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Report No: PAD1074

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED CREDIT

IN THE AMOUNT OF SDR 3.3 MILLION
(US\$5.0 MILLION EQUIVALENT)

INCLUDING SDR 1.65 MILLION
(US\$2.5 MILLION EQUIVALENT)
IN CRISIS RESPONSE WINDOW RESOURCES

AND A PROPOSED GRANT
IN THE AMOUNT OF SDR 2.7 MILLION
(US\$4.0 MILLION EQUIVALENT)

INCLUDING SDR 1.0 MILLION
(US\$1.5 MILLION EQUIVALENT)
IN CRISIS RESPONSE WINDOW RESOURCES

TO THE
SOLOMON ISLANDS

FOR THE
RURAL DEVELOPMENT PROGRAM II

OCTOBER 22, 2014

Papua New Guinea, Timor Leste, and Pacific Islands
Social, Urban, Rural and Resilience Global Practice
East Asia and Pacific Region

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CURRENCY EQUIVALENTS

Exchange Rate Effective: August 31, 2014

Currency Unit

SBD1 = US\$.14

US\$1 = SDR .66

FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

ARDS	Agriculture and Rural Development Strategy
ASEF	Agriculture Supplemental Equity Facility
AGO	Auditor- General Office
APG	Agribusiness Partnership Grant
CBI	Commercial Banking Institutions
CBSI	Central Bank of the Solomon Islands
CDO	Constituency Development Officer
CEMA	Commodity Export Marketing Authority
CSC	Community Scorecard
CSO	Civil Society Organization
DFAT	Department of Foreign Affairs and Trade (Australian Aid)
EA	Environmental Assessment
ESMF	Environment and Social Management Framework
EU	European Union
FM	Financial Management
IFAD	International Fund for Agriculture Development
IPMP	Integrated Pest Management Plan
M&E	Monitoring and Evaluation
MAL	Ministry of Agriculture and Livestock
MDPAC	Ministry of Development Planning and Aid Coordination
MECDM	Ministry of Environment, Climate, Disaster Management and Meteorology
MID	Ministry of Infrastructure Development
MIS	Management Information System
MOFT	Ministry of Finance and Treasury
MRD	Ministry of Rural Development

MOU	Memorandum of Understanding
MPGIS	Ministry of Provincial Government and Institutional Strengthening
NGO	Non-Government Organization
OAG	Office of the Attorney General
PAD	Project Appraisal Document
PCB	Participating Commercial Bank
PCDF	Provincial Capacity Development Fund
PCU	Program Coordination Unit
PGSP	Provincial Governance Strengthening Program
PIM	Program Implementation Manual
PS	Permanent Secretary
PSU	Provincial Support Unit
RDP	Rural Development Program
SA	Social Assessment
SIC	Subproject Implementation Committee
SIG	Solomon Islands Government
SME	Small and Medium-sized Enterprise
WDC	Ward Development Committee

Regional Vice President:	Axel van Trotsenburg
Country Director:	Franz Drees-Gross
Sector Director:	John A. Roome (through June 30, 2014)
Global Practice Senior Director:	Ede Jorge Ijjasz-Vasquez
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Practice Manager:	Jan Weetjens
Program Leader:	Pierre Graftieaux
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**SOLOMON ISLANDS
RURAL DEVELOPMENT PROGRAM II**

TABLE OF CONTENTS

	Page
I. STRATEGIC CONTEXT	11
A. Country Context.....	12
B. Sectoral and Institutional Context.....	13
C. Higher Level Objectives to which the Project Contributes	14
II. PROJECT DEVELOPMENT OBJECTIVES	15
A. PDO.....	15
Project Beneficiaries	15
PDO Level Results Indicators.....	16
III. PROJECT DESCRIPTION	16
A. Project Components	16
B. Project Financing	18
Project Cost and Financing	18
C. Lessons Learned and Reflected in the Project Design	20
IV. IMPLEMENTATION	21
A. Institutional and Implementation Arrangements	21
B. Results Monitoring and Evaluation	22
C. Sustainability.....	22
V. KEY RISKS AND MITIGATION MEASURES	23
A. Risk Ratings Summary Table	23
B. Overall Risk Rating Explanation	24
VI. APPRAISAL SUMMARY	24
A. Economic and Financial Analysis.....	24
B. Technical.....	26
C. Financial Management.....	27
D. Procurement	27
E. Social (including Safeguards)	27

F. Environment (including Safeguards)	28
Annex 1: Results Framework and Monitoring	31
Annex 2: Detailed Project Description.....	35
Annex 3: Implementation Arrangements	43
Annex 4: Operational Risk Assessment Framework (ORAF).....	62
Annex 5: Implementation Support Plan	68

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PAD DATA SHEET*Solomon Islands**Solomon Islands Rural Development Program II (P149282)***PROJECT APPRAISAL DOCUMENT***EAST ASIA AND PACIFIC**0000009081*

Report No.: PAD1074

Basic Information			
Project ID P149282	EA Category B - Partial Assessment	Team Leader Erik Caldwell Johnson	
Lending Instrument Investment Project Financing	Fragile and/or Capacity Constraints [X] - Fragile States - Small States		
	Financial Intermediaries []		
	Series of Projects []		
Project Implementation Start Date 01-Mar-2015	Project Implementation End Date 28-Feb-2020		
Expected Effectiveness Date 30-Jan-2015	Expected Closing Date 28-Feb-2020		
Joint IFC No			
Practice Manager/Manager Jan Weetjens	Senior Global Practice Director Ede Jorge Ijjasz-Vasquez	Country Director Franz R. Drees-Gross	Regional Vice President Axel van Trotsenburg
Borrower: Ministry of Finance and Treasury			
Responsible Agency: Ministry of Development Planning and Aid Coordination			
Contact: Telephone No.: 67738256	Daniel Rove	Title: Email: drove@planning.gov.sb	Director Social Services Division
Project Financing Data(in USD Million)			
[]	Loan	[X]	IDA Grant
[]			Guarantee

