Financing Agreement

(Additional Financing for Rapid Employment Project and Amendment to Original Financing Agreement and Additional Financing I Agreement)

between

SOLOMON ISLANDS

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated 16 December, 2016
FINANCING AGREEMENT

AGREEMENT dated 16 December, 2014, entered into between SOLOMON ISLANDS ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") for the purpose of providing additional financing for the Original Project (as defined in the Appendix to this Agreement). The Recipient and the Association hereby agree as follows:

WHEREAS (A) Under the Original Financing Agreement (as such term is defined in the Appendix to this Agreement), the International Development Association ("Association") agreed to provide to the Recipient a grant (Grant Number H575-SB) in an amount equivalent to two million two hundred thousand Special Drawing Rights (SDR 2,200,000) ("Financing") to assist in financing the Original Project (as such term is defined in the Appendix to this Agreement);

(B) Under the Additional Financing I Agreement (as such term is defined in the Appendix to this Agreement), the Association agreed to provide to the Recipient a grant (Grant Number D086-SB) in an amount equal to one million one hundred thousand Special Drawing Rights (SDR 1,100,000) to assist in financing the Original Project.

(C) The Recipient has requested the Association to provide additional financial assistance in support of the Project, in the form of a grant in an amount equal to one million four hundred thousand Special Drawing Rights (SDR 1,400,000);

(D) The Association has agreed, on the basis, inter alia, of the foregoing to extend such additional assistance to the Recipient upon the terms and conditions set forth in this Agreement; and

(E) This Agreement: (i) sets out the terms and conditions related to the Financing for the Project; and (ii) amends specific provisions of the Original Financing Agreement and the Additional Financing I Agreement.

NOW THEREFORE 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 one million four hundred thousand Special Drawing Rights (SDR1,400,000) ("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 May 15 and November 15 in each year.

2.05. The Payment Currency is Dollar.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out: (i) Part 1(A) of the Project through MID; (ii) Parts 1(B) and 2 of the Project through HCC; and (iii) Part 3 of the Project jointly through MID and HCC; all in accordance with the provisions of Article IV of the General Conditions.

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 — EFFECTIVENESS; TERMINATION

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

4.02. 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 V — REPRESENTATIVE; ADDRESSES**

5.01. The Recipient’s Representative is the Minister at the time responsible for Finance and Treasury.

5.02. The Recipient’s Address is:

Ministry of Finance and Treasury  
P.O. Box 26  
Honiara, Solomon Islands  
Facsimile:  
677-27855

5.03. The Association’s Address is:

International Development Association  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America  
Telex:  
248423 (MCI)  
Facsimile:  
1-202-477-6391
AGREED at Honiara, Solomon Is., as of the day and year first above written.

SOLOMON ISLANDS

By

Authorized Representative

Name: Hon. Snyder Rini
Title: Minister of Finance and Treasury

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: Lasse Melgaard
Title: Acting Country Director
SCHEDULE 1

Project Description

The objective of the Project is to assist targeted vulnerable urban populations in the Recipient’s territory to: (i) increase their incomes through the provision of short term employment; (ii) improve their knowledge, experience and basic employment skills that are valued in the workplace and society; and (iii) improve their access to services and markets through repaired, more climate resilient roads and access infrastructure.

The Project consists of the Original Project and the following additional parts:

Part 1 (A) (iii) Improvement and maintenance of urban and peri-urban roads in and around Honiara; and

Part 1 (B) (iv) Provision of Sub-Grants to Community Groups for the carrying out of urban works and services in peri-urban locations within Guadalcanal Province.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Implementation Arrangements

The provisions of Section I of Schedule 2 to the Additional Financing Agreement are hereby incorporated and shall apply, mutatis mutandis, to this Project, with all references to “Project”, “Agreement”, “Financing”, and “Grant” being deemed references, respectively, to this Project, this Agreement, this Financing, and this Grant as defined in this Agreement. The Recipient undertakes to comply with the provisions as so incorporated to the same extent as if they had been set out in full in this Agreement.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

The Recipient shall 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 agreed with the Association and set out in the Project Operations Manual. Each Project Report shall cover the period of one (1) calendar quarter, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.

