



Project Information Document (PID)

Concept Stage | Date Prepared/Updated: 26-May-2020 | Report No: PIDC28384

**BASIC INFORMATION****A. Basic Project Data**

Country Solomon Islands	Project ID P173018	Parent Project ID (if any)	Project Name Solomon Islands Sustainable Mining Development Technical Assistance Project (P173018)
Region EAST ASIA AND PACIFIC	Estimated Appraisal Date Oct 01, 2020	Estimated Board Date Dec 01, 2020	Practice Area (Lead) Energy & Extractives
Financing Instrument Investment Project Financing	Borrower(s) Ministry of Finance and Treasury	Implementing Agency Ministry of Mines, Energy and Rural Electrification	

Proposed Development Objective(s)

To build capacity of SIG to achieve sustainable mining investment and benefit flows

PROJECT FINANCING DATA (US\$, Millions)**SUMMARY**

Total Project Cost	5.00
Total Financing	5.00
of which IBRD/IDA	5.00
Financing Gap	0.00

DETAILS**World Bank Group Financing**

International Development Association (IDA)	5.00
IDA Credit	5.00

Environmental and Social Risk Classification

Concept Review Decision



Substantial

Track I-The review did authorize the preparation to continue

Other Decision (as needed)

B. Introduction and Context

Country Context

1. Solomon Islands is an archipelago of 997 islands with a total land area of 2,840 km² spread over 1.34 million km² of ocean (an area larger than France, Germany and Poland combined). The population of approx. 580,000 is dispersed across 90 inhabited islands and has among the lowest population densities (20.8 persons/km²) and urbanization rates (17%) in the world. Distances between islands are significant: the north western Choiseul group is approximately 1,500 km from the southeastern Santa Cruz Islands - a distance equivalent to that between London and Rome. Distances to major export markets are even greater - with the capital Honiara over 2,000 km from urban centers in Australia.
2. The population of Solomon Islands remains predominantly rural-based and economic activity in the formal sector is narrowly based, heavily concentrated on Guadalcanal, especially in the capital, Honiara. The incidence of poverty remains high - an estimated 25.1% of Solomon Islanders live below the global extreme poverty line - and economic opportunity is distributed very unevenly. Plantation, logging and fishery based commercial activities have dominated since Independence in 1978, with very little change observed in the structure of the economy in over four decades. Opportunities for new and diversified sources of growth are limited, with tourism offering some potential. Youth unemployment and under-employment, as well as economic stagnation in more remote areas. are enduring challenges.
3. Solomon Islands has made significant progress in restoring stability following a period of civil conflict from 1998 to 2003 known as “the tensions”. While often characterized as an ethnic conflict, “the tensions” had multiple political and economic causes, including the disproportionate concentration of economic development in and around Honiara compared to the rest of the country. In the decade since “the tensions,” however, elections have been held successfully in and the country has been largely peaceful. The Regional Assistance Mission to Solomon Islands (RAMSI), a partnership between Solomon Islands and fifteen Pacific countries that was in place between July 2003 and June 2017, played a key role in helping Solomon Islands lay the foundations for long-term stability, security, and prosperity. While institutions have been rebuilt, they are for the most part extremely limited in reach and Solomon Islands remains a fragile country. There are specific challenges that derive from the adaptation of traditional Melanesian governance structures to deal with the imperatives of modern commercially driven activities, such logging and mining.
4. In the past decade real GDP growth exceeded 4% only once. The economy has also been vulnerable to external shocks because of dependence on imports of critical commodities and fuel, combined with volatility in the prices of commodities exported. The economy faces emerging challenges, with revenues generated by logging expected to fall off and limited scope for domestic revenue mobilization. Reliance on external support, especially official concessional finance remains high.



Sectoral and Institutional Context

- For over two decades the development of the Solomon Islands’ mineral resources has been talked about as a source of growth and economic diversification. The country is prospective for a range of precious and base metallic minerals, especially gold, copper and nickel, and hosts bauxite in several locations. Yet today, even after the mining sector globally enjoyed several bumper years on the back of mineral-intensive growth in emerging economies, the country has failed to take advantage of this opportunity. The mining sector makes only a minor contribution to the economy of the Solomon Islands today, far below its potential. The sector has accounted for less than 1% of GDP, with the exception of the period 2011-2013 when it jumped to some 5% while the Gold Ridge mine was in full production. Since the mine shut down the share of mining has fallen to preceding levels and in 2018 was just 0.5%. The evolution of mineral exports since 2006 is shown in Table 1.

