November 4, 2014

Honorable Rick N. Houenipwela
Minister of Finance
Ministry of Finance and Treasury
P.O. Box 26
Honiar
SOLOMON ISLANDS

Dear Minister,

Re: Solomon Islands: Australian Trust Fund for Justice for the Poor Initiative
Community Governance and Grievance Management Project
(Grant No. TF018206)

In response to the request for financial assistance made on behalf of the Solomon Islands ("Recipient"), I am pleased to inform you that the International Bank for Reconstruction and Development/International Development Association ("World Bank"), acting as administrator of grant funds provided by the Government of Australia, represented by the Department of Foreign Affairs and Trade ("Donor") under the East Asia and the Pacific Justice for the Poor Initiative Trust Fund for the Community Governance and Grievance Management Project in Solomon Islands, proposes to extend to the Recipient three million eighty thousand United States Dollars (U.S.$3,080,000) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which include; the attached Annex, to assist in the financing of the project described in the Annex ("Project").

This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the Donor. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Donor under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.
Please confirm the Recipient's agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the countersignature.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT/INTERNATIONAL DEVELOPMENT ASSOCIATION

[Signature]
Franz R. Drees-Gross
Country Director
Timor-Leste, Papua New Guinea & Pacific Islands
East Asia and Pacific Region

AGREED:
SOLOMON ISLANDS

By: ________________________________
Authorized Representative

Name: RICK NELSON HAVENFIELD
Title: Minister of Finance
Date: 8/14/2015

Enclosures:


(2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006
Article I
Standard Conditions; Definitions


1.02. Definitions. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement as follows:

(a) "Community Officers" means male and female officers selected from participating provincial governments, in accordance with the criteria set forth in the Project Operational Manual, to work closely with local authorities, inter alia, in support of dispute management, advising local communities, explaining decision making processes and addressing local social problems, and acting as a link between community members and local police.

(b) "Indigenous Peoples" means social groups with a distinct social and cultural identity that makes them vulnerable to being disadvantaged in the development process, including the presence in varying degrees of the following characteristics: (i) a close attachment to ancestral territories and to the natural resources in these areas; (ii) self-identification and identification by others as members of a distinct cultural group; (iii) an indigenous language, often different from the national language; (iv) presence of customary social and political institutions; and (v) primarily subsistence-oriented production.

(c) "Ministry of Provincial Government and Institutional Strengthening" or "MPGIS" means the Recipient's ministry responsible for provincial governments or any successor thereto.

(d) "Operating Costs" means the incremental operating costs under the Project incurred by the Recipient, for purposes of carrying out the Project, including management and implementation, costs on account of office supplies and consumables, utilities, bank charges, communications, mass media and printing services, vehicle rental, operation, maintenance, and insurance, building and equipment maintenance, domestic travel, lodging, and subsistence allowances, and salaries of contractual and temporary staff, excluding salaries and allowances of the Recipient's civil services.

(e) "Project Management Unit" means the unit to be established within the Governance Division of the MPGIS, in accordance with the provisions set forth in Section 2.03.A.1(a) of this Annex, consisting of adequate staff and resources, satisfactory to the World Bank.
(f) "Project Operational Manual" means the manual referred to in Section 2.03.B. of the Annex to this Agreement setting forth detailed guidelines and procedures for the implementation of the Project, including in the areas of monitoring and evaluation, procurement, coordination, social and environmental safeguards, financial, administrative and accounting procedures, corruption and fraud mitigation measures, and such other arrangements and procedures as shall be required for the Project.

(g) "Training" means training activities carried out under the Project, such as seminars, study tours, and workshops, and covering associated costs of domestic and international travel and subsistence for training participants, services of trainers, rental of training facilities, preparation and reproduction of training materials, and other activities directly related to training preparation and implementation.

(h) "World Bank's Safeguard Policies" means the World Bank's operational policies and procedures set forth in the World Bank's Operational Manual under OP/BPs 4.01, 4.04, 4.09, 4.10, 4.11, 4.12, 4.36, 4.37, 7.50 and 7.60 published at www.worldbank.org/opmanual.
Article II
Project Execution

2.01. Project Objectives and Description. The objectives of the Project are to strengthen community grievance management capabilities and enhance the effectiveness of linkages between communities and provincial governments in targeted communities.

