OFFICIAL DOCUMENTS

CREDIT NUMBER 6086-SB
GRANT NUMBER D202-SB

Project Agreement

(Tina River Hydropower Development Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

SOLOMON ISLANDS ELECTRICITY AUTHORITY

Dated December 6, 2018
PROJECT AGREEMENT

Agreement dated December 6, 2018, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") and SOLOMON ISLANDS ELECTRICITY AUTHORITY ("Project Implementing Entity") ("Project Agreement") in connection with the Financing Agreement ("Financing Agreement") of same date between SOLOMON ISLANDS ("Recipient) and the Association concerning Credit No. 6086-SB and Grant No. D202-SB. The Association and the Project Implementing Entity hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to the Financing 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 Financing Agreement or the General Conditions.

ARTICLE II — PROJECT

2.01. The Project Implementing Entity declares its commitment to the objective of the Project. To this end, the Project Implementing Entity shall carry out Part 3 of the Project in accordance with the provisions of Article IV of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for its Respective Part of the Project.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out its Respective Part of the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — TERMINATION

3.01. For purposes of Section 8.05 (c) of the General Conditions, the date on which the provisions of this Agreement shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE IV — REPRESENTATIVE; ADDRESSES

4.01. The Project Implementing Entity’s Representative is its Chief Executive Officer.
4.02. The Association’s Address is:

International Development Association
1818 H Street, NW
Washington, DC 20433
United States of America

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

4.03. The Project Implementing Entity’s Address is:

P.O. Box 6
Ranadi
Honiara
Solomon Islands

Facsimile:

+677 39472
AGREED at Honiara, Solomon Islands, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: Guido Rurangwa
Title: Acting Country Director

SOLOMON ISLANDS ELECTRICITY AUTHORITY

By

Authorized Representative

Name: Pradip Verma
Title: Chief Executive Officer
SCHEDULE

Execution of the Project Implementing Entity’s Respective Part of the Project

Section I. Implementation Arrangements

A. Contractual Arrangements

The Project Implementing Entity shall take all actions under its control to:

1. ensure that the PPA Closing Date is achieved within the Required Closing Date, as such term is defined in the PPA, and that each condition precedent to the PPA Closing Date, as described in Schedule 7 to the PPA, is satisfied in a manner acceptable to the Association;

2. provide, no later than two (2) weeks after the PPA Closing Date (or such other date which the Association has confirmed in writing to the Recipient and the Project Implementing Entity is reasonable and acceptable under the circumstances, as determined by the Association in its sole discretion), one or several legal opinions satisfactory to the Association, issued by a legal counsel duly authorized to issue legal opinions on the laws of the Solomon Islands and acceptable to the Association, confirming that: (i) each Project Document to which it is a party has been duly authorized by the parties thereto and each formality or procedure required under applicable law for its validity has been completed in accordance with the law; and (ii) each Project Document to which it is a party is valid, legally binding upon the parties thereto and enforceable against each party in accordance with its terms;

3. (i) comply with all its obligations under or referred to in the Project Documents to which it is a party; and (ii) except as the Association shall otherwise agree, the Project Implementing Entity shall not assign, amend, abrogate or waive the Project Documents to which it is a party or any of their provisions;

4. (i) comply with all its obligations under or referred to in the Subsidiary Agreement; and

5. ensure that sufficient funds will be available for the financing of Part 3 of the Project, whether from the counterpart funds provided by the Recipient for Part 3 of the Project, from the Project Implementing Entity’s own funds or from funds from other sources on terms and conditions consistent with the Project Implementing Entity’s obligations under this Agreement and the Project Documents to which it is a party, and that such funds shall be disbursed in accordance with the Annual Work Plans and Budgets approved by the Association.
B. Anti-Corruption

The Project Implementing Entity shall ensure that its Respective Part of the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

C. Project Operations Manual

1. No later than two (2) months after the Effective Date and prior to incurring any expenditures for goods or works for the implementation of the Project unless otherwise expressly agreed by the Association in writing, the Project Implementing Entity shall adopt the Project Operations Manual, in form and substance acceptable to the Association.

2. (a) The Project Implementing Entity shall carry out its Respective Part of the Project in accordance with the Project Operations Manual.