Table 1. Mineral Export Value (Source: Solomon Islands, Central Bank)

Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Minerals Export value (mil SB\$)	6	6	21	30	26	518	855	624	210	44	18	133	150	162
Minerals Export value (mil US\$)	0.7	0.8	2.5	3.5	3.1	62.2	102.6	74.8	25.2	5.2	2.2	15.9	18.0	19.5
<i>Indicative estimate percentage share</i>														
Gold	0%	0%	0%	0%	0%	95%	95%	95%	95%	0%	0%	0%	0%	0%
Alluvial Gold	100%	100%	100%	100%	100%	4%	4%	4%	4%	100%	100%	15%	15%	15%
Silver	0%	0%	0%	0%	0%	1%	1%	1%	1%	0%	0%	0%	0%	0%
Bauxite	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	85%	85%	85%
Nickel	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
TOTAL	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

- The Gold Ridge mine is on Guadalcanal, not far from the capital Honiara. It was the first significant mineral deposit to attract foreign investment starting in the late 1990s. However, operation of the mine has been plagued by repeated social and economic challenges, with ownership changing hands several times. The mine operated at capacity from 2011-2013, producing at a rate of some 1.5 – 2 tonnes of gold annually. It shut down in 2014 after the last foreign investor gave up its interest, culminating in acquisition of the mining rights by a local landowner company. The most recent proposal to re-open the mine was in September 2019 when a foreign consortium announced it would be investing in Gold Ridge.
- Numerous small but high-grade bauxite deposits on Rennell and Choiseul have been a focus of attention in the past five years with several sites being exploited. This is against a background of sustained international demand for raw material to feed its aluminum industry. However, as in several other countries in the region, the types of mining operations that have been launched rely on low cost extraction methods targeting easily accessed near-surface pockets of bauxite. Unfortunately, this is a segment of the mining industry open to companies with limited sophistication and, as has become increasingly evident, scant regard for safe operating practices and harmful environmental and social impacts.
- Nickel deposits found on San Isabel and Choiseul are large enough and sufficiently high quality to have been of interest to investors, especially at times of higher nickel prices prompted by policy actions in other source countries which interrupted or threatened to interrupt nickel supplies. A major player in the international nickel market held an interest in several deposits before electing to withdraw in 2017. It had been evaluating options to develop nickel deposits on a large scale involving significant investment in handling, loading and shipping facilities for export. A junior exploration company secured an interest in a license previously in dispute at San Jorge only for its export permit to then be denied and legal actions taken to prevent it from conducting business in Solomon Islands.



9. The level of interest in mineral exploration has ebbed and flowed, with gold attracting most interest, followed by copper, however, few ventures have advanced to close spaced drilling and detailed technical studies, let alone full mine feasibility. The most promising opportunities are on islands on trend with Bougainville's copper-gold porphyry resources and a belt of nickel laterite, however, the resource base is yet to be fully mapped and interpreted using modern exploration techniques.
10. As in many resource-rich countries, weak and inconsistent management of the mining sector has played a role in inhibiting investment in mining. Governance challenges include:
- Friction between mining rights and customary arrangements for regulating the use of land and protecting community interests, which generates problems in managing relations between the government and miners with landowners, communities and vulnerable groups (including women) in relation to land access, use of renewable natural resources, community benefit sharing and local development;
 - Low levels of regulatory capacity at central and provincial levels across a range of core regulatory functions, including licensing, monitoring and enforcement, revenue collection and providing technical and geodata services. The mining ministry operates on a meagre budget and has had difficulty attracting and retaining qualified staff as well as providing itself with facilities and equipment commensurate with its functions. It is widely perceived to lack capacity to monitor mineral exploration and mining operations and enforce compliance to an adequate standard. Its ability to provide geodata services, including safe storage and management of data, interpretation and mapping and promoting exploration is quite limited;
 - High levels of discretion in decision making are relied upon with relatively few checks and balances in place and limited scope for officials and leaders to be held to account. The conduct of the Minerals Board, which is vested with authority to grant rights and take enforcement actions, has faced criticism, with some stakeholders considering it as too opaque and arbitrary in the use of the discretionary powers given to it in the mining legislation. Too many regulatory matters have ended up in dispute, including legal challenges against Board decisions, or generated grievances for which formal channels for redress have proven inadequate.
 - Challenges have also been faced in safeguarding the national interest in securing a fair share of revenues from mining. With each mining project involving a negotiation of key terms and conditions and low capacity for implementation, there have been worries that asymmetries in access to information and negotiating skills disadvantage the government and that royalties and taxes are being avoided. A case in point is the collection of royalties from companies mining bauxite in which the relevant valuation basis is not yet settled.
11. In sum, the mining sector in Solomon Islands has for some time substantially under-performed in terms of overall levels of investment, the quality of companies that operate in the sector and the capability of regulatory institutions. The sector has therefore generated few of the benefits that sustained investment by well-funded, technically advanced and responsible miners could offer in a well-governed regulatory environment.
12. If such investors were to be re-assured about the conditions for launching risky long-term investments in mineral exploration and mining in the Solomon Islands, there is the possibility of the mining sector eventually becoming a significant contributor to exports, government revenues and local development opportunities, including in some of the more remote parts of the archipelago. Mining companies have been following closely attempts by the Solomon Islands Government (SIG) to reform mining sector management and they await completion of the Mining Bill and associated regulations.
13. Among communities, and in civil society more generally, expectations of mining being able to generate jobs, local development and other benefits are matched by fears that mining will, like logging before it, generate negative