<input checked="" type="checkbox"/>	Credit	<input type="checkbox"/>	Grant	<input type="checkbox"/>	Other						
Total Project Cost:		46.90				Total Bank Financing:		9.00			
Financing Gap:		0.00									
Financing Source											Amount
BORROWER/RECIPIENT											20.00
International Development Association (IDA)											2.50
IDA Grant											2.50
Australian Aid Program											13.30
IDA Credit from CRW											2.50
IDA Grant from CRW											1.50
International Fund for Agriculture Development											4.60
Total											46.90
Expected Disbursements (in USD Million)											
Fiscal Year	2015	2016	2017	2018	2019	2020	0000	0000	0000	0000	
Annual	2.00	2.50	2.00	2.00	0.50	0.00	0.00	0.00	0.00	0.00	
Cumulative	2.00	4.50	6.50	8.50	9.00	9.00	0.00	0.00	0.00	0.00	
Institutional Data											
Practice Area / Cross Cutting Solution Area											
Social, Urban, Rural and Resilience Global Practice											
Cross Cutting Areas											
<input checked="" type="checkbox"/> Climate Change											
<input checked="" type="checkbox"/> Fragile, Conflict & Violence											
<input checked="" type="checkbox"/> Gender											
<input type="checkbox"/> Jobs											
<input type="checkbox"/> Public Private Partnership											
Sectors / Climate Change											
Sector (Maximum 5 and total % must equal 100)											
Major Sector				Sector		%	Adaptation Co-benefits %		Mitigation Co-benefits %		

Health and other social services	Other social services	40		
Agriculture, fishing, and forestry	General agriculture, fishing and forestry sector	25		
Public Administration, Law, and Justice	General public administration sector	20		
Agriculture, fishing, and forestry	Agricultural extension and research	15		
Total		100		

☒ I certify that there is no Adaptation and Mitigation Climate Change Co-benefits information applicable to this project.

Themes

Theme (Maximum 5 and total % must equal 100)

Major theme	Theme	%
Rural development	Rural services and infrastructure	40
Rural development	Rural markets	30
Rural development	Rural policies and institutions	20
Social dev/gender/inclusion	Participation and civic engagement	10
Total		100

Proposed Development Objective(s)

The proposed development objective for the project is to improve basic infrastructure and services in rural areas and to strengthen the linkages between smallholder farming households and markets.

Components

Component Name	Cost (USD Millions)
Community Infrastructure and Services	21.52
Agriculture partnerships and support	18.81
Program management	6.57

Compliance

Policy

Does the project depart from the CAS in content or in other significant respects?	Yes [] No [X]
Does the project require any waivers of Bank policies?	Yes [] No [X]

Have these been approved by Bank management?		Yes [<input type="checkbox"/>]	No [<input type="checkbox"/>]
Is approval for any policy waiver sought from the Board?		Yes [<input type="checkbox"/>]	No [<input checked="" type="checkbox"/>]
Does the project meet the Regional criteria for readiness for implementation?		Yes [<input checked="" type="checkbox"/>]	No [<input type="checkbox"/>]
Safeguard Policies Triggered by the Project			
	Yes	No	
Environmental Assessment OP/BP 4.01	X		
Natural Habitats OP/BP 4.04	X		
Forests OP/BP 4.36		X	
Pest Management OP 4.09	X		
Physical Cultural Resources OP/BP 4.11	X		
Indigenous Peoples OP/BP 4.10	X		
Involuntary Resettlement OP/BP 4.12		X	
Safety of Dams OP/BP 4.37		X	
Projects on International Waterways OP/BP 7.50		X	
Projects in Disputed Areas OP/BP 7.60		X	
Legal Covenants			
Name	Recurrent	Due Date	Frequency
Australia Co-financing		28-Feb-2015	
Description of Covenant			
The Association shall have the right to suspend the Financing if the Australia Co-financing Agreement fails to enter into effect by 28 February, 2015.			
Name	Recurrent	Due Date	Frequency
IFAD Co-financing		31-Aug-2015	
Description of Covenant			
The Association shall have the right to suspend the Financing if the IFAD Co-financing Agreement has failed to enter into effect by 31 August, 2015.			
Name	Recurrent	Due Date	Frequency
Additional Counterpart Funds		31-Dec-2017	
Description of Covenant			
The Recipient shall, by not later than 31 December 2017, secure additional funds in the amount of \$13,000,000 for purposes of financing the Project.			
Name	Recurrent	Due Date	Frequency

Establishment of Agribusiness Management Unit		31-Aug-2015	
Description of Covenant			
The Recipient shall establish by August 31, 2015, and thereafter maintain at all times during the implementation of the Project, an Agribusiness Management Unit within the MAL, with terms of reference and resources, including qualified and experienced staff in adequate numbers, all satisfactory to the Association.			
Name	Recurrent	Due Date	Frequency
Submission of Annual Work Plan and Budget	X		Yearly
Description of Covenant			
The Recipient shall prepare and furnish to the Association not later than November 30 of each year during the implementation of the Project (or such later date as the Association may agree) for the Association’s no-objection, an Annual Work Plan and Budget.			
Conditions			
Source Of Fund	Name		Type
Description of Condition			
Team Composition			
Bank Staff			
Name	Title	Specialization	Unit
John Victor Bottini	Consultant	Consultant	GSURR
Ross James Butler	E T Consultant	E T Consultant	GSURR
Janet Funa	Program Assistant	Program Assistant	EACSB
Stephen Paul Hartung	Financial Management Specialist	Financial Management Specialist	GGODR
Erik Caldwell Johnson	Senior Operations Officer	Team Lead	GSURR
Marjorie Mpundu	Senior Counsel	Senior Counsel	LEGES
Jinan Shi	Senior Procurement Specialist	Senior Procurement Specialist	GGODR
Dan Tony Vadjal		Consultant	
Ly Thi Dieu Vu	Consultant	Consultant	GSURR

Non Bank Staff					
Name		Title		City	
Locations					
Country	First Administrative Division	Location	Planned	Actual	Comments
Solomon Islands	Western Province	Western Province	X		
Solomon Islands	Malaita	Malaita Province	X		
Solomon Islands	Isabel	Isabel Province	X		
Solomon Islands	Guadalcanal	Guadalcanal Province	X		
Solomon Islands	Central Province	Central Province	X		
Solomon Islands	Temotu	Temotu Province	X		
Solomon Islands	Makira	Makira-Ulawa Province	X		
Solomon Islands	Choiseul	Choiseul	X		
Solomon Islands	Rennell and Bellona	Rennell and Bellona	X		

I. STRATEGIC CONTEXT

A. Country Context

1. An archipelago of 997 islands, Solomon Islands has a total land area of 29,900 km² spread over 1.34 million km² of ocean. It is located in the “Pacific Ring of Fire”¹, and within the cyclone belt, making it highly prone to natural hazards. It is amongst 20 countries with the highest economic risk exposure to two or more geological, hydrological and climatic hazards. The population of approximately 550,000 is dispersed across 90 inhabited islands and has among the lowest population densities (18 persons/km²) and urbanization rates (17 percent) in the world. Roughly 80% of the population lives in rural areas.