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 prepare and furnish to the Association as part of the Project Report not later than forty-five (45) 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. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) 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 Financing 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 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:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Sub-Grants (incurred by HCC), excluding Sub-Grants for Sub-Projects under Part I (B)(iv) of the Project.</td>
<td>180,000</td>
<td>100% of amounts disbursed</td>
</tr>
<tr>
<td>(2) Works (incurred by MID)</td>
<td>200,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) (i) Goods, Training, Consultants' Services and Incremental Operating Costs (incurred by MID)</td>
<td>440,000</td>
<td>100%</td>
</tr>
<tr>
<td>(ii) Goods, Training, Consultants' Services and Incremental Operating Costs (incurred by HCC)</td>
<td>540,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Sub-Grants (incurred by HCC) for Sub-Projects under Part 1 (B)(iv) of the Project.</td>
<td>40,000</td>
<td>100% of amounts disbursed</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>1,400,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

**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 SDR280,000 may be made for payments made prior to this date but on or after the date 6 months prior to the date of this Agreement, for Eligible Expenditures; or

   (b) under Category (4) unless and until the Association has received evidence to its satisfaction confirming:

   (i) HCC and Guadalcanal Provincial Assembly have entered into a memorandum of understanding that is in form and substance satisfactory to the Association, setting forth the anticipated cooperation between HCC and Guadalcanal Provincial Authority with respect to the Sub-Projects activities to be undertaken within Guadalcanal Province, including, *inter alia*, the provision of support by Guadalcanal Provincial Assembly to HCC and Community Groups in their undertaking of the Sub-Projects pursuant to the Sub-Project Agreements; and

   (ii) HCC has obtained all necessary approvals, permits, clearances and authorizations required by law to undertake Sub-Projects within Guadalcanal Province.

For the purposes of paragraph (ii) of this Section IV.B.1.(b), evidence to the satisfaction of the Association includes a legal opinion from counsel acceptable to
the Association confirming that the requirement detailed in paragraph (ii) of this Section IV.B.1.(b) has been fulfilled.

2. The Closing Date is December 31, 2018.
SCHEDULE 3

Terms and Conditions of Sub-Project Agreements

The provisions of Schedule 3 to the Additional Financing I Agreement are hereby incorporated and shall apply, mutatis mutandis, to this Project, with all references to "Financing Agreement", "Community Group", "Sub-Project Agreement", and "Sub-Grant" being deemed references, respectively, to this Agreement, these Community Groups, these Sub-Project Agreements, and these Sub-Grants as defined in this Agreement. The Recipient undertakes to comply with the provisions as so incorporated to the same extent as if they had been set out in full in this Agreement.
APPENDIX

Section I. Definitions

1. “Additional Financing I” means the financing provided under the Additional Financing I Agreement.

2. “Additional Financing I Agreement” means the financing agreement titled ‘Additional Financing For Rapid Employment Project’ between the Recipient and the Association dated September 16, 2015 (Grant No D086-SB).


4. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.

5. “Community Group” means each community group organized at the local level and responsible for carrying out a Sub-Project using a Sub-Grant on terms and conditions set out in a Sub-Project Agreement.

6. “Environmental and Social Management Guidelines” means the Environmental and Social Management Guidelines prepared and adopted by the Recipient, and updated and redisclosed in Infoshop on October 4, 2016, and referred to in Section I of Schedule 2 to the Additional Financing I Agreement, setting out, inter alia, policies and procedures for the screening and management of environmental and social impacts of activities to be carried out under the Project (including Sub-Projects), and including Environmental Management Plans for specific types of activities and a Resettlement Policy Framework for land acquisition and resettlement, as the same may be amended from time to time with the agreement of the Association.