environmental and social impacts locally while benefits flow to others, either in Honiara or abroad. Mining has to date been associated with unmet expectations, whether in the case of Gold Ridge, in which resentment was closely tied to the Tensions in the early 2000s, or more recent experiences with unrehabilitated mining sites and coastal pollution from bauxite mining on Rennell, in relation to which royalty proceeds have been negligible and few jobs and local opportunities have been created. These stakeholders also seek assurance that their interests will be upheld and that, as a result, they will see an equitable sharing of benefits from mining, especially at the community level and among vulnerable groups, including women.

14. In response to all these challenges, and after several rounds of stakeholder consultation, SIG developed a National Mining Policy (NMP), the first of its kind, which Cabinet endorsed in March 2017. This comprehensive and ambitious policy demonstrated a national commitment to strengthen governance, make decisions more transparently and inclusively, offer greater investment certainty and create a system that better protects community interests.

15. The National Mining Policy contains the following statement in the Minister’s foreword:

“While there is no doubt an abundance of minerals, our limited land mass and the scattered islands mean that the impacts of mining are heavily felt. There is little room for error and we have few opportunities to get the sector right. For this reason, it is more vital than ever that the country attracts reputable investors who are willing to work alongside the Government, building responsible practices and ensuring that there is a good balance between commercial gain, local benefits, and environmental and social risk.”

The Vision Statement of the NMP states:

“The mineral resources of Solomon Islands will be developed for the benefit of all the people of our country in a way that causes minimal environmental impact and respects the different cultures, interests, and relationships that make up this diverse community, both now and for future generations.”

The main reforms defined by the NMP (pp10-11) are:

- Refined and clarified functions and powers of the Minerals Board, with an independent Chair, for more efficient and less discretionary decision making.
- Increased role for provincial government, including in landowner identification, quarrying and artisanal mining licensing.
- Greater inter-ministerial coordination to avoid duplication of efforts or contradictions of powers and processes.
- Greater revenue transparency and accountability, including the flow of all mineral revenue into one fund (the Minerals Special Fund), under the supervision of a multi-stakeholder Oversight Committee.
- Focusing regulatory authority in the statutory position of Director of Mines, who manages a fully capacitated and fit for purpose Mines Division.
- Inclusion of landowners, communities and other project impacted persons in the negotiation of land access and community development benefits, to ensure fair and equal representation for all.
- Strengthening access to legal advice, awareness training, financial management support and other services to enable effective participation by landowners, communities and other project impacted persons, through an independent advisory centre designed for this purpose.
- Openness and transparency about all agreements made that impact on landowners, communities and other project impacted persons with multiple opportunities for monitoring and verification, bringing dealings in mineral resources



into the daylight. All key agreements (as well as Environmental Impact Assessments) will be publicly available documents.

