Global Partnership on Output-based Aid
Grant Agreement

(Solomon Islands Electricity Access Expansion Project)

between

SOLOMON ISLANDS

and

INTERNATIONAL DEVELOPMENT ASSOCIATION
acting as Administrator of the Global Partnership on Output-Based Aid

Dated 15th August, 2016
GLOBAL PARTNERSHIP ON OUTPUT-BASED AID
GRANT AGREEMENT

AGREEMENT dated 15th August, 2016, entered into between:
SOLOMON ISLANDS ("Recipient"); and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"), acting as administrator of the Global Partnership on Output-Based Aid ("GPOBA").

The Recipient and the Association hereby agree as follows:

Article I
Standard Conditions; Definitions


1.02. 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.

Article II
The Project

2.01. The Recipient declares its commitment to the objectives of the project described in Schedule 1 to this Agreement ("Project"). To this end, the Recipient shall cause the Project to be carried out by the Solomon Islands Electricity Authority ("Project Implementing Entity") in accordance with the provisions of Article II of the Standard Conditions and the agreement dated the same date as this Agreement between the Association and the Project Implementing Entity, as such agreement may be amended from time to time ("Project Agreement").

2.02. Without limitation upon the provisions of Section 2.01 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 III
The Grant

3.01. 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 equal to two million, two hundred twenty five thousand United States Dollars ($2,225,000) ("Grant") to assist in financing the Project.

3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.

3.03. The Grant is funded out of the abovementioned trust fund for which the Association receives periodic contributions from the donors to the trust fund. In accordance with Section 3.02 of the Standard Conditions, the Association’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.

Article IV
Additional Remedies

4.01. The Additional Events of Suspension referred to in Section 4.02 (k) of the Standard Conditions consist of the following:

(a) The Member Country has taken or permitted to be taken any action which would prevent or interfere with the performance by the Project Implementing Entity of its obligations under the Project Agreement.

(b) The Project Implementing Entity has failed to perform any obligation under the Project Agreement.

(c) IBRD or IDA has declared the Project Implementing Entity ineligible to receive proceeds of any financing made by IBRD or IDA, or otherwise to participate in the preparation or implementation of any project financed in whole or in part by IBRD or IDA (including as administrator of funds provided by another financier), as a result of: (i) a determination by IBRD or IDA that the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by IBRD or IDA; and/or (ii) a declaration by another financier that the Project Implementing Entity is ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such
financier that the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.

(d) As a result of events which have occurred after the date of this Agreement, an extraordinary situation has arisen which makes it improbable that the Project Implementing Entity will be able to perform its obligations under the Project Agreement.

(e) The Solomon Islands Electricity Act (CAP 128), pursuant to which the Project Implementing Entity has been established and is operating 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. This Agreement shall not become effective until evidence satisfactory to the Association has been furnished to the Association that the conditions specified below have been satisfied.

(a) The execution and delivery of this Agreement on behalf of the Recipient and the Project Agreement on behalf of the Project Implementing Entity have been duly authorized or ratified by all necessary governmental and corporate action.

(b) The Subsidiary Grant Agreement referred to in Section 1.B of Schedule 2 to this Agreement has been executed on behalf of the Recipient and the Project Implementing Entity.

5.02. As part of the evidence to be furnished pursuant to Section 5.01 (a), there shall be furnished to the Association an opinion or opinions satisfactory to the Association of counsel acceptable to the Association or, if the Association so requests, a certificate satisfactory to the Association of a competent official of the Recipient, showing the following matters:

(a) on behalf of the Recipient, that this Agreement has been duly authorized or ratified by, and executed and delivered on its behalf and is legally binding upon it in accordance with its terms;

(b) on behalf of the Project Implementing Entity, that the Project Agreement has been duly authorized or ratified by, and executed and delivered on its behalf and is legally binding upon it in accordance with its terms; and
the Subsidiary Grant Agreement referred to in Section I.B of Schedule 2 to this Agreement has been duly authorized or ratified by the Recipient and the Project Implementing Entity and is legally binding upon each such party in accordance with its terms.

5.03. Except as the Recipient and the Association shall otherwise agree, this Agreement shall enter into effect on the date upon which the Association dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 5.01 ("Effective Date"). If, before the Effective Date, any event has occurred which would have entitled the Association to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the Association may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.

5.04. Termination for Failure to Become Effective. This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date ninety (90) days after the date of this Agreement, unless the Association, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The Association shall promptly notify the Recipient of such later date.