Part A: Revitalizing Government-Community Linkages

Carrying out of capacity building activities to support:

(i) participating provincial governments to fulfill key responsibilities associated with the recruitment, induction and training, performance management and supervision of Community Officers;

(ii) relevant departments/divisions of participating provincial governments to strengthen linkages and information flows between communities and provincial governments; and

(iii) MPGIS and participating provincial governments to raise public awareness around the roles and responsibilities of Community Officers, through various applicable media instruments.

Part B: Strengthening Community Officers’ Capacities

Carrying out of capacity building activities:

(i) including training and on-the-job mentoring for Community Officers, and other community governance actors and institutions, to ensure that Community Officers, and the various local actors with whom they interact, are adequately equipped with the knowledge, skills and tools to perform their agreed upon roles;

(ii) for the development of a standard training package, covering topics, inter alia, (a) practical conflict prevention and mediation skills; (b) knowledge of the state legal system and the regulatory procedures relating to land and natural resource transactions; (c) the workings of government; (d) provincial ordinances and community governance arrangements; (e) the operation of ministries, Constituency Development Funds (CDFs), ward development grants and donor/NGO programs; (f) gender and family violence, (g) participatory community facilitation skills, and (h) communication, reporting and information dissemination skills with particular focus on gender; and

(iii) to share lessons learnt across provinces through visits and joint review activities.
Part C: Project Management, Evaluation and Learning

Provision of Project management support for the implementation of the Project, including the establishment of a Project Management Unit within MPGIS.

2.02. Project Execution Generally. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through the Ministry of Provincial Government and Institutional Strengthening, in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) 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 (“Anti-Corruption Guidelines”); and (c) this Article II.

2.03. Institutional and Other Arrangements.

A. Institutional Arrangements

1. The Recipient, through MPGIS shall:

(a) establish a Project Management Unit, for the overall operation of the Project no later than one (1) month after the countersignature date of this Agreement; and thereafter maintain said unit throughout the implementation period of the Project;

(b) establish a national project steering committee comprised of permanent secretaries of relevant ministries to support higher-level coordination and policy dialogue, as detailed in and in accordance with the Project Operations Manual;

(c) establish a technical committee comprised of relevant MPGIS, provincial officials and other relevant officials to oversee implementation of the Project, as detailed in, and in accordance with the Project Operational Manual;

(d) recruit adequate number of fiduciary staff, including a project finance officer with qualifications and terms of reference satisfactory to the World Bank not later than two (2) months after the countersignature date of this Agreement; and

(e) enter into a participation agreement with the participating provincial governments setting out, inter alia, the responsibilities of the participating provincial governments as detailed in, and in accordance with the Project Operational Manual.
B. **Project Operational Manual**

1. The Recipient shall:

   (a) by not later than three (3) months from the date of this Agreement, prepare, under terms of reference satisfactory to the World Bank, and furnish to the World Bank, a Project Operations Manual containing detailed guidelines and procedures for the implementation of the Project, including, (i) terms of reference, functions and responsibilities for the PMU staff; (ii) the indicators for monitoring and evaluation of the Project; (iii) disbursement arrangements for the Project funds; (iv) procurement and financial management arrangements; and (v) responsibilities and mechanisms for the national project steering committee and the technical committee referred to in Sections 2.03.A.1(b) and A.1(c), respectively, of this Annex; and

   (b) thereafter, adopt such manual as shall have been approved by the World Bank.

2. Notwithstanding the provisions of Section 2.02 of this Annex, the Recipient shall carry out the Project in accordance with the Project Operations Manual, and except as the World Bank shall otherwise agree in writing, not amend or waive, or permit to be amended or waived any provision of the Project Operations Manual.

3. In case of a conflict between the provisions of the Project Operational Manual and this Agreement, those of this Agreement shall prevail.

C. **Safeguards**

1. The Recipient shall ensure that the terms of reference for any consultancies related to studies, technical assistance and/or capacity building activities under this Agreement shall be satisfactory to the World Bank following its review thereof and, to that end, such terms of reference shall duly incorporate the requirements of the World Bank's Safeguard Policies then in force, as applied to the advice conveyed through such studies, technical assistance and/or capacity building activities.