- Heavier reliance on custom-appropriate land identification using traditional authority systems, facilitated by the government, to avoid capture by select interested parties, [*and remove responsibility from mining companies*].
- Introduction of a multi-party Community Development Agreement framework for each mining project prior to mining development, to spell out the rights and obligations of each of the parties.
- Adoption of representative community structures to ensure fair and equal representation and benefits in mining revenue and development projects, guided by the Community Development Agreement.
- Standardisation of model agreements, fees, and compensation rates to strengthen communities' ability to negotiate with companies.
- Providing more safeguards to ensure that community decision making is inclusive and represents the views of men, women, and youth, to facilitate equitable development outcomes.
- Removal of several of the sources of risk to [*mining company*] security of tenure through greater clarity, standardisation and efficiency of mineral rights licensing and management.
- Increase in number, size and duration of prospecting licences during the exploration period.
- Companies will no longer be responsible for, or involved in, landowner identification – this will be a government led activity, with participation from custom bodies
- Standardised Land Access Agreements, Mining Agreements, Community Development Agreements, forms, fees, creating an even playing field for all companies who can have confidence in their landowner and community dealings.
- An even playing field for all companies with comprehensive new transparency provisions and reporting requirements.
- Greater scrutiny of applications with prescribed due diligence checks to encourage reputable operators.

Italicized words are added by the WB team.

The policy identifies commitments towards addressing gender-based violence and enhancing women's voice which would form part of mining company obligations.

16. Among the first measures taken by SIG to implement the NMP was to launch a review of and prepare revisions of the mining legislation. The Mines and Minerals Act (Mines Act) of 1990 inherited many of the features of prevailing legislation in the former colonial period. When development of the Gold Ridge Mine was under discussion in the mid-1990s, special contractual provisions had to be crafted to fill gaps in the legislation and tailor terms for an investment of its size and significance to the Solomon Islands economy. Although amended from time to time, it became increasingly apparent that the Act was incompatible with the needs of the sector and the protection of the interests of a range of stakeholders. The review was launched in 2018 and steered by an Inter-Ministerial Taskforce chaired by the Permanent Secretary of the Ministry of Mines, Energy and Rural Electrification (MMERE). This resulted in drafting instructions in mid-2018 which formed the basis of an initial mining bill prepared under guidance of the Office of the Attorney-General by the end of 2018. At the time of writing the Mining Bill had undergone further rounds of development after comments were received on drafts of the Mining Bill from several stakeholders, including industry and some NGOs. The Inter-Ministerial Taskforce had aimed to have completed new drafting instructions in the first half of 2020 so that a revised version of the Mining Bill is prepared for Cabinet endorsement and tabling in parliament. This timetable is likely to be impacted by the COVID-19 related restrictions and wider impacts on government business.



Relationship to CPF

- 17.** The current CPF (FY18-23) is anchored in supporting the Solomon Island's resilience as an FCV country facing challenges of economic geography and state fragility. Part of this involves supporting the development of productive sectors that can contribute to exports and revenues at a time when the contribution of the logging sector is in rapid decline. Thus:

“Solomon Islands’ ability to secure sustained economic growth will rest on the private sector, and on new and expanded developments in mining, fisheries, and tourism. Reaping the gains of investment in new mining developments will require that Solomon Islands ensure effective governance in the sector to: (i) avoid and mitigate the substantial risks associated with environmental degradation; and (ii) ensure that the benefits generated are maximized and spread as widely as possible through public investments in health and education, and through linkages to agriculture, fisheries, transport, and other services.”
(Paragraph 16, CPF)

Strengthening the mining regulatory framework is a CPF objective under in *Focus Area 2: Promoting Inclusive and Sustainable Growth*. The CPF anticipated modest support to SIG in the CPF period to complete the initial steps in implementing the National Mining Policy, with potential to step up this support, through an IPF if good progress was made:

“If this phase is successful, further assistance will be provided to: (i) modernize the mineral tenements management system to ensure fairness and attract responsible and capable miners; (ii) improve mine inspection to better enforce compliance with mine safety and proper mining practices; (iii) generate, collate, and manage valuable geodata to make better-informed decisions about allocating mineral rights; (iv) enhance revenue administration to avert revenue leakage; and (v) define and enforce appropriate environmental and social management standards.” (Paragraph 71, CPF)

- 18.** The World Bank supported SIG for several years to develop the NMP by assisting with access to expertise and helping to organize stakeholder consultation. After the NMP was approved, SIG requested further support to assist it in implementing the NMP. The World Bank responded by granting SIG US\$400,000 to implement the “Solomon Islands Mining Governance (SIMGov) Project”. The grant was provided from the Extractives Global Programmatic Support Multi Donor Trust Fund (EGPS). The grant was approved in February 2018 and closed at the end of June 2019. In October 2019 SIG requested further support to sustain the preparation of mining legislation and included mining sector technical assistance in its concessional borrowing program in the IDA19 cycle.



