Dear Minister,

Solomon Islands: Global Infrastructure Facility Grant for the Preparation of the
Tina River Hydropower Development Project
(Grant No. TF0A2871)

In response to the request for financial assistance made on behalf of Solomon Islands ("Recipient"), I am pleased to inform you that the International Bank for Reconstruction and Development ("World Bank"), acting as Technical Partner for the Global Infrastructure Facility ("GIF") proposes to extend to the Recipient, a grant in an amount not to exceed eight hundred thousand United States Dollars (US$800,000) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in the financing of the activities described in the Annex ("Activities"). The objective of the Activities is to facilitate the preparation of a proposed project designed to lower the system average cost of electricity and mobilize private financing for power generation ("Project"), in support of which the Recipient has requested the World Bank's financial assistance.

This Grant is funded out of the GIF multi-donor trust fund for which the World Bank received periodic contributions from the donors. 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 donors 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 Activities 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.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

Mona Sur
Acting Country Director
Timor-Leste, Papua New Guinea & Pacific Islands
East Asia and Pacific Region

AGREED:

SOLOMON ISLANDS

By: Authorized Representative

Name: Hon Snyder Rini
Title: Minister of Finance and Treasury
Date: 22nd July 2016

Enclosures:

(2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006
ANNEX

Article I

Standard Conditions; Definitions

1.01. Standard Conditions. The Standard Conditions for Grants Made by the World Bank out of Various Funds dated February 15, 2012 ("Standard Conditions") with the modifications set forth in Section II of the Appendix to this Agreement, constitute an integral part of this Agreement.

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 (including the cover letter to this Agreement and this Section) as follows:


(b) “Operating Costs” means the reasonable costs of goods and non-consulting services required for the day-to-day coordination, administration and supervision of Activities, including leasing and or routine repair and maintenance of vehicles, equipment, facilities and office premises, fuel, office supplies, utilities, consumables, communication expenses (including postage, telephone and internet costs), transportation, translation, printing and photocopying expenses, bank charges, publications and advertising expenses, insurance, Activities-related meeting expenses, Activities-related travel, subsistence and lodging expenses, but excluding salaries and allowances of the Recipient’s civil service.

(c) “Project Office” means the office established under the Ministry of Energy, Mines and Rural Electrification responsible for the overall management of the Project, and referred to in Section 2.03(a) of this Annex.

(d) “Training” means the reasonable costs of goods and services required for the participation of personnel involved in training activities and workshops under the Activities, including travel and subsistence costs for training or workshop participants, costs associated with securing the services of trainers, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, and other costs directly related to training course or workshop preparation and implementation, but excluding consultants’ fees.

Article II
Activities Execution

2.01. Description of the Activities. The Activities for which the Grant is provided consist of the following parts:

(a) Preparation and or modification of various Project feasibility studies, including geotechnical and hydrological studies and environmental and social impact assessments, including but not limited to measures addressing the needs of indigenous peoples, and management plans, land acquisition and livelihood restoration plan, and studies on dam safety by a panel of international experts.

(b) Review of Project design documents and agreements by qualified experts in the areas of, inter alia, dam safety, hydrology, access road development, and environmental and social safeguards, including hiring and maintaining of the required experts.

(c) Review of the engineering procurement and construction design and cost estimates.

(d) Facilitation of the signing of a power purchase agreement between the Recipient and a private developer, which will be identified.

(e) Support towards the management and implementation of the Activities.

2.02. Execution of the Activities Generally. The Recipient declares its commitment to the objectives of the Activities. To this end, the Recipient shall carry out the Activities through its Ministry of Mines, Energy and Rural Electrification 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.

The Recipient shall maintain through the period of Activities implementation, the Project Office, under the Ministry of Energy, Mines and Rural Electrification with qualified staff in adequate numbers, all with qualifications and experience and terms of reference satisfactory to the World Bank.

(b) Safeguards.

(1) The Recipient shall ensure that the terms of reference for any consultancies related to feasibility 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) The Recipient shall maintain throughout the implementation of the Activities, a dam safety advisory panel and an environmental and social panel, comprised of at least three international dam safety specialists and an environmental specialist and a social specialist, respectively, all with
qualifications, experience and terms of reference satisfactory to the World Bank, which shall be responsible for, *inter alia*, reviewing and advising on the Project design documents, including the design and costing of environmental and social mitigation measures.

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 GIF’s support for the Activities.

(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 GIF to visit any part of the Recipient’s territory for purposes related to the Activities.

2.05. **Monitoring, Reporting and Evaluation of the Activities.** (a) The Recipient shall monitor and evaluate the progress of the Activities and prepare Activities 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 Activities Report shall cover the period of one (1) 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 performance indicators referred to above in paragraph (a) consist of the following:

(i) Complete and publicly disclose environmental and social impact assessment;

(ii) Complete and publicly disclose land acquisition and livelihood restoration plan and any other environmental and social mitigation plans instruments to be prepared under the Activities;

(iii) Facilitate the tendering of a contract and initiation of construction of an access road to the proposed location of the Tina River Hydropower facility; and

(iv) Facilitate the signing of a power purchase agreement between Solomon Power and a private developer and other related project documents as required.

(c) 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 Activities 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 Activities 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 (revised July 2014) (“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 Activities 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 National Competitive Bidding, subject to the additional procedures specified in Section I of the Appendix to this Annex.