2. Without limitations upon the provisions of paragraph C.1 of this Section, the Recipient shall ensure that the implementation of the Project, including training to Community Officers and relevant beneficiaries, will include free, prior and informed consultations with Indigenous Peoples and the provision of culturally appropriate benefits to Indigenous Peoples.

2.04. **Donor Visit.** (a) The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donor's support for the Project.
(b) For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank’s request, enable the representatives of the Donor to visit any part of the Recipient’s territory for purposes related to the Project.

2.05. Project Monitoring, Reporting and Evaluation. (a) The Recipient 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 the indicators set forth below in paragraph (b) of this Section. Each Project Report shall cover the period of two (2) calendar quarters, 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 performance indicators referred to above in paragraph (a) consist of the following:

(i) Number of direct project beneficiaries in areas targeted under the project, of which fifty percent (50%) are female;

(ii) Beneficiaries who experience improvements in: (A) accessibility; and (B) effectiveness of community grievance management mechanisms (percentage); and

(iii) Beneficiaries who perceive improvements in linkages with government (percentage).

(c) Without limitations upon the provisions of Section 2.05(a) above, the Recipient shall carry out a mid-term review by not later than two (2) years after the countersignature date of this Agreement, or such later date as the World Bank shall request, to assess progress in Project implementation and sustainability, and thereafter take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof based on the conclusions and recommendations of such review and the World Bank’s views on the matter.

(d) The Recipient 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 (6) months after the Closing Date.

2.06. Financial Management. (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient 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.

(c) The Recipient shall have its Financial Statements 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 (1) fiscal year of the Recipient. The
audited Financial Statements for each such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

2.07. **Procurement**

(a) **General.** All goods and consultants' services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:


(ii) Sections I and IV of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Consultant Guidelines”) in the case of consultants’ services; and

(iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).

(b) **Definitions.** The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

(c) **Particular Methods of Procurement of Goods**

(i) Except as otherwise provided in sub-paragraph (ii) below, goods shall be procured under contracts awarded on the basis of International Competitive Bidding.

(ii) The following methods, other than International Competitive Bidding, may be used for procurement of goods for those contracts which are specified in the Procurement Plan: (A) Shopping; and (B) Direct Contracting.

(d) **Particular Methods of Procurement of Consultants’ Services**

(i) Except as otherwise provided in item (ii) below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods, other than Quality- and Cost-based Selection, may be used for the procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (A) Quality-based Selection; (B) Least Cost Selection; (C) Selection based on Consultants’ Qualifications; (D) Single-source
Selection of consulting firms; (E) Selection of Individual Consultants; and (F) Single-source procedures for the Selection of Individual Consultants.

(e) Review by the World Bank of Procurement Decisions. The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All other contracts shall be subject to Post Review by the World Bank.
Article III
Withdrawal of Grant Proceeds

3.01. Eligible Expenditures. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may 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 World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant ("Category"), the allocations of the amounts of the Grant to the Category, and the percentage of expenditures to be financed for Eligible Expenditures in the Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods, consultants' services, Training and Operating Costs</td>
<td>3,080,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>3,080,000</td>
<td></td>
</tr>
</tbody>
</table>

3.02. Withdrawal Conditions. Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient, except that withdrawals up to an aggregate amount not to exceed six hundred sixteen thousand United States Dollars (U.S. $616,000) equivalent may be made for payments made prior to this date but on or after September 1, 2014 for Eligible Expenditures.

3.03. Withdrawal Period. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is April 30, 2019.
Article IV
Recipient’s Representative; Addresses

4.01. Recipient’s Representative. The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is Minister of Finance and Treasury.

4.02. Recipient’s Address. The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

PO Box 26, Honiara
Solomon Islands

Tel: +677 22556
Facsimile: +677 27855

4.03. World Bank’s Address. The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

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

Cable: INTBAFRAD
Telex: INDEVAS 248423 (MCI) or 64145 (MCI)
Facsimile: 1-202-477-6391