Support to SIG on mining sector governance through small grants 2010-2019:

C.

State and Peacebuilding Fund July 2010 – RETF \$750,000 + BETF \$150,000 to July 2013 which supported the design and conduct of a Mines and Communities Forum in 2011 in partnership with Solomon Islands Development Trust and delivered a package of technical guidance on developing a mining sector policy and new legislation in 2012-13.

Global EITI MDTF January 2014 – RETF \$350,000 to December 2015 which supported SIGs implementation of EITI and allowed continued engagement on mining sector reform to take place. The Gold Ridge Mine closed in the second half of 2014 and in the following year the Solomon Islands lost global support for its continued membership of EITI.

National Mining Policy Workshop July 2014 – the workshop was organized with World Bank support to assess the draft Mining Policy financed under the SPF Grant and identified that further development of the mining policy was needed.

The National EITI and Mining Forum October 2015 – the Forum was designed and conducted with World Bank support and provided the foundation for the next grant-based engagement by the World Bank.

Mining Sector PASA (P157935) February 2016 – BETF \$324,000 from DFAT to December 2017 which funded (i) guidance on further development of mining policy which contributed to the National Mining Policy completed in late 2016 and endorsed by Cabinet in March 2017 and (ii) elaboration of the idea of a mineral advisory center (NRIAC).

SIMGov Mining Governance (P162737) – RETF \$400,000 from the EGPS MDTF to June 2019 which funded (i) review of the Mining Act 1990, preparation of drafting instructions for a mining bill, and production of the first full draft Mining Bill (ii) evaluation of mineral rights management and scope for modern cadastral GIS-based system (DeVries Study) (iii) evaluation of mines inspection function and capacity building needs and

Proposed Development Objective(s)

To build capacity of SIG to achieve sustainable mining investment and benefit flows

Key Results (From PCN)

D. Concept Description

Component 1 – Mining Sector Regulatory Design (US\$1mn)

The objective of the activities financed in Component 1 is to complete the design of the regulatory framework in line with the National Mining Policy following enactment of the Mining Act. Delivery would require procurement of policy and legal advisers across a range of domains and conduct of workshops and other relevant for a for a to conduct consultation and reviews.

1.1 Policy, Plans and Legislation		
<i>Beneficiaries: MMERE, MoFT, Inland Revenue, Customs, Ministry of Environment & Conservation</i>		
Elaboration of the NMP on specific topics	Several NMP topics outside scope of Mining Act need elaboration – revenue management,	Policy Adviser Workshops
Preparation of plans / strategies to guide sector management	MMERE needs to prepare plans and budgets over different planning horizons on implementing the NMP	Policy Adviser Workshops
Completion of mining	Some additional regulations and	Policy Adviser



regulations and model form agreements	model form agreements are expected to be needed on a range of technical topics after the Mining Act and any General Regulations are adopted	Legal Adviser Workshops
Modernization of Mine Health & Safety regulation	Existing regulation must be reviewed and replaced	Policy Adviser Legal Adviser Workshops
Harmonization of environmental regulation	Regulations, guidelines and protocols need to be aligned to properly implement environmental management	Policy Adviser Legal Adviser Workshops
Harmonization of fiscal and trade regulation	Regulations, guidelines and protocols need to be aligned to properly implement (i) royalty, taxes and fees (ii) revenue collection and (iii) revenue allocation	Policy Adviser Legal Adviser Workshops

1.2 Regulatory Institutions

Beneficiaries: MMERE, MoFT, Inland Revenue, Customs, Ministry of Environment & Conservation, Provincial Government Departments