2. The island geography presents formidable and in some cases immutable challenges to service delivery, infrastructure, and economic integration. The difference in access to services between urban and rural areas is particularly stark. There are only 5 kilometers of roads per 100 square kilometers, the lowest ratio in the Pacific, and travel in most rural areas is only by motorboat. Nationally, less than 20 percent of the population has access to electricity. However, in Honiara, this figure is over 63 percent. In many of the outer islands, less than 5 percent have access to electricity. Access to improved water sources is unequally distributed throughout the country, with over 78 percent of Honiara households having access to water piped either into the home or the neighborhood, compared to 33 percent nationally. Approximately 62 percent of Honiara households have access to flush toilets, compared to 15 percent nationally.

3. While a new household survey to robustly update poverty and other statistics is currently being conducted and is expected to be available by early 2015, UNDP, drawing on survey data from FY06, estimates that approximately 23 percent of people in Solomon Islands suffer basic needs poverty². The profile of poverty differs by geography. Peri-urban households around the capital of Honiara suffer from disproportionate levels of poverty, with almost one in three people unable to afford a basic minimum standard of living, although the incidence of extreme poverty is lower than in rural areas (2.6 percent versus 8.7 percent). In contrast, given the prevalence of subsistence agriculture, the incidence of material poverty in rural households – except in the most remote villages – is lower than in urban areas, but access to services remains limited and the incidence of extreme food poverty is higher.

4. Solomon Islands is moving into its second decade since the end of conflict in 2003 in a more stable situation, although significant challenges still remain. The conflict, known locally as the “Tensions”, emerged as a result of grievances between the local Guadalcanal landowners and migrants, predominantly from the most populous island of Malaita, drawn by economic opportunities. Violent clashes involving rival militant groups led to deaths, displacement, and the widespread destruction of property. While often characterized as an ethnic conflict, there were multiple political and economic causes, including the disproportionate concentration of

¹ The Pacific Ring of fire is a region of high volcanic and seismic activity that surrounds the majority of the Pacific Ocean Basin. It stretches over 40,000 km and includes volcanoes, deep sea trenches, and major fault zones.

² Final report on the Estimation of Basic Needs Poverty Lines, and the Incidence and Characteristics of Poverty in Solomon Islands, Solomon Islands National Statistics Office and UNDP Pacific Centre Suva, Fiji, July 2008. A robust new household survey to update poverty and other statistics is currently being conducted and is expected to be available by early 2015.

economic development in and around Honiara compared to the rest of the country. Rapid social change associated with increasing urbanization also contributed to stresses, including the erosion of customary authority, disenchantment among young people, and a loss of social cohesion. These situations persist, highlighting the importance of improving infrastructure, services and economic opportunities in rural areas.

B. Sectoral and Institutional Context

5. Recognizing the need to improve alignment of Government and donor rural development programs and the need to improve aid effectiveness in the sector, the Ministry of Development Planning and Aid Coordination (MDPAC) prepared and launched the Agriculture and Rural Development Strategy (ARDS) in 2007. The World Bank was asked to take the lead in the preparation of the Rural Development Program (RDP) to support the implementation of some of the key priorities identified under the ARDS.

6. Since early 2008 (when RDP was launched), the landscape of financing for rural development has evolved disproportionately in favor of funds channeled through accounts largely managed by Members of Parliament, now referred to collectively as Constituency Development Funds (CDFs). A study of the four main programs of rural development financing (CDFs, RDP, Provincial Capacity Development Fund (PCDF), and Rural Advancement Micro-project Fund (RAMP)) found that for the period from 2008 to 2012, the total amount spent on the four programs was US\$134 million. Of this amount, 60 per cent went to CDFs; 20 per cent to RDP; 13 per cent to PCDF and 7 per cent to RAMP. Government funding to these programs was even more heavily skewed with 87% of the total for the same period going to CDFs. RAMP was entirely funded by the EU while both PCDF and RDP were primarily funded by other donors.

7. The fragmentation and politicization of rural development financing has undermined the effectiveness of service delivery. The poor performance of government in delivering services has fueled the increase in constituency funds. Proponents of the use of constituency funds argue that it is a fast and efficient means of channeling resources to rural communities. However, there is a lack of basic accountability systems around constituency funds and while some are used for development purposes, the system is often perceived as being used to “buy” political support.

8. In this weak institutional environment, the approach utilized by RDP in working directly with communities and local governments to address rural development needs has proven to be an important complement to strengthening and improving the reach of central agencies. An evaluation of RDP conducted in August 2013 found a doubling of household satisfaction with access to village infrastructure from 34% at baseline in 2010 to 66% in 2013. Ninety-four percent of households (and 93% of women) surveyed felt that RDP project investments reflected their needs.

9. The economy of Solomon Islands is mainly rural-based with approximately eighty percent of the population engaged in smallholder agriculture.³ The main staple crops grown are sweet potato, cassava, taro, yam, bananas, other fruits and vegetables. In addition to this are three major commercial tree crops: coconuts, cocoa and oil palm. Cocoa and palm oil are exclusively

³ A smallholder farmer is defined as having two hectares or less to farm.

export commodities, whereas coconut products have an integral place in Solomon Island dietary preferences as well as being a major export commodity. Copra and coconut oil are the fifth, and cocoa the sixth highest export commodities by value, behind logs, minerals, fish and oil palm.

10. The coconut and cocoa industries are the most significant contributors to both smallholder livelihoods and national economy earnings. While oil palm contributes more to export earnings than coconuts and cocoa, it is grown mainly on commercial plantations and limited to Guadalcanal province. Coconuts are the most widely distributed crop in the country and form a key part of almost all farming systems in all provinces. An estimated 40,000 smallholder households (around 40% of the population) produce coconuts for their own consumption, to produce fuel and building materials, and to generate cash income. More than 24,000 smallholder households are engaged in cocoa production. Smallholders (and processors) living and working in rural areas capture the majority of gross margins from these crops (estimated at 77% for cocoa). Food crops produced for subsistence and sale in local markets are also a key element of rural livelihoods.

11. Prior to the commencement of the current phase of RDP, i.e., RDP I, the Ministry of Agriculture and Livestock (MAL) could best be described as an institution that lacked resources, had lost capacity during the Tensions and had a management culture that was top-down and hierarchical. The institution was not responsive to the needs of its clients and no feedback was provided to staff on their performance.

12. After six years of RDP implementation, an organizational review of MAL has shown that although it is not fully attributable to RDP, there has been a strengthening of MAL capacity. Extension has been greatly improved, not only because RDP made funds available to allow extension workers to visit farmers, but also because RDP focused attention on service delivery to smallholders. The August 2013 RDP evaluation found that more than 60% of farmers who received agricultural advice were satisfied with the advice, and nearly 50% of farmers who received advice changed their farming practices.