(b) The Project Implementing Entity shall obtain from the Association written agreement prior to assigning, amending, abrogating, or waiving the Project Operations Manual, or any provision thereof, or permitting any other entity participating in the implementation of its Respective Part of the Project, to do so.

3. In the event of any conflict between the provisions of the Project Operations Manual and those of this Agreement, the provisions of this Agreement shall prevail.

D. Safeguards.

1. The Project Implementing Entity shall ensure that all terms of reference for any technical assistance or studies carried out under its Respective Part of the Project are consistent with, and pay due attention to, the Association Policies, as well as the Recipient's own laws and regulations relating to the environment and social aspects relevant to its Respective Part of the Project.

2. (a) The Project Implementing Entity shall ensure that its Respective Part of the Project shall be implemented in accordance with the guidelines, procedures, timetables and other specifications set forth in the Safeguard Documents and the Recipient's laws, regulations, permits, licenses and consents, to the extent that they relate to its Respective Part of the Project.

(b) Without limitation to the generality of sub-paragraph (a) immediately above, the Project Implementing Entity shall ensure that:

(i) for each activity under its Respective Part of the Project of a type for which the Environmental and Social Management
Framework provides that an Environmental and Social Management Plan should be prepared, such Environmental and Social Management Plan, in form and substance satisfactory to the Association, is effectively prepared and locally disclosed, before the implementation of such activity, in accordance with the provisions of the Environmental and Social Management Framework, and the relevant activity is implemented in accordance with its Environmental and Social Management Plan; and

(ii) for each activity under its Respective Part of the Project of a type for which the Resettlement and Livelihoods Restoration Framework provides that a Resettlement Action Plan should be prepared, such Resettlement Action Plan, in form and substance satisfactory to the Association, is effectively prepared and locally disclosed, before the implementation of such activity, in accordance with the provisions of the Resettlement and Livelihoods Restoration Framework, and the relevant activity is implemented in accordance with its Resettlement Action Plan.

3. The Project Implementing Entity shall ensure that: (a) all the bidding documents and contracts include the obligation of the relevant contractors and subcontractors to: (i) adopt and implement measures to assess and manage the risks and impacts of labor influx and workers’ camps; and (ii) adopt and enforce codes of conduct that should be provided to and signed by all workers, as applicable to such civil works commissioned or carried out pursuant to said contracts; and (b) the obligation to comply with the relevant Safeguard Documents and the Recipient’s laws, regulations, permits, licenses and consents is incorporated: (i) in the contracts between the Project Implementing Entity and the relevant contractors and any entity (including any engineer) supervising the Project’s civil works; and (ii) in the contracts between the relevant contractors and the contractors’ subcontractors.

4. Except as the Association shall otherwise agree in writing and subject to compliance with applicable consultation and public disclosure requirements of the Association, the Project Implementing Entity shall not abrogate, amend, repeal, suspend or waive any provisions of any of the Safeguard Documents, nor shall it permit any entity participating in the implementation of its Respective Part of the Project to do so.

5. Without limitation upon its other reporting obligations under this Agreement, the Project Implementing Entity shall regularly collect, compile and submit to the Association, on a quarterly basis (or promptly whenever the circumstances warrant), reports on the status of compliance of its Respective Part of the Project with the Safeguard Documents, giving details of: (a) measures taken in furtherance of the Safeguard Documents; (b) conditions, if any, which interfere
or threaten to interfere with the smooth implementation of the Safeguard Documents; and (c) remedial measures taken or required to be taken to address such conditions.

6. (a) In the event that any provision of the Safeguard Documents shall conflict with any provision under this Agreement, the terms of this Agreement shall prevail.

(b) In the event that any provision of any of the Project Documents shall conflict with any provision of the Safeguard Documents, the Safeguard Documents shall prevail, except when the Project Documents require a more stringent requirement than what is required under the Safeguard Documents.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. Reports

   (a) The Project Implementing Entity shall monitor and evaluate the progress of its Respective Part of the Project and prepare Project Reports for its Respective Part of the Project in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators acceptable to the Association and set forth in the Project Operations Manual. Each such Project Report shall cover the period of one (1) calendar quarter and shall be furnished to the Recipient not later than one (1) month after the end of the period covered by such report for incorporation in, and forwarding by the Recipient to the Association of, the overall Project Report.

