OFFICIAL DOCUMENTS

GRANT NUMBER D086-SB

Financing Agreement

(Additional Financing For Rapid Employment Project)

between

Solomon Islands

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated 16 September, 2015
FINANCING AGREEMENT

AGREEMENT dated 16 September 2015, entered into between SOLOMON ISLANDS ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") for the purpose of providing additional financing for activities related to the Original Project (as defined in the Appendix to this Agreement).

This Agreement: (i) sets out the terms and conditions related to the Additional Financing for the Rapid Employment Project; and (ii) amends specific provisions of the Original Financing Agreement (as such term is defined in the Appendix to this Agreement).

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 one hundred thousand Special Drawing Rights (SDR 1,100,000) ("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 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

Cable: INDEVAS
Telex: 248423 (MCI)
Facsimile: 1-202-477-6391
Washington, D.C.

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

SOLOMON ISLANDS

By

Authorized Representative
Name: HON. S. RINI
Title: MINISTER OF FINANCE + TREASURY

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative
Name: FRANZ R. DREESGROSS
Title: COUNTRY DIRECTOR, EA

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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 part:

Part 1 (A) (iii) Improvement and maintenance of urban and peri-urban roads in and around Honiara.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Project Steering Committee

The Recipient shall maintain throughout the period of Project implementation, the Project Steering Committee with functions and composition satisfactory to the Association, including senior representatives of MID, HCC, Ministry of Finance and Treasury, the Ministry of Development Planning and Aid Coordination, and other senior officials of key ministries, stakeholders, agencies and institutions. The Project Steering Committee shall be responsible for overall strategic guidance and policy direction.

B. Technical Coordination Committee

The Recipient shall maintain throughout the period of Project implementation, the Technical Coordination Committee with functions and composition satisfactory to the Association, including department heads of MID, of HCC, a representative of the consultant hired under Part 2 of the Project, and representatives of other key stakeholders, agencies and institutions.

C. Project Operations Manual

The Recipient shall implement the Project (including Sub-Projects) in accordance with the provisions of the Project Operations Manual.

D. Financial and Accounting Procedures

The Recipient shall implement activities under the Project (including Sub-Projects) through HCC and MID in accordance with the provisions of the Financial Management Manual.

E. Environmental and Social Management Guidelines

The Recipient shall ensure that the Project (including Sub-Projects) is implemented in accordance with the provisions of the Environmental and Social Management Guidelines.

F. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.
G. Sub-Grants to Community Groups

1. The Recipient (through HCC) shall provide each Sub-Grant to a Community Group: (i) in accordance with the eligibility and selection criteria, disbursement, financial management, monitoring and other relevant provisions set forth in the Project Operations Manual; and (ii) pursuant to an agreement to be entered into between the Recipient (through HCC) and such Community Group (Sub-Project Agreement) containing terms and conditions satisfactory to the Association, which shall include the provisions set forth in Schedule 3 to this Agreement.

2. The Recipient (through HCC) shall exercise its rights in relation to each such Sub-Grant provided to a Community Group under a Sub-Project Agreement in such manner as to: (i) protect the interests of the Recipient and the Association; (ii) comply with its obligations under this Agreement; and (iii) achieve the purposes of the Project. Except as the Association shall otherwise agree, the Recipient (through HCC) shall not assign, amend, abrogate or waive any Sub-Project Agreement or any of its provisions.

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. 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

A. General

1. Goods, Works and Non-consulting Services. All goods, works and non-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 Section I of the Procurement Guidelines, and with the provisions of this Section.

2. Consultants’ Services. All consultants’ 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 Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.

3. 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 the Procurement Guidelines, or Consultant Guidelines, as the case may be.

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

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. Other Methods of Procurement of Goods, Works and Non-consulting Services. The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works and non-consulting services. The Procurement Plan shall specify the circumstances under which such methods may be used:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding, subject to the additional procedures set out in Schedule 4 to this Agreement</td>
</tr>
<tr>
<td>(b) Shopping</td>
</tr>
<tr>
<td>(c) Direct Contracting</td>
</tr>
</tbody>
</table>
C. Particular Methods of Procurement of Consultants’ Services

1. Quality- and Cost-based Selection. Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

2. Other Methods of Procurement of Consultants’ Services. The following table specifies methods of procurement, other than Quality- and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Selection under a Fixed Budget</td>
</tr>
<tr>
<td>(b) Selection Based on Consultants’ Qualifications</td>
</tr>
<tr>
<td>(c) Single-Source Selection</td>
</tr>
<tr>
<td>(d) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines</td>
</tr>
<tr>
<td>for the Selection of Individual Consultants</td>
</tr>
<tr>
<td>(e) Sole Source Procedures for the Selection of Individual Consultants</td>
</tr>
</tbody>
</table>

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 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)</td>
<td>0</td>
<td>100% of amounts disbursed</td>
</tr>
<tr>
<td>(2) Works (incurred by MID)</td>
<td>360,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) (i) Goods, Training, Consultants’ Services and Incremental Operating Costs (incurred by MID)</td>
<td>380,000</td>
<td>100%</td>
</tr>
<tr>
<td>(ii) Goods, Training, Consultants’ Services and Incremental Operating Costs (incurred by HCC)</td>
<td>360,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>1,100,000</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 made prior to the date of this Agreement.