13. While MAL has rebuilt its institutional capabilities and engaged effectively with farmers, there is a recognition that public sector extension services are insufficient to meet the needs of a sector with the potential to bring increased incomes to farmers and growth to the national economy. MAL has initiated a process of reorganization which will regroup its internal functions and seek to leverage the private sector to provide more extensive and sustainable agriculture services. Private sector capacity to provide services remains limited, so part of MAL's task will be to not only create incentives for the private sector to provide more and better services, but to build its capacity to do so. The availability of financial services in rural areas is also extremely limited which is a further disincentive for farmers and the private sector to engage in commercial activities.

C. Higher Level Objectives to which the Project Contributes

14. The main development policy and strategy document covering the period of the project is the *National Development Strategy, 2011-2020*. The NDS outlines several objectives which the project would support, but the most relevant one is Objective 1: *to alleviate poverty and provide*

social and economic opportunities and benefits to improve and enhance the lives of Solomon Islanders. Specifically, this objective aims to improve market access and rural infrastructure as well as community development and participation, encouraging communities to take ownership of rural development programs. The disaster recovery and resilience activities included in each component of the project would also contribute to NDS Objective 4: *to effectively manage and protect the environment and eco-systems and protect Solomon Islanders from natural disasters.* In particular, the project will help to achieve the strategy to “Continually develop and maintain measures to support communities in reducing their risks and managing consequences of disasters.”

15. The main document guiding the implementation of the NDS is the *Medium Term Development Plan, 2014 – 2018*, which also responds to the *National Coalition for Rural Advancement (NCRA) Government 2013 Priorities*, as presented by the Prime Minister in a policy speech in January 2013. The first priority sector listed in the MTDP is “Sustainable Economic and Rural Development.” There are two main areas in which the project would support implementation of the MTDP. The community infrastructure and services component would support the MTDP aim to establish “appropriate infrastructure to facilitate the implementation of the development targets in our rural and remote communities,” including the “maintenance of infrastructure in a fully usable condition.” The agriculture component of the project would support the MTDP aim to increase economic opportunities, including value-adding and diversification of sources of economic growth and livelihoods.

II. PROJECT DEVELOPMENT OBJECTIVES

A. PDO

16. The proposed development objective for the project is *to improve basic infrastructure and services in rural areas and to strengthen the linkages between smallholder farming households and markets.*

Project Beneficiaries

17. Out of a national population of approximately 550,000 people, comprising some 70 indigenous groups, the program is expected to provide benefits to approximately 65,000 beneficiary households, or about 357,500 people (assuming a household size of 5.5 people). The majority of these households, about 48,000, will benefit from improved community-driven rural services such as water supply, health and education facilities, transport, energy, etc. Each rural ward in the country will benefit from two grants for such investments, with a higher concentration going to rural communities in Guadalcanal that were badly damaged by the April 2014 flash floods. Approximately 17,000 smallholder farming households, agribusiness owners and other contributors to agriculture value-chains will also benefit from investments to improve agricultural productivity, marketing and value addition, and incomes. Farming households in parts of Guadalcanal will also benefit from support to help them recover from the losses sustained April 2014 flash floods. Since the majority of the smallholder farmer households benefitting from Component 2 are very likely to be living in the same communities that are

benefitting from Component 1 grants, many households are likely to receive two types of complementary benefits from the project.

PDO Level Results Indicators

18. The four main indicators chosen to measure the achievement of the PDO are:

- (a) Number of male and female beneficiaries with improved quality of, and/or, access to rural infrastructure or services (including from disaster recovery);
- (b) Number of male and female farming household members engaged in productive partnerships with commercial enterprises;
- (c) Percentage increases in sales for farmers engaged in partnerships; and
- (d) Number of male and female beneficiaries receiving agriculture and livestock support to recover incomes lost from April 2014 flooding.

III. PROJECT DESCRIPTION

A. Project Components

19. *Component 1 – Community Infrastructure and Services* (US\$21.52 million). This Component aims to retain and refine the community-driven development mechanisms developed during the first phase of the RDP with a number of modifications based on implementation lessons and evaluation findings. The subcomponents are:

(a) **Community Development Grants** (US\$9.77 million) will be delivered in two cycles covering all of the country's 172 rural wards. Ward grants will normally be disbursed in one tranche to communities for agreed priority sub-project(s) based on the budget approved in the Technical Design Form. The menu of eligible and ineligible sub-projects types will remain the same as for RDP I (e.g. water supply, schools, health facilities, resource centers, etc.), but an effort will be made to ensure that communities understand the full range of options, in particular economic infrastructure (e.g. feeder roads, foot bridges, jetties, storage facilities, etc.), capacity building and training activities (e.g. income-generating skills) which complement and support agricultural commercialization activities under Component 2.

(b) **Community facilitation and capacity development** (US\$4.55 million) will continue to provide community level support by Community Helpers (CHs), but approximately half of these CHs will be converted to Technical Community Helpers (TCHs) who will provide engineering and technical services. A partnership with local training providers will be formed to deliver training for all CHs, and intensive technical training for TCHs. A pilot social accountability activity utilizing Community Scorecards and drawing on the facilitation skills of Community Helpers will also be carried out focusing on the quality of services delivered by RDP-financed

facilities, and beginning with the education sector in collaboration with the Ministry of Education and Human Resource Development.

(c) **Rural infrastructure disaster recovery and resilience** (US\$1.94 million) support will be provided to the communities in Guadalcanal most badly affected by the April 2014 flash floods. Disaster assessments will be used to identify the most affected communities and each of these communities will receive Disaster Recovery Grants to repair or rebuild damaged community infrastructure which receives the highest priority by the community.

(d) **Provincial support** (US\$5.27 million) will be provided mainly by way of Provincial Support Unit (PSUs) in each province and by leveraging the resources and systems of Provincial Government, Constituency Development Offices, and line ministries with staff operating at the provincial level. Planning systems will be enhanced, as will processes for screening sub-project proposals to ensure complementarity of RDP and other funding sources (e.g. RDP financing of water supply subprojects and EU financing of rural water, sanitation and hygiene through government budget support).