(ii) The following methods, other than National 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) Selection under a Fixed Budget; (B) Selection based on Consultants’ Qualifications; (C) Single-source Selection of consulting firms; (D) Selection of Individual Consultants; and (E) 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) Article III of 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
Solomon Islands

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>(1) Goods, non-consulting services, consultants’ services, Training and Operating Costs for the Activities</td>
<td>800,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>800,000</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 this Agreement.

3.03. Withdrawal Period. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is December 31, 2017.

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:

Ministry of Finance and Treasury
P.O. Box 26
Honiara, Solomon Islands

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

Telex: Facsimile:
248423 (MCI) or 1-202-477-6391
64145 (MCI)
APPENDIX

Section I. Special Procedures for National Competitive Bidding in Solomon Islands

The procedure to be followed for National Competitive Bidding shall be those set forth in the provisions on competitive bidding in Chapter 7 (Supply Chain Management) (July 2010) with modifications set forth below in order to ensure economy, efficiency and transparency and broad consistency with the provisions of Section I of the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the World Bank in January 2011 (revised July 2014) (the Guidelines), as required by paragraph 3.3 and 3.4 of the Guidelines.

Eligibility

(i) The eligibility of bidders shall be defined under Section I of the World Bank Guidelines; accordingly, no bidder or potential bidder shall be declared ineligible for contracts financed by the World Bank for reasons other than those provided in Section I of the Guidelines. Foreign bidders shall be eligible to participate in bidding under the same conditions as national bidders. In particular, no domestic preference over foreign bidders shall be granted to national bidders in bid evaluation, nor shall foreign bidders be asked or required to form joint ventures with national bidders in order to submit a bid.

Registration

(ii) Registration shall not be used to assess bidders’ qualifications. A foreign bidder shall not be required to register as a condition for submitting its bid and, if determined to be the lowest evaluated responsive bidder, shall be given reasonable opportunity of registering, without any let or hindrance. The registration process shall not be applicable for Sub-contractors. Bidding shall not be restricted to any particular class of contractors, and non-classified contractors shall also be eligible to bid.

Advertising; Time for Bid Preparation

(iii) Invitations to bid shall be advertised in at least one newspaper of national circulation, allowing a minimum of thirty (30) days for the preparation and submission of bids shall be allowed except for commodities and small goods contract. Potential bidders shall be allowed to purchase bidding documents up to any time prior to the deadline for submission of bids.

Standard Bidding Documents

(iv) Standard Bidding Documents, acceptable to the World Bank, shall be used.

Qualification Criteria

(v) Qualification criteria shall be clearly specified in the bidding documents, and all criteria so specified, and only such specified criteria, shall be used to determine whether a bidder is qualified. Qualification shall be assessed on a pass or fail basis and merits points shall not be used. Such assessment shall only take into account the bidder’s capacity and resources to perform the contract, specifically its experience and past performance on similar contracts, capabilities with respect to personnel, equipment and construction and manufacturing facilities, and financial capacity. The evaluation of the bidder’s qualifications shall be conducted separately from the technical and commercial evaluation of the bid.
Bid Submission, Bid Opening and Bid Evaluation

(vi) Bidders may submit bids, at their option, either in person or by courier service or by mail. Bids shall be opened in public, immediately after the deadline for submission of bids. Bids received after the deadline for bid submission shall be rejected and returned to the bidders unopened.

(a) All bidding for goods and works shall be carried out through a one-envelope procedure.

(b) Evaluation of bids shall be made in strict adherence to the criteria that shall be clearly specified in the bidding documents and quantified in monetary terms for evaluation criteria other than price; merit points shall not be used in bid evaluation.

(c) A contract shall be awarded to the technically responsive bid that offers the lowest evaluated price and no negotiations shall be permitted.

(d) Bidders shall not be eliminated from detailed evaluation on the basis of minor, non-substantial deviations.

(e) No bidder shall be rejected on the basis of a comparison with the employer’s estimate and budget ceiling without the World Bank’s prior concurrence.

(f) A copy of the minutes of the public bid opening shall be promptly provided to all bidders, and to the World Bank with respect to contracts subject to prior review.

Rejection of All Bids and Re-Bidding

(vii) Neither shall all bids be rejected nor new bids solicited without the World Bank Association’s prior written concurrence.

Extension of the Validity of Bids

(viii) Extension of validity of bids may be allowed in exceptional circumstances but there shall be no amendment of the price or any other condition of the bids. Bidders may refuse such an extension without forfeiting their bid securities, but bidders granting an extension shall provide extension of the validity of their bid securities.

Complaints by Bidders and Handling of Complaints

(ix) The Recipient shall establish and implement an effective and independent protest mechanism allowing bidders to protest and to have their protests handled in a timely manner.

Fraud and Corruption

(x) The World Bank shall declare a firm or individual ineligible, either indefinitely or for a stated period, to be awarded a contract financed by the World Bank, if it at any time determines that the firm or individual has, directly or through an agent, engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in competing for, or in executing, a contract financed by the World Bank.
Right to Inspect Audit

(xvi) Each bidding document and contract financed from the proceeds of a Financing shall include a provision requiring bidders, suppliers, contractors and subcontractors to permit the World Bank at its request, to inspect their accounts and records relating to the bid submission and performance of the contract and to have said accounts and records audited by auditors appointed by the World Bank. The deliberate and material violation by the bidder, supplier, contractor or subcontractor of such provision may amount to obstructive practice.

Section II. Modifications to the Standard Conditions

The Standard Conditions are modified as follows:

1. The term “Project”, whenever used in the Standard Conditions, is modified to read “Activities” (and related text adjusted for grammatical correctness accordingly).

2. The term “Project Report”, whenever used in the Standard Conditions, is modified to read “Activities Report”.