8. "Fiscal Year" or "FY" means the twelve (12) month period corresponding to any of the Recipient's fiscal years, which period commences on January 1 and ends on December 31 of each calendar year.


10. "Guadalcanal Province" means the administrative area of Guadalcanal, as detailed in the Recipient's Provincial Government Act 1997 (No 7).

11. "Guadalcanal Provincial Assembly" means the provincial government responsible for the administration of Guadalcanal Province, as detailed in the Recipient’s Provincial Government Act 1997 (No 7).

12. "HCC" means the Honiara City Council, the local government body established under Section 4 of the Honiara City Act 1999 for the purpose of the administration of Honiara City, or any successor thereto.

13. "Incremental Operating Costs" means reasonable expenditures incurred by the Recipient on account of implementation and management of the Project (which expenditures would not have been incurred absent of the Project), including the Recipient’s staff travel costs, allowances, costs of vehicle rental, fuel and maintenance, bank charges, communication costs, office supplies and equipment, office rental fees, utilities, and consumables required for holding meetings related to the Project, but excluding salaries of civil servants of the Recipient.

14. "MID" means the Recipient’s Ministry of Infrastructure Development, or any successor thereto.

15. "Original Financing Agreement" means the financing agreement for a Rapid Employment Project between the Recipient and the Association, dated July 2, 2010 (Grant No H575-SB).

16. "Original Project" means the Project described in the Original Financing Agreement.

17. "Procurement Plan" means the Borrower’s procurement plan for the Project, dated October 5, 2016 and provided for under Section IV of the Procurement Regulations, as the same may be updated from time to time in agreement with the Bank.

19. "Project Operations Manual" means the Project Operations Manual dated October 14, 2016 prepared and adopted by the Recipient and referred to in Section I of Schedule 2 to the Additional Financing I Agreement, setting out, *inter alia*, results indicators, details of principles, procedures, criteria, guidelines and timetables required for the implementation of the Project, including the administrative, operational, procurement, financial management, monitoring and evaluation, and project and financial reporting arrangements, as well as principles, criteria and procedures for selecting and implementing Sub-Projects and details of administering Sub-Grants, as the same may be amended from time to time with the agreement of the Association.

20. "Project Steering Committee" means the Project Steering Committee to be maintained pursuant to Section I of Schedule 2 to the Additional Financing I Agreement and responsible for, *inter alia*, overseeing the overall implementation of the Project (including Sub-Projects), providing policy guidance, facilitating coordination among government ministries, agencies, institutions and other stakeholders, and providing advice on annual work plans and budgets of MID and HCC, in accordance with the objectives of the Project.

21. "Sub-Grant" means a grant to be provided by the Recipient (through HCC) to a Community Group to finance the costs of a Sub-Project.

22. "Sub-Project" means urban works and services to be undertaken by a Community Group with the proceeds of a Sub-Grant.

23. "Sub-Project Agreement" means an agreement for a Sub-Project to be entered into between the Recipient (through HCC) and a Community Group pursuant to Section I of Schedule 2 to the Additional Financing I Agreement.

24. "Technical Coordination Committee" means the Technical Coordination Committee to be maintained pursuant to Section I of Schedule 2 to the Additional Financing I Agreement and responsible for, *inter alia*, ensuring coordination of activities jointly carried out by MID and HCC.

25. "Training" means reasonable costs incurred by the Recipient for training under the Project, including purchase, translation and publication of materials, rental of facilities, course fees, workshop supplies, rental of equipment, reasonable honorarium of resource persons, and travel, accommodation and subsistence of participants.

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

The Original Financing Agreement is amended as follows:
1. The Closing Date in Section IV.B.2 of Schedule 2 to the Original Financing Agreement is extended to December 31, 2018.

Section III. Amendments to the Additional Financing I Agreement

The Additional Financing I Agreement is amended as follows:

1. The Closing Date in Section IV.B.2 of Schedule 2 to the Additional Financing I Agreement is extended to December 31, 2018.