20. Component 2 – Agriculture Partnerships and Support (US\$18.81 million). This component aims to: (i) assist farming households to engage in productive partnerships with commercial enterprises; (ii) build the capacity of MAL to deliver its core functions of regulation, research and sector coordination; and (iii) restore the productive assets of households critically affected by the April 2014 flash floods. The subcomponents are:

(a) **Agribusiness partnerships** (US\$11.51 million) will promote the development of stronger, more profitable, alliances between private sector agribusinesses and smallholder farmers. Such partnerships will provide for financing, business development services, market linkages, capacity building and policy/institutional support. Partnerships must include smallholders and measures that assist them to improve their productivity and connection to markets in order to qualify for support. Partnerships may also include agricultural input suppliers, traders, agents, financial institutions, service providers, government agencies, NGOs, CSOs, transporters, processors, exporters and end-users. Partnerships may be based on one or more agricultural or livestock commodities. Selection criteria will be weighted to preference the allocation of Agribusiness Partnership Grants to partnerships that: (i) offer equitable opportunities for participation by men, women and youth; (ii) incorporate specific measures to facilitate the inclusion of disadvantaged and vulnerable groups; and (iii) address the need for farming households to adapt to climate variability, climate change and mitigate the impact of natural disasters.

(b) **Agriculture Supplemental Equity Facility (ASEF)** (US\$2.55 million) will re-activate the SEF activity which was created under RDP I. The facility would be accessed through the commercial banks for projects in which the borrower contributes 20% of the cost, and the bank is prepared to lend 60%. The remaining 20% will be financed by an ASEF grant to the borrower. Eligibility would be limited to enterprises engaged in the agriculture sector (broadly defined, including primary production as well as other activities in the value-chain), and would favor those which offer the best prospects for generating employment growth in rural areas.

(c) **Agricultural commercialization** (US\$1.55 million) will strengthen the enabling environment for development of the agricultural sector through support to the ongoing MAL capacity building process, direct support to farmer groups (in particular, those including women farmers), improved industry coordination, and adaptive research (focused on cocoa and coconut and other to be identified cash crops).

(d) **Agriculture and livestock disaster recovery and resilience** (US\$2.07 million) will help to replace agriculture and livestock assets (in particular, pigs and poultry), and repair or replace agriculture and livestock infrastructure in Guadalcanal communities most affected by the April 2014 flash floods. This activity will also develop and deliver training and awareness building materials on climate and disaster risk management and climate resilient farming practices to farmers in all provinces through MAL's extension services.

(e) **Agribusiness support** (US\$1.14 million) will include a Component 2 Management Unit (C2MU) to be based in MAL with a mandate to coordinate and manage the implementation of Component 2.

21. Component 3 – Program Management (US\$6.57 million). Most of the management activities and associated costs that are specific to each component would be managed within those components. Only core, cross-component management functions would remain under this overarching component including: overall program management, finance, procurement, overall M&E/MIS (including contracting studies on topics such as land use and ownership, disaster preparedness, etc.), and environmental safeguards.

22. Components 1 and 2 will complement each other in several ways: (a) economic infrastructure financed under Component 1 such as feeder roads, foot bridges and jetties will improve market access for agricultural products; (b) many rural communities will receive a double benefit of improvements in social service provision such as water, health or education, and economic investments in their farms; (c) both components will empower rural communities by assigning them with responsibility to manage their own development projects. Component 2 will build on the social capital and trustful relationships established under Component 1 by linking communities with private sector, agribusiness companies that can help them to commercialize their farming activities. Both components will also combine to make a greater contribution to the broader national priority of enhancing disaster preparedness and climate resilience in rural areas.

B. Project Financing

23. The proposed financing instruments are an Investment Project Finance (IPF) credit and grant.

Project Cost and Financing

24. The project has a total investment of US\$ 46.9 million, inclusive of price and physical contingencies. IDA financing of US\$9 million, US\$5 million on credit terms and US\$4 million on grants terms, will be provided. US\$4 million of this financing is provided from the IDA Crisis

Response Window as assistance to the government in recovering from the April 2014 floods.⁴ Co-financing from the following other donors will be provided: DFAT/Australian Aid will provide equivalent to US\$13.3 million on grant terms; IFAD will provide US\$4.6 million, 50% on credit terms and 50% on grant terms. For each of the donors, the Bank will either manage funds through trust accounts (e.g. DFAT) or through a co-financing arrangement where the Bank agrees to manage procurement, financial management, safeguards, general supervision and other review functions, etc. (e.g. IFAD). All donor funds will be pooled into one Designated Account on the client's side, with no earmarking of funds to specific components or subcomponents. All the donors, as with RDP I, will participate in at least semi-annual, joint donor supervision missions.

25. In addition to donor financing, the Solomon Islands Government has already approved (via a Cabinet decision) SBD50 million (approximately US\$7 million). The Project financing plan also includes \$13 million for which the Recipient is currently in discussion with the European Union (EU) to provide. As such, the European Union has initiated the project preparation and approval process that, if successful, would result in financing becoming available in 2016. In the event that SIG is unable to secure this financing, the project will be restructured and the main outputs (e.g. Agriculture Partnership Grants, ASEF grants and Community Development Grants), and the associated supporting activities, will be proportionately reduced. Such a change would primarily affect the second round of the above mentioned grants as there is sufficient financing for a first round without the US\$13 million that is being sought from the European Union.

26. It has also been estimated that communities will contribute, on average, 30% of the cost of community infrastructure and service subprojects, amounting to approximately \$4.8 million in total. Through the required matching contributions for Agricultural Partnership Grants, it is estimated that the private sector will invest approximately \$2.5 million. The 20% ASEF grant component is expected to leverage approximately US\$8.8 million in private sector investment and commercial borrowing. Community and private sector investments total approximately US\$16 million. Total project cost, including donor and government financing, private sector and community contributions, comes to US\$63 million.

Table 1: Project Financing Plan
(without community or private sector contributions)
(In US\$ Millions)

Project Components	Project cost	IDA Financing	% Financing
1. Community infrastructure and services	20.83		
2. Agriculture partnerships and support	18.43		
3. Program management	6.09		
Total Costs			
Physical contingencies	0.00		
Price contingencies	1.55		

⁴ A technical briefing to the Board of Executive Directors on July 24, 2014 informed the Executive Directors of Management's intention to allocate resources from the IDA Crisis Response Window to support the Solomon Islands' response to the flash floods which took place in April 2014.

Total Project Costs	46.90	9.00	19.2%
Front-End Fees			
Total Financing Required	46.90	9.00	

C. Lessons Learned and Reflected in the Project Design

27. RDP I objectives were substantially achieved, and provide many lessons that inform the design of RDP II. RDP I developed effective procedures for community engagement in the design and implementation of rural infrastructure and service delivery, often in extremely remote and isolated areas. Communities have collectively agreed on priorities, designed subprojects, managed all subproject finances, undertaken procurement, and put in place operations and maintenance plans to ensure sustainability. Funds have been managed very effectively by communities, with little evidence of misuse of funds, and most communities contributing far more than the required 15% community contribution. High standards of accountability and reporting have been observed throughout RDP I implementation. Access to rural infrastructure and services has increased significantly, in particular clean water, pre-primary education, health facilities and solar electricity. RDP I contributed to the capacity building of MAL so that it can now adopt a direct role in working with the private sector at smallholder, SME and corporate levels.