Article VI
Recipient’s Representative; Addresses

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

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

Ministry of Finance and Treasury
PO Box 26
Honiara
Solomon Islands

Facsimile:

+677 22556
6.03. The Association's Address referred to in Section 7.01 of the Standard Conditions is:

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

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

AGREED at Honiara, Solomon Islands 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
acting as administrator of the
Global Partnership on Output-based Aid

By

Authorized Representative

Name: Lasse Melgaard
Title: Acting Country Director
SCHEDULE 1
Project Description

The objective of the Project is to increase access to electricity services in low-income areas of Solomon Islands.

The Project consists of the following parts:

Part 1. **Subsidizing low-income household electricity connectivity.**

Subsidizing the cost of providing Electrical Connections for low-income households by providing Subsidy Payments for new Electrical Connections.

Part 2. **Implementation support for project management**

Carrying out a program of activities to support a program manager to oversee and undertake Project implementation and management activities.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

The Project shall be implemented by the Project Implementing Entity in accordance with the Schedule to the Project Agreement.

B. Subsidiary Grant Agreement

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Grant available to the Project Implementing Entity, on grant basis, under a Subsidiary Grant Agreement ("Subsidiary Grant Agreement") between the Recipient and the Project Implementing Entity, under terms and conditions approved by the Association.

2. The Recipient shall exercise its rights under the Subsidiary Grant Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Grant. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Grant Agreement or any of its provisions.

C. Project Operations Manual

1. The Recipient shall exchange views with the Association and the Project Implementing Entity on the proposed operations manual for the Project as shall have been prepared and furnished to it by the Project Implementing Entity in accordance with the provisions of Section I.B of the Schedule to the Project Agreement; and thereafter shall ensure that the Project is carried out in accordance with such Project Operations Manual as shall have been approved by the Association and adopted by the Project Implementing Entity ("Project Operations Manual"). The Recipient shall not otherwise revise or waive or permit to be revised or waived any provision of the Project Operations Manual without the prior written agreement of the Association.

2. Notwithstanding the foregoing, in the event of any inconsistency between the provisions of the Project Operations Manual and those of the Grant Agreement or Project Agreement, the provisions of the Grant Agreement and Project Agreement shall prevail.
D. Monitoring and Verification

The Recipient understands and agrees that an independent monitoring consultant ("Independent Verification Agent") will be recruited by the Association to provide to the Association and the Recipient quarterly Output Verification Reports, as described in the Project Operations Manual, throughout the implementation of the Project. The Recipient shall, throughout the implementation of the Project, enable the Independent Verification Agent to visit any facilities and sites for purposes of carrying out activities pursuant to the assembling of the Output Verification Reports and other purposes related to the Grant, in accordance with the Project Operations Manual.

E. Environmental and Social Management Framework

1. The Recipient shall: (a) cause the Project to be carried out in accordance with the provisions of the ESMF; and (b) ensure that each contract financed under the Project includes the obligation of the relevant contractor to implement the respective activities under the contract in accordance with the ESMF.

2. If any Project activities would, pursuant to the ESMF, require the preparation of an Environmental and Social Management Plan, the Recipient shall ensure that no such activities shall be implemented unless and until such Environmental and Social Management Plan is prepared in accordance with the ESMF and furnished to the Association for review and approval, and is disclosed as required by the ESMF and approved by the Association.

3. Without limitation upon its other reporting obligations under this Agreement, the Recipient shall: (a) monitor the status of compliance with the ESMF; and (b) review and exchange views with the Project Implementing Entity on Project Reports prepared by the Project Implementing Entity in accordance with Section I.F. of the Project Agreement, giving due consideration to the results of such monitoring activities during the period covered by said Project Report details of: (i) measures taken in furtherance of the ESMF; (ii) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the ESMF instruments; and (iii) remedial measures taken or required to be taken to address such conditions.

4. The Recipient shall afford the Association a reasonable opportunity to review the reports prepared under paragraph 2 of this Part D, and thereafter shall carry out with due diligence all remedial measures agreed with the Association so as to ensure the proper implementation of the Project in accordance with the ESMF.
5. In the event of a conflict between the provisions of the ESMF and those of this Agreement or the Project Agreement, the provisions of this Agreement and the Project Agreement shall prevail.

F. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of 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”).

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports; Completion Report

1. The Recipient shall ensure that the Project Implementing Entity monitors and evaluates the progress of the Project and prepares Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators acceptable to the Association. Each Project Report shall cover the period of one (1) calendar quarter, and shall be furnished to the Association not later than one (1) month after the end of the period covered by such report.

