April 17, 2020

Honorable Harry Degruit Kuma
Minister of Finance and Treasury
Ministry of Finance and Treasury
P.O. Box 26
Honiara
Solomon Islands

Solomon Islands: Credit Number 6407-SB
Urban Water Supply and Sanitation Sector Project
Amendment to the Financing Agreement

Dear Minister:

We refer to the Financing Agreement between Solomon Islands ("Recipient") and the International Development Association ("Association") for the Urban Water Supply and Sanitation Sector Project ("Project"), dated October 31, 2019 ("Financing Agreement"). We also refer to the Recipient’s letter dated March 19, 2020, requesting the Association to make certain amendments to the Financing Agreement.

We are pleased to inform you that the Association concurs with your request, and proposes to amend the Financing Agreement by way of this letter ("Amendment Letter"), as set out below:

1. A new provision is added as Section 4.01 of Article IV (Remedies of the Association) of the Financing Agreement to read as follows, and the existing Sections 4.01 to 4.03 of Article IV (Effectiveness; Termination) and Sections 5.01 to 5.03 of Article V (Representative; Addresses) are renumbered as Sections 5.01 to 5.03 of Article V (Effectiveness; Termination) and Sections 6.01 to 6.03 of Article VI (Representative; Addresses), respectively:

   "ARTICLE IV — REMEDIES OF THE ASSOCIATION"

   4.01. The Co-financing Deadline for the effectiveness of the Subsequent Co-financing Agreement is the date twelve (12) months after the Effective Date.”

2. The newly re-numbered Section 5.01 of the Financing Agreement is amended to read as follows:

   "5.01. The Additional Condition of Effectiveness consists of the following, namely, that the Initial Co-financing Agreements have been executed and delivered and all conditions precedent to their effectiveness or to the right of the Recipient to make withdrawals under them (other than the effectiveness of this Agreement) have been fulfilled.”

3. Part 1 of the Project, as detailed in Schedule 1 to the Financing Agreement, is amended to read as follows:

   "Part 1: Urban water supply"
(a) Construction, rehabilitation, upgrade and expansion of water production and treatment systems in all urban areas except the Recipient’s town of Munda.

(b) Construction, rehabilitation, upgrade and expansion of water production and treatment systems in the Recipient’s town of Munda.

(c) Installation of additional water storage capacity within Solomon Water distribution network in the Recipient’s capital city of Honiara.

(d) Installation of additional water storage capacity within Solomon Water distribution network outside of the Recipient’s capital city of Honiara.

(e) Rehabilitation, upgrade and expansion of water supply transmission and distribution system.

(f) Carrying out Non-Revenue Water reduction activities including leak detection and network repairs.”

4. The withdrawal table detailed in Section III.A of Schedule 2 to the Financing Agreement is amended to read as set forth in Attachment 1 to this Amendment Letter.

5. Section III.B.1 of Schedule 2 to the Financing Agreement is amended to read as follows:

“1. Notwithstanding the provisions of Part A above, no withdrawal shall be made:

   (a) for payments made prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed six hundred twenty thousand Dollars (USD 620,000) may be made for payments made prior to this date but on or after October 31, 2018, for Eligible Expenditures under Category (1);
   or

   (b) under Categories (2) and (4) unless and until the Recipient has provided evidence satisfactory to the Association that all conditions precedent to the effectiveness of the Subsequent Co-financing Agreement or to the right of the Recipient to make withdrawals under the Subsequent Co-financing Agreement (other than the effectiveness of this Agreement) have been fulfilled.”

6. The definition in paragraph 6 (“Co-financing”) of Section I of the Appendix to the Financing Agreement is amended to read as follows:

“6. “Co-financing” means, for purposes of paragraph 14 of the Appendix to the General Conditions, a total amount of fifty seven million three hundred and forty-
seven thousand Dollars (USD 57,347,000) equivalent, to be provided by the Co-financier to assist in financing the Project.”

7. The definition in paragraph 7 (“Co-financing Agreement”) of Section I of the Appendix to the Financing Agreement is amended to read as follows:

“7. “Co-financing Agreements” means, collectively, the Initial Co-financing Agreements and the Subsequent Co-financing Agreement; and “Co-financing Agreement” means any of them.”

8. A new definition of Initial Co-financing Agreements is added as paragraph 15 of Section I of the Appendix to the Financing Agreement, and the subsequent paragraphs are renumbered accordingly:

“15. “Initial Co-financing Agreements” means, collectively, the agreements, each dated September 27, 2019, between the Recipient and the Co-financier providing for the Co-financing in a total amount of thirty seven million Dollars (USD 37,000,000) equivalent; and “Initial Co-financing Agreement” means any of them.”

9. A new definition of Subsequent Co-financing Agreement is added as paragraph 32 of Section I of the Appendix to the Financing Agreement, and the subsequent paragraphs are renumbered accordingly:

“32. “Subsequent Co-financing Agreement” means the agreement, dated September 27, 2019, between the Recipient and the Co-financier providing for the Co-financing in an amount of twenty million three hundred and forty-seven thousand Dollars (USD 20,347,000) equivalent.”

All capitalized terms used in this Amendment Letter have the same meanings assigned to them in the Financing Agreement. All the terms of the Financing Agreement not hereby amended shall remain in full force and effect.

Please confirm the Recipient’s agreement to the amendments set out above by having an authorized representative of the Recipient sign and date the two copies of this Amendment Letter, and returning one fully countersigned copy of this Amendment Letter to the Association. Upon receipt by the Association of the countersigned copy of this Amendment Letter, the amendments herein shall become effective as of the date of the countersignature.

Sincerely,

Michel Kerf
Country Director
Papua New Guinea & Pacific Islands
East Asia and Pacific Region
AGREED:

SOLOMON ISLANDS

By

Authorized Representative

Name:  

Title:  MINISTER OF FINANCE & TREASURY

Date:  2/4/20
### ATTACHMENT 1

*Amendments to the table detailed in Section III.A of Schedule 2 to the Financing Agreement*

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (exclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services, Training, Incremental Operating Costs and consulting services for Parts 1(a), (d), (e) and (f) of the Project</td>
<td>9,300,000</td>
<td>30.3%</td>
</tr>
<tr>
<td>(2) Goods, works, non-consulting services, Training, Incremental Operating Costs and consulting services for Part 2 of the Project</td>
<td>2,310,000</td>
<td>14.09%</td>
</tr>
<tr>
<td>(3) Unallocated</td>
<td>1,690,000</td>
<td></td>
</tr>
<tr>
<td>(4) Goods, works, non-consulting services, Training, Incremental Operating Costs and consulting services for Parts 1(b) and (c) of the Project</td>
<td>1,700,000</td>
<td>30.3%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>15,000,000</strong></td>
<td></td>
</tr>
</tbody>
</table>