28. An October 2013 evaluation found that RDP has significantly contributed to women's empowerment.⁵ Community leader groups that were surveyed for the evaluation stated that RDP enabled women to influence decision-making more than other community projects. 51% of those surveyed reported that RDP processes encouraged women to be more active in their communities. RDP Subproject Implementation Committee (SIC) membership is often the first major community responsibility of the women involved. In 81% of villages surveyed, the community leader groups reported women on the SIC participate more in village activities than before joining the SIC. Close to all community leader groups reported that being in the SIC increased the status of the female members. RDP II will continue to build on this success by requiring a balance of approximately 50% of SIC and WDC members being women.

29. While most of the Component 1 design elements operated effectively during RDP I, there were some areas for improvement which are informing design improvements in RDP II. These include: community procurement is preferred by communities, but is costly and time consuming; centralized technical/engineering support is costly and inefficient; community projects cannot usually be completed within one year, as originally planned; and community projects do not receive adequate Community Helper (CH) support due to lack of performance incentives and inadequate training. Annex 2 provides further details as to Component 1 design elements that reflect RDP I lessons.

30. Under Component 2 in RDP I, the capacity of MAL has been substantially improved, but it is evident that the focus of MAL efforts needs to be shifted from productivity enhancement towards marketing and commercialization. This is reflected in MAL's new corporate structure and strategy which emphasizes private sector engagement and reducing the reliance on public sector

⁵ *Evaluation of the Rural Development Program*, Ananta Neelim and Joe Vecchi, October 2013.

service delivery which incurs high recurrent expenditure levels. Component 3 of RDP I (rural business development) has also confirmed that limited access to finance constrains rural business investment, and that rural business are responsive to investment opportunities if access to finance is facilitated.

IV. IMPLEMENTATION

A. Institutional and Implementation Arrangements

31. Overall program coordination and implementation responsibility would remain with the MDPAC, as currently under RDP. A Project Steering Committee (PSC) will continue to provide project oversight, guidance and monitoring, and would be comprised of the Permanent Secretaries, or their delegates, from the Ministries of: Finance and Treasury; Agriculture and Livestock; Infrastructure Development; Provincial Government and Institutional Strengthening; Education and Human Resource Development; Health; Rural Development; Development Planning and Aide Coordination and Provincial Secretaries (representing participating provinces).

32. The Permanent Secretary in MDPAC (Program Coordinator) will be assisted by a full time national Program Manager and a full time international Program Advisor responsible for the daily coordination of program activities, and: (i) for fiduciary aspects, finance and procurement specialists, (ii) coordinators and other support staff for component 1 (based in MDPAC) and Component 2 (based in MAL); and (iii) for additional cross-component implementation support, an M&E/MIS officer, and an environment officer. The Program Manager (reporting to the PS MDPAC) will coordinate implementation of program activities managed by the provincial governments and by MAL (as regards component 2).

33. Component 1 management and coordination at the provincial level would be the responsibility of the Provincial Secretary assisted by a Provincial Team Leader, Finance Officer and Community Helpers operating at the ward and village level. These will all be national positions. Central Province activities will be managed from Guadalcanal, and due to the small number of community grants, the Renbel Province Team Leader will also be responsible for finance. The provincial government will continue to be responsible for activities in the province, through MOUs with MDPAC. Technical support would be engaged from line agency staff at provincial level (e.g. Environmental Health; Works; Agriculture; Home Affairs; Education).

34. Management of Component 2 activities will be the responsibility of MAL. A Component 2 Manager will be responsible for coordinating all Component 2 activities and report directly to the Undersecretary (Technical) of MAL. In addition to reporting directly to the PS MAL, the C2 Manager will work together with the RDP Program Manager and Program Advisor as an overall program management team. Two national consultants will be hired to support the partnership and training aspects of Component 2, two staff will be hired to provide M&E support, and MAL will assign a Program Assistant to support the C2MU team.

B. Results Monitoring and Evaluation

35. The PSC will meet on a semi-annual basis to monitor progress in project implementation and provide necessary guidance. MDPAC, in coordination with MAL, will submit Semi-annual Progress Reports to the PSC, the World Bank, and other donors, highlighting project accomplishments, challenges and difficulties, as well as recommendations for policy and program adjustments. A multi-stakeholder consultative committee will also be convened by MAL to provide additional guidance on the implementation of Component 2.

36. Provincial Support Units, together with Provincial Governments will supervise sub-project implementation and will ensure timely and accurate quarterly progress reporting by the community Subproject Implementation Committees (SICs). Community Helpers and Technical Community Helpers will monitor sub-projects, provide technical assistance, as well as collect and validate SIC reports. The Project Coordination Unit (PCU) will consolidate sub-project reports for Component 1 as well as reports on activities undertaken under Component 2 into the RDP Semi-annual Report.

37. For Component 1 activities, a web-based Management Information System will be used to monitor activities related to community subprojects. This online, interactive database will allow real-time sub-project updates to be uploaded from the field, including photos. The MIS will include baseline data for each ward including gender and age disaggregated population data, infrastructure inventory, economic activity, etc. Sub-project progress will be monitored and resources deployed to assist communities that may be facing difficulties. Eventually, a community feedback mechanism, likely to be SMS-based, will allow community members to provide direct feedback to PSUs and MDPAC on subproject implementation. Individual studies will also be undertaken to understand specific aspects of subproject performance such as technical construction quality and cost-effectiveness, operations and maintenance, and provincial government participation.

38. The main monitoring instrument for Component 2 will be comparisons against baselines that are established for each Agricultural Partnership depending upon the intended outcomes. The impacts on participating farmers (e.g. changes in farming practice, productivity gains, increased income, etc.) will be monitored, in particular. If needed, small studies will be conducted. Projects financed by ASEF will also be monitored together with participating commercial banks to ascertain loan performance, business improvements and job creation.

39. Disaster recovery activities are intended to be completed within two years. As such, an evaluation will be conducted as part of the mid-term review to understand the impact of the investments.