2. 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 Association not later than six (6) months after the Closing Date.

B. Financial Management; Financial Reports; Audits

1. The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

2. The Recipient shall, upon the Association’s or Project Implementing Entity’s request, provide all such information as the Project Implementing Entity may require in order to enable the Project Implementing Entity to comply with its obligations under Section II.B of the Schedule to the Project Agreement.

Section III. Procurement

A. General

1. Procurement and Consultant Guidelines. All goods, works, non-consulting services 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:

(b) the provisions of this Section III, 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”).

2. 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 Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods, Works and Non-consulting Services

1. Framework Agreement. Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded under a Framework Agreement in accordance with procedures which have been found acceptable to the Association.

2. Other Methods of Procurement of Goods, Works and Non-consulting Services. The following methods, other than Framework Agreement, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan: (a) Shopping; and (b) Direct Contracting.

C. Particular Methods of Procurement of Consultants’ Services

Selection of Individual Consultants. Consultants’ services shall be procured under contracts awarded on the basis of Selection of 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 Grant Proceeds

A. General

1. 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 Association 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 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 Grant (“Category”), the allocations of the amounts of the Grant 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 Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Subsidy Payments for eligible Electrical Connections under Part 1 of the Project</td>
<td>2,125,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Payments for goods, works, and consulting services under Part 2 of the Project</td>
<td>100,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>2,225,000</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 for payments:

   (a) made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed $20,000 equivalent may be made for payments made prior to this date but on or after the date 90 days before the date of this Agreement for Eligible Expenditures under Category (2); or
(b) under Category 1 unless and until verification has been provided to the Association by the Independent Verification Agent by way of an Output Verification Report that is to the satisfaction of the Association, verifying that the eligibility and functionality of Electrical Connections claimed in the Subsidy Payment is in accordance with the Project Operation Manual and this Agreement.

2. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is June 30, 2018.
APPENDIX

Definitions


2. "Category" means the category set forth in the table in Section IV of Schedule 2 to this Agreement.


4. "Electrical Connection" means the electricity service connections, inclusive of basic in-house wiring, light-emitting diode (LED) lightbulbs, pre-paid meters, service line, and auxiliary poles as required, established in accordance with the Project Operations Manual, for low-income households to the Honiara grid and outstations under Part 1 of the Project.

5. "Environmental and Social Management Framework" or "ESMF" means the framework dated April 2016, setting out mitigation, enhancement, monitoring, and institutional measures, including capacity building through training, to eliminate any adverse environmental and social impacts of Project activities implemented in the second and subsequent years of Project implementation, offset them, reduce them, or enhance positive impacts, as well as guidelines and procedures for the preparation and disclosure of Environmental and Social Management Plans, as the same may be modified from time to time with the prior written agreement of the Association, and such term includes any schedules or annexes to such framework.

6. "Environmental and Social Management Plan" means a plan, to be prepared or caused to be prepared by the Recipient and to be agreed with the Association in accordance with the ESMF, setting out mitigation, enhancement, monitoring, and institutional measures, including capacity building through training, to eliminate any adverse environmental impacts of Project activities, offset them, reduce them, or enhance positive impacts, as the same may be modified from time to time with the prior written agreement of the Association, and such term includes any annexes or schedules to such plan; and "Environmental and Social Management Plans" means more than one such plan.

7. "Independent Verification Agent" means the consultant contracted by the Association to verify the quality and quantity of Electrical Connections provided under Part 1 of the Project.
8. "Output Verification Report" means a report prepared in accordance with the provisions of the Project Operations Manual, and submitted quarterly to the Association by the Independent Verification Agent, certifying the number of Electrical Connections meeting the conditions described in the Project Operations Manual.

9. "Project Operations Manual" means the Recipient’s operations manual described in Section 1.C of Schedule II to this Agreement dated June 24, 2016, as the same may be amended or supplemented from time to time with the prior written agreement of the Association.


11. "Procurement Plan" means the Recipient’s procurement plan for the Project, dated May 3, 2016 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.

12. "Project Implementing Entity" means the Solomon Islands Electricity Authority, as established by the Solomon Islands Electricity Act (CAP 128).


14. "Subsidy Payment" or "Subsidy Payments" means the amount or amounts disbursed to the Recipient by the Association under this Agreement for onward transfer to the Project Implementing Entity for the satisfactory delivery Electrical Connection meeting the eligibility criteria in the Project Operations Manual as verified by the Independent Verification Agent.