Mandates, KPIs and Coordination	The mandates of MMERE and other regulators need to be developed in terms of the NMP and KPIs and coordination mechanisms designed accordingly	Policy Adviser Workshops
Functions and Structures	Specific administrative measures will be needed to address the effective delivery of key functions: Minerals Board Cadaster Mines Inspection Geological Survey	Policy Adviser Workshops
Staff Development	Staff development plans and budgets need to be prepared consistent with mandates and KPIs	Policy Adviser Workshops

Component 2 – Mining Sector Regulatory Capacity (US\$2.5mn)

The objective of the activities financed in Component 2 is to build capacity of government regulatory institutions to fulfill their functions effectively. Delivery would require procurement of policy advisers across a range of domains, acquire and install critical equipment and provide skills development.

2.1 Mineral Rights Management

Beneficiaries: MMERE, ICTSU at MoFT, Ministry of Environment & Conservation



Licensing	Capacity building in licensing of mineral exploration and mining: Cadastral System: application, award and registration of mineral rights using a computerized geo-referenced cadastral system based on pre-feasibility (DeVries) Bidding System: design and procedures for competitive tenders of mineral rights Mine Approvals: design and procedures for conducting mine feasibility reviews Environmental and Social Approvals: design and procedures for conducting E&S reviews	Policy Adviser Cadastral software, installation and support Specialized training and software
Compliance	Capacity building in monitoring and enforcing compliance based on diagnostic (Walker): Exploration Obligations: resource and reserves classification; exploration work plans and budgets, reporting, inspection and evaluation Mining Obligations: production work plans and budgets, assaying, reporting, inspection and evaluation Mine Closure Obligations: mine closure work plans and budgets, reporting, inspection and evaluation	Policy Adviser Portable and laboratory equipment Specialized training and software
Community Development	Capacity building in engaging responsibly with mining affected communities, especially women and vulnerable groups: Community Liaison & Outreach: Define a community liaison function, engagement plan and build staff skills Advisory Centre: Establish this new institution drawing on pre-feasibility (Grice) Local community planning: Build planning capacity at national and sub-national government levels to benefit	Policy Adviser Workshops Specialized training Outreach publications and events



	from fiscal revenue and business opportunities	
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2.2 Mineral Revenue Management

Beneficiaries: MMERE, MoFT, Inland Revenue, Customs, Central Bank, Provincial Government Departments

Revenue Administration	Capacity building in administering royalty, tax, VAT and customs, including physical and financial audit	Policy Adviser Workshops Specialized training
Sub-national Revenue Management	Capacity building in administering allocation of mineral revenues sub-nationally:	Policy Adviser Workshops Specialized training
EITI	Capacity building in launching and implementing EITI and related outreach	Policy Adviser Workshops Specialized training Outreach publications and events

2.3 Geodata Management

Beneficiaries: MMERE

Data Management System	Capacity building in managing geodata: Geological Reports: design, install and manage a modern geodata repository Core Management: design, install and manage a modern core shed	Policy Adviser Equipment, hardware and software Specialized training
GeoData Acquisition	Capacity building in acquiring and adding value to geophysical and geochemical data:	Policy Adviser Acquisition and mapping program Geochemical laboratory and other equipment, computer hardware and software Specialized training

Component 3 – Operational Support (US\$1mn)

The objective of the activities financed in Component 3 is to support MMERE to overcome near term operational challenges. Delivery would require procurement of a resident regulatory operations adviser, acquire and install critical equipment and provide skills development.

3.1 Advisory Services

Resident Regulatory Operations Adviser to Director of Mines: provide immediate operational support where required to evaluate and approve mining related investments, compliance monitoring, including mine site inspections, support coordination among government agencies and offer staff development through training & mentoring.

3.2 Equipment & Buildings



Transportation: Acquisition of vehicles at Honiara and provincial offices.
Building Repairs and Refurbishment: Refurbishment of the HQ building in Honiara.

3.3 IT System

Servers: Installation of hardware to support the IT functions of the HQ building in Honiara.
Network: Installation of network equipment and software to connect the HQ building to provincial offices and other government offices.

Component 4 – Project Management (US\$0.5mn)

The implementing agency for the project will be the Ministry of Mines, Energy and Rural Electrification (MMERE). A Project Office will be established for the proposed Project that will exercise project management responsibilities on MMERE’s behalf during project implementation. Its scope would include financial management, procurement, monitoring and evaluation, as well as coordination among government entities. The Project Office will need to have expertise on management of externally funded technical assistance, the Bank’s safeguards policies, IT and equipment specification, management of consultant delivered workflows, and reporting requirements. Refer to the Implementing Agency Assessment below.

Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

Summary of Screening of Environmental and Social Risks and Impacts

The project is expected, overall, to generate positive environmental outcomes through the modernization of mining regulatory and licensing procedures in first instance, whilst also improving the mine health and safety legislation, harmonizing environmental regulation, improving the environmental approvals process and better enforcement of compliance and mine closure requirements. The project includes technical assistance activities, the purchase of some laboratory equipment and software and refurbishment of the MMERE HQ building in Honiara. A number of the ESF standards have been assessed to be relevant, but it should be noted that this is largely due to the potential downstream impacts associated with increased investment in the mining industry following the successful project interventions which are aimed at a more streamlined licensing process and improved capacity to manage and monitor the sector activities.

The environmental impacts related to the refurbishment works of the HQ building in Honiara are expected to be low (increased noise and dust, waste disposal and occupational health and safety) and can be easily managed through the development and implementation of environmental and social management, health and safety and waste management plans. Particular care must be taken with respect to the identification, handling and disposal of hazardous materials that may be present such as asbestos.

With respect to the proposed technical assistance activities, the history/legacy of mining in the country along with weak and inconsistent management of the mining sector and low levels of regulatory capacity at central and provincial levels means that the project has the potential to have significant, long-term and cumulative adverse downstream impacts if not implemented well, e.g. in the event the Solomon Islands government were not to adopt or implement the proposed improvements to the environmental, social and health and safety provisions for the mining sector.



The MMERE operates on a meagre budget and has had difficulty attracting and retaining qualified staff as well as providing itself with facilities and equipment commensurate with its functions. It is widely perceived to lack capacity to monitor mineral exploration and mining operations and enforce compliance to an adequate standard. The Ministry has previously completed a project under the World Bank Safeguards Policies but it was classified 'C' and had minimal safeguards input.

The Environmental Risk Rating is classified as substantial based on the potential downstream impacts, the history of mining in the country and implementing agency capacity whilst noting that the project components aim to directly address these issues.

Similarly, the Project' Social Risk Rating is assessed to be substantial as the advisory services will have the potential to have future impacts on community, labor and working conditions, community and occupational health and safety and cultural heritage, if not implemented well. The mining sector is also linked to historic unrest and mine closures, along with weak governance. While no land will be directly impacted by Project activities, the Project may result in changes to land access processes for mining which may have implications for land owners in future. Land acquisition is a complex issue in Solomon Islands due to customary land and ownership rights, which must be taken into consideration in the design of the regulatory framework in line with the National Mining Policy.

The E&S risks relating to technical assistance activities, though manageable, are cross cutting and include long term and/or cumulative environmental damage, land and resource-based conflicts, impacts of unmanaged artisanal mining, occupational and community health and safety impacts, livelihood impacts, issues around land access, social inclusion and benefit sharing and other aspects common in the resources sector . These risks will primarily be managed through: the development of an overarching project terms of reference (ToR) that outlines the project activities and details how they will be completed, assesses environment and social risks and associated controls and clearly defines accountabilities; the subsequent screening of ToRs for technical studies and advisory services for potential E&S risks and the inclusion of provisions to ensure that advisory services are materially consistent with the objectives of ESS1, all other relevant ESSs and the overarching Project TOR; the recruitment of an environmental and social specialist to the PIU; and the inclusion of environmental and social aspects management in consultant and staff terms of reference (ToR). The World Bank will provide 'no objection' to all ToRs for consultants, PIU staff, as well as technical studies and will review the outcomes and reports to ensure material consistency with the objectives of the relevant standards. An environmental and social risk adviser will be included in the Project Implementation Unit (PIU) and an environment and social commitment plan (ESCP) and stakeholder engagement plan and labor management plan will be developed prior to project appraisal.

The environmental impacts related to the refurbishment works are expected to be low (increased noise and dust, waste disposal and occupational health and safety) and can be easily managed through the development and implementation of environmental and social management, health and safety and waste management plans. Particular care must be taken with respect to the identification and handling of hazardous materials that may be present such as asbestos.

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