C. Sustainability

40. As this is the second phase of support for RDP, the aim is to work progressively towards regularizing and institutionalizing ward grants and village planned and managed subprojects and possibly full financing of the grants by government by the conclusion of this phase. Additional financing by government, covering the entire fourth cycle of community grants under RDP I, and

the decision to provide significant financing under RDP II are important indicators of the political commitment to finance community-driven rural investments. There is also an opportunity to improve coordination of the various sources of rural development finance including Constituency Development Funds through more strategic use of the various funding streams, and facilitating co-financing of subprojects across sources of funds. Such steps would contribute to a more strategic utilization of rural investment funds and increase the likelihood that they are institutionalized in government development strategy and ongoing development budget allocations. To facilitate a dialogue on these important issues, RDP II will include the establishment of a Subnational Development Financing Working Group including senior officers from MRD, MDPAC, MoFT and MPGIS.

41. At the community level, subproject sustainability will be enhanced by an explicit focus on operations and maintenance plans and capacity building. Subprojects completed under RDP I will be supported to ensure that appropriate plans and resources are in place, depending upon the type of facility or service provided. Most subprojects such as water supply, transport infrastructure (i.e. footbridges and jetties) and community halls will rely on community financing for sustainability. Provincial and national ministry support for sustaining public services such as health and education facilities will also be enhanced through deeper engagement of these parties in subproject screening and provincial planning.

42. The matching grant instruments used in Component 2 would be used as seed capital to catalyze business ventures that will be sustained on a commercial basis. The sustainability of Component 2 activities will therefore depend on the success of the investments and the ability of private sector firms to maintain their commercial relationships with value chain actors including smallholder farmers. If these investments do not continue to yield a return, then they may not be continued. Institutional investments in MAL will require management commitment on the part of MAL to capitalize on capacity development and the networks of farmer groups and service providers that are developed over the course of the project.

V. KEY RISKS AND MITIGATION MEASURES

A. Risk Ratings Summary Table

Risk Category	Rating
Stakeholder Risk	M
Implementing Agency Risk	M
- Capacity	S
- Governance	M
Project Risk	
- Design	S
- Social and Environmental	M
- Program and Donor	M

- Delivery Monitoring and Sustainability	S
Overall Implementation Risk	M

B. Overall Risk Rating Explanation

43. Significant capacity has been built at the national, provincial and community levels to deliver community grants under the current phase of RDP. These systems continue to improve as the lessons learned from problem solving are integrated into program operations. Nonetheless, the complexity of delivering support to every rural ward in the country remains an ongoing challenge which will continue to require an adaptive approach and continual capacity building. Fiduciary risks have been well managed, as have environmental and social safeguard risks. The agriculture component of the project poses the most significant implementation risks as the main activity, partnership grants, will be offered for the first time in the country. The process for managing the grants is transaction intensive and grants also reach wide geographic areas of the country. As such, MAL will need to leverage its institutional resources, in particular, its extension services, to provide proactive monitoring and support. Given the limited size of the private sector, there may be limited quality uptake on partnerships early on in the project, so efforts will be needed to build the capacity of the private sector to participate in the project. Agricultural partnerships are also subject to the usual risks of fluctuating commodity prices, climatic variability and natural disasters. Measures to manage such risks would be factored into the partnership agreements.

VI. APPRAISAL SUMMARY

A. Economic and Financial Analysis

44. Groups and locations gaining most from RDP II are smallholder farmers and others living in rural areas. They are expected to benefit in terms of income, consumption and employment. In particular, children will benefit through improved access to infrastructure and services e.g. schools. Women will enjoy higher workforce participation due to time saving from improved water supply and pre-school education. Youth will be attracted through diversification of agricultural activities. RDP II is a cost effective investment and supports each beneficiary household (hh) on average with US\$ 722.

45. While it is hard to assess fiscal impact when a program is not prescriptive about the investment, outputs of component 1 will avert costs for the government by providing basic rural infrastructure and services. RDP II will also ease the governments' fiscal burden by providing funds for the 2014 disaster recovery and resilience support. Program activities under component 2 will contribute to the growth of agribusinesses and therefore positively impact revenue collection.

46. In an effort to stimulate more economic activity outside of Honiara, several measures in the RDP II design will ensure that a maximum of program funds will also be spent at the provincial level. Community procurement, particularly through provincial supply centers, is one

means of facilitating spending within the provinces. Projects under component 2 that create employment in rural areas and promote the integration of smallholder farmers into agricultural value chains is another.

47. Given that RDP II will support locally identified opportunities, it does not lend itself to a detailed ex-ante cost-benefit analysis. However, indicative scenarios were prepared and serve as examples. Expected benefits that were quantified in the economic analysis are: (i) improved service delivery and greater private investments in rural areas; (ii) changed patterns of agricultural production, increased agricultural productivity and increased marketed output; and (iii) restoration of productive assets destroyed during the recent floods. Other program benefits are (iv) social benefits, namely: time savings, increased access to potable water, sanitation, health and education; and (v) the expected positive impact on governance/social capital at local and provincial level as well as the empowerment of women in local decision-making. Overall, RDP II investments are expected to have a strong impact on productive capacity, contribute to employment generation and lead to innovation. The main economic performance indicators are:

	EIRR
Component 1	10%
Component 2	22%
RDP II	17%

48. Sensitivity tests indicate that the economic indicators are reasonably robust to variations in commodity prices, benefits and changes in the pace of implementation.

49. In light of its public nature, the analysis for component 1 identified and reviewed selected benefits of representative sub-project (SP) types. The analysis looked e.g. at the foregone costs for operating a kerosene lamp versus using a solar battery; time-saving and avoidance of sick days per hh as a consequence of a nearby clean water source and; improved market access as well as benefits of increased marketed output in economic infrastructure SPs such as the construction of footbridges, jetties or rural roads. While acknowledging the long-term positive impact of investments in health and education, the analysis emphasized first and foremost the access to such facilities in rural areas and mainly quantified foregone transport costs as well as time savings. A review of how cost-effective the construction of community, health and education buildings was under RDP I showed that m² costs are likely to be approximately 20% lower than those of the Government line ministries. Grant activities under the rural infrastructure disaster recovery and resilience support are expected to mirror benefits of other component 1 SPs. Since some of these grants will only be used for replacement or repair, the benefits per beneficiary will be similar or greater than what was calculated for e.g. the economic infrastructure SPs.

50. Matching grants and technical assistance in the form of partnerships and supplemental equity would be provided under component 2 to private sector players, smallholder farmers, processors, traders and exporters. Indicative activities for the partnerships with positive returns include: (i) value addition of coconut products (e.g. virgin coconut oil); (ii) rehabilitation and replanting of smallholder cocoa blocks as well as quality improvements; and (iii) other agricultural enterprises such as honey, small livestock and/or vegetable production. Further to

this analysis, the impact of providing live animals (pigs) together with temporary support packages and rehabilitating pig housing was reviewed under the agriculture and livestock disaster recovery and resilience support and found to be positive. Independently from the size of a partnership, i.e. number of small holder farmers involved, stakeholders would be free to choose support for the most beneficial economic activity in their particular area.

