
12. “National Pension Act” means the Recipient’s National Pension Act (Law No. 8/2009), which came into effect on May 13, 2009.

13. “Original Financing Agreement” means the financing agreement for a Pension and Social Protection Administration Project between the Recipient and the Association, dated August 12, 2009 (Credit No. 4611-MV).
14. “Original Project” means the Project described in the Original Financing Agreement.
15. “PAS” means the Public Accounting System which is being implemented in the Maldives which incorporates payroll processing of public employees.
16. “Pension Payouts” means the payments to be made out of the Grant to individual retirement savings accounts set up by MPAO against Recognition Bonds redeemed by the Recipient.
17. “Procurement Guidelines” means the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” published by the Bank in January 2011.
18. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated April 15, 2011 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
19. “Project Implementing Entity” means the Maldives Pension Administration Office (MPAO).
20. “Project Implementing Entity’s Legislation” means the Recipient’s National Pension Act, and all rules and regulations in force thereunder.
21. “PIP” means the Recipient’s Project Implementation Plan for the Project dated September 24, 2009, to be updated in accordance with Section I.A.4 of Schedule 2 to this Agreement.
22. “PMU” means the Project management unit that was established within MOHF under Section I.A.3 of Schedule 2 to the Original Financing Agreement, which PMU has now been moved to the Project Implementing Entity and is to be maintained by MPAO in accordance with the provisions of Section I.A.1 of the Schedule to the Project Agreement.
23. “Recognition Bonds” means pension credits owed by the Recipient to individuals who accumulated such credits prior to the establishment of the new pension scheme under the Recipient’s Pension Act. Such Recognition Bonds carry a face value and an interest rate.

24. "Subsidiary Agreement" means the agreement referred to in Section I.B of Schedule 2 to this Agreement pursuant to which the Recipient shall make part of the proceeds of the Financing available to the Project Implementing Entity.

## **Section II. Amendments to the Original Financing Agreement**

The Original Financing Agreement is amended as follows:

1. Section 3.01 of the Original Financing Agreement is deleted and replaced by Section 3.01 of this Agreement.
2. The Project development objective and Project description set out in Schedule 1 to the Original Financing Agreement is amended to read as set out in Schedule 1 to this Agreement.
3. The Project implementation arrangements in Section I.A of Schedule 2 to the Original Financing Agreement are amended as reflected in Section I.A of Schedule 2 to this Financing Agreement.
4. Section I.B (Subsidiary Agreement) of this Financing Agreement is added to the Original Financing Agreement and the subsequent paragraphs are re-numbered accordingly.
5. The Performance Monitoring Indicators (referred to in the Original Financing Agreement as Project Indicators) set out in the Annex to Schedule 2 to the Original Financing Agreement are deleted and replaced by the Performance Monitoring Indicators set out in the supplemental letter to this Financing Agreement of even date herewith.
6. The withdrawal table in Schedule 2 Section IV.A.2 of the Original Financing Agreement is amended as reflected in Schedule 2 Section IV.A.2 to this Financing Agreement and reflects reallocations of amounts of the Credit allocated to the various Categories.
7. The Closing Date as set out in Section IV.B(3) of Schedule 2 to the Original Financing Agreement is hereby extended to June 30, 2015.

All other terms of the Original Financing Agreement not amended by this Agreement shall remain in full force and effect.