2. The Closing Date is December 31, 2016.
SCHEDULE 3

Terms and Conditions of Sub-Project Agreements

Except as the Association shall otherwise agree, in order to provide a Sub-Grant to a Community Group, the Recipient shall enter into a written agreement with such Community Group (Sub-Project Agreement), pursuant to which the Recipient shall obtain rights adequate to protect the interests of the Recipient and the Association, including the right to:

(i) Require the Community Group to carry out the Sub-Project for which the Sub-Grant is made:
   
   (a) with due diligence and efficiency;
   
   (b) in accordance with sound technical, economic, financial, managerial, environmental and social standards; and
   
   (c) in accordance with the provisions of the Project Operations Manual, the Environmental and Social Management Guidelines, and the Anti-Corruption Guidelines.

(ii) Require the Community Group to provide, promptly as needed, the resources required for the Sub-Project.

(iii) Require the Community Group to:
   
   (a) maintain records and accounts adequate to reflect the operations, resources and expenditures related to the Sub-Project; and
   
   (b) at the Recipient’s or the Association’s request, have such records and accounts audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the records and accounts as so audited to the Recipient and the Association.

(iv) Require the Community Group to procure the goods, works and services to be financed out of the proceeds of the Sub-Grant in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement.

(v) Require the Community Group to enable the Recipient and the Association to inspect the Sub-Project, its operation and any relevant records and documents.
(vi) Require the Community Group to prepare and furnish to the Recipient and the Association all such information as they shall reasonably request relating to the foregoing.

(vii) Suspend or terminate the right of the Community Group to use the proceeds of the Sub-Grant, or obtain a refund of all or any part of the amount of the Sub-Grant then withdrawn, upon the Community Group’s failure to perform any of its obligations under the Sub-Project Agreement.
SCHEDULE 4

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 the Interim Financial Instructions 2014, *Chapter 7 (Supply Chain Management)* issued by the Ministry of Finance 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 Association in January 2011 and revised July 2014 (the Guidelines), as required by paragraphs 3.3 and 3.4 of the Guidelines.

Eligibility

1. The eligibility of bidders shall be defined under Section I of the Association’s Guidelines; accordingly, no bidder or potential bidder shall be declared ineligible for contracts financed by the Association 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

2. 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

3. 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

4. Standard Bidding Documents, acceptable to the Association, shall be used.
Qualification Criteria

5. 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

6. 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.

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

8. 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.

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

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

11. No bidder shall be rejected on the basis of a comparison with the employer's estimate and budget ceiling without the Association's prior concurrence.

12. A copy of the minutes of the public bid opening shall be promptly provided to all bidders, and to the Association with respect to contracts subject to prior review.

Rejection of All Bids and Re-Bidding

13. Neither shall all bids be rejected nor new bids solicited without the Association's prior written concurrence.
Extension of the Validity of Bids

14. 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

15. 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

16. The Association shall declare a firm or individual ineligible, either indefinitely or for a stated period, to be awarded a contract financed by the Association, 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 Association.

Right to Inspect/ Audit

17. 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 Association 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 Association. The deliberate and material violation by the bidder, supplier, contractor or subcontractor or such provision may amount to obstructive practice.
APPENDIX

Definitions


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

3. "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.


5. "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 April 22, 2014, and referred to in Section I of Schedule 2 to this 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.

6. "Financial Management Manual" means the manual prepared and adopted by the Recipient and referred to in Section I of Schedule 2 to this Agreement, setting out, inter alia, details of financial management procedures for the Project.

7. "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.

9. "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.

10. "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, 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.

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

12. "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).

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


15. "Procurement Plan" means the Recipient’s procurement plan for the Project, dated June 2, 2015 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.

16. "Project Operations Manual" means the Project Operations Manual prepared and adopted by the Recipient and referred to in Section I of Schedule 2 to this Agreement, setting out, inter alia, 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.

17. "Project Steering Committee" means the Project Steering Committee to be maintained pursuant to Section I of Schedule 2 to this 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.

18. “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.

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

20. “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 this Agreement.

21. “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.

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

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

The Original Financing Agreement is amended as follows:

1. The Project development objective in Schedule 1 to the Original Financing Agreement
is amended to read as set out in Schedule 1 to this Agreement.

2. Reference to “MID’s Division of Transport Policy and Planning” in Section I.D of
Schedule 2 of the Financing Agreement is amended to read “MID”.