   (b) The Project Implementing Entity shall provide to the Recipient not later than five (5) months after the Closing Date, for incorporation in the report referred to in Section 4.08 (c) of the General Conditions all such information as the Recipient or the Association shall reasonably request for the purposes of such Section.

2. Annual Work Plans and Budgets

   (a) Each year of implementation of its Respective Part of the Project, the Project Implementing Entity shall prepare and furnish to the Recipient not later than September 30 for incorporation in, and forwarding by the Recipient to the Association of, the overall draft Annual Work Plan and Budget for said year:
a draft annual work plan and budget for its Respective Part of the Project (listing all activities under its Respective Part of the Project to be financed during the year covered by said plan, including Training and Incremental Operating Costs) with sources of funds for their financing and a sequenced forecast of cash flow and disbursement needs showing all financing for its Respective Part of the Project irrespective of its source, including all counterpart funds which may be provided by the Recipient (if any) or the Project Implementing Entity for each year of implementation of its Respective Part of the Project, of such scope and detail as the Association shall have reasonably requested; and

(ii) the evidence, in form and substance satisfactory to the Association, that all Safeguard Documents required prior to the implementation of the activities under its Respective Part of the Project included in the draft Annual Work Plan and Budget have been prepared or are in the process of being prepared so as to be available in form and substance acceptable to the Association and disclosed in accordance with the Association Policies.

(b) The Project Implementing Entity shall ensure that its Respective Part of the Project is carried out in accordance with the Annual Work Plans and Budgets approved by the Association. Only those expenditures included in an Annual Work Plan and Budget approved by the Association shall be eligible to a financing from the proceeds of the Financing.

(c) Annual Work Plans and Budgets may be revised as needed during Project implementation subject to the Association’s prior written approval.

3. Project Midterm Review

The Project Implementing Entity shall:

(a) participate in the Midterm Review to assess the status of its Respective Part of the Project implementation, as measured against the indicators referred to in Section II.A.1 above and the legal covenants included in this Agreement;

(b) to this end, prepare and furnish to the Recipient not later than forty-five (45) days prior to the Midterm Review for incorporation in, and forwarding by the Recipient to the Association of, the overall Midterm Review report, a report, in scope and detail satisfactory to the Recipient and the Association. Such report shall integrate the results of the monitoring and evaluation activities performed pursuant to Section II.A.1 of this Schedule, and elaborate on the progress achieved in the carrying out of its Respective Part of the Project during the period preceding the date of such report and setting out the measures recommended to ensure the efficient carrying out of the Project Implementing Entity’s Respective
Part of the Project and the achievement of the objective thereof during the period following such date; and

(c) review jointly with the Association and the Recipient the report referred to in the immediately preceding paragraph and thereafter take all measures required to ensure the efficient completion of its Respective Part of the Project and the achievement of the objective thereof, based on the conclusions and recommendations of such report or reports and the Association’s views on the matter.

B. Financial Management, Financial Reports and Audits

1. The Project Implementing Entity shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations and financial condition of the Project Implementing Entity, including the operations, resources and expenditures related to its Respective Part of the Project.

2. The Project Implementing Entity shall have its financial statements referred to above audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of these financial statements shall cover the period of one (1) fiscal year of the Project Implementing Entity. The Project Implementing Entity shall ensure that the audited financial statements for each period shall be: (a) furnished to the Recipient and the Association not later than five (5) months after the end of the period; and (b) made publicly available in a timely fashion and in a manner acceptable to the Association.

3. The Project Implementing Entity shall take all measures under its control and provide access to its records and premises, as well as all information reasonably requested, to enable the Recipient to satisfy its obligations under Section II.B.4 and 5 of Schedule 2 to the Financing Agreement.

Section III. Procurement

1. All goods, works and services required for the Project Implementing Entity’s Respective Part of the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement.

Section IV. Other Undertaking

1. The Project Implementing Entity shall reflect the reduced cost of generation resulting from the operation of the plant constructed under Part 1 of the Project in
the retail tariff paid by the end users, in a manner and on the basis of a formula acceptable to the Association.

2. No later than the Project Commercial Operation Date, as such term is defined in the PPA, the Project Implementing entity shall make a proposal to the Association on how it plans to comply with its obligations under Section IV.1 of this Schedule, and shall take into account and incorporate the views of the Association on such proposal.