51. Space for innovation within existing and new undertakings is also reflected by the ASEF. Benefits from the ASEF grants are to leverage additional private sector investment in rural areas; increase employment and economic service delivery for communities and; have a positive impact on the business turnover of ASEF recipients. The analysis looked into the minimum incremental benefit each agribusiness would need to justify hiring an average of 11 employees per ASEF grant. Adaptive research activities implemented under the agriculture commercialization sub-component are expected to have long-term effects and crystallize towards the end of the RDP II implementation period. Ongoing results of these activities would partly be captured in the partnerships.

52. The summary economic and financial analysis for the project is contained in the project file.

B. Technical

53. The mechanisms for implementing small-scale community infrastructure have been tested and refined over the course of RDP I. Reviews of constructions quality have confirmed that designs are appropriate for intended purpose and in line with any sector infrastructure requirements such as for health and education facilities. Standard designs are used when possible, and more customized designs benefit from accumulated cost information and good practice in design. Community Helpers will be trained to provide a higher level of technical support. Provincial works and rural water supply staff will be engaged more actively. In addition to provincial technical resources, the PCU will include international technical advisors who will review or spot check selected designs before final approval and backstop provincial technical support, particularly on higher complexity subprojects. Technical certification at the time of completion will continue to identify critical improvements before operations and more minor improvements that can enhance the sustainability of subproject facilities. Communities will also be trained in operations and maintenance approaches and tasks.

54. The technical viability of agricultural partnerships has been demonstrated in many other countries that have applied a similar approach, in particular, in Papua New Guinea, Africa and Latin America. With MAL as the main implementing agency for these activities, the project can draw on the broad sector expertise of the Ministry to assess and monitor the technical quality of partnership activities, including farming techniques, appropriate planting material, management of pests, etc. MAL will provide technical support, complemented by business development and mentoring services provided by consultants furnished by the Program. Supplemental equity grants have been delivered and proven effective over the course of RDP I with high loan repayment rate providing evidence of business capability. Efforts to build the capacity of MAL and public-private linkages will also build on ongoing initiatives and seek to draw in expertise from outside of Solomon Islands where needed, particularly in relation to the processing and marketing of export commodities.

55. Support for disaster recovery and resilient rural infrastructure, agriculture and livestock approaches will enhance the overall technical quality of these activities, and decrease the severity of future disaster impacts.

C. Financial Management

56. The Project Coordination Unit (PCU) currently managing RDP will continue to operate under RDP II using the same fiduciary management and systems as under RDP I. RDP has benefited from ongoing enhancements to its financial management practices over time. A Financial Management Assessment and review of current RDP systems and RDP II design revealed that the main risks are: (i) provincial sub-accounts and community subproject accounts could put pressure on the Designated Account ceiling if transfers are not acquitted on a timely basis; (ii) use of 100% disbursement for sub-project to address the high cost of multiple tranche procurement and time consuming logistics will reduce the control and scope for disciplinary actions in the event of misuse of funds; and (iii) the already large number of financial transactions (under RDP I) will increase with the addition of agricultural partnership transactions, placing more pressure of the financial management team .

57. The key mitigating measures to be put in place are: (i) require monthly acquittal of Provincial Support Units and set monthly budget ceilings to manage spending; (ii) maintain mandatory signatories on sub-project accounts from PCU and PSUs to allow for review of planned expenditures before purchase; (iii) conduct regular spot checks of community subproject and agriculture partnership financial records; and (iv) require Bank clearance of initial project budgets. Details of the Bank's financial management assessment are in Annex 3.

D. Procurement

58. As is the case for financial management, the Project Coordination Unit (PCU) currently managing RDP will continue to operate under RDP II using the same procurement arrangements. The PCU will be responsible for procurement for the project. A procurement assessment was carried out by the Bank team, mainly focusing on an assessment of PCU's existing capacity, experience and practices for managing procurement. The overall procurement risk is rated substantial. A summary of the procurement assessment including risk mitigating actions and procurement arrangements are in Annex 3.

E. Social (including Safeguards)

59. A detailed Social Impact Assessment (SIA) was conducted at the beginning of RDP, in 2007, and the results of that assessment remain valid. In addition, experience during RDP implementation has highlighted the following key social risks: (i) women are often poorly represented in decision-making and implementation groups despite the substantial benefits such participation may have for the quality of implementation and the engagement of women in community activities; (ii) disputes regarding the use of customary land and access to natural

resources such as timber, sand and gravel are infrequent, but can arise and cause the termination of a subproject if they cannot be resolved in a timely fashion; (iii) engagement of traditional and church leaders remains important for maintaining community engagement and resolving problems that may arise, including contractual agreements with construction supervisors; and (iv) literacy levels are low, and this can be a barrier to community understanding of subproject activities.

60. The project triggers Bank OP/BP 4.10 on Indigenous Peoples (IPs). However, as the vast majority of project beneficiaries are IPs, the main elements of an IP Policy Framework or IP Plan have been included in the project design and operational procedures. The project embeds the principles of free, prior and informed consultation, which have led to broad community support for the project. Throughout current RDP implementation and during project preparation of RDP II, consultations and participation on project design focused on the overall project principles and operational procedures as well as enhancements on the current RDP processes.

61. The project also triggers Bank OP/BP 4.11, Physical Cultural Heritage. Project siting will avoid known physical cultural resources such as churches, structures of spiritual values to communities, objects and structures having high landscape values etc. Chance Find Procedures will be included in the updated ESMF to address the cases where objects are found during ground excavation. The project will not trigger the safeguard policy for Involuntary Resettlement. Land acquisition, if any, would be done on a voluntary basis through the use of a “land commitment letter”, which has proven effective during the current phase of RDP. The specific procedures for and template for the Land Commitment Letter are outlined in the ESMF.

62. The project will also continue to include a Grievance Redress Mechanism (GRM) to facilitate the submission of any questions or concerns relating to the project by members of the communities and other project stakeholders. Such comments or concerns would be addressed through a stepped process that begins with community dispute resolution mechanisms and can rise to the level of the World Bank. These “grievances” will be recorded and their resolution would be monitored through the project MIS. A mobile-phone based feedback mechanism will also be introduced as a means of channeling both positive and critical feedback and complaints to the PCU for action by relevant parties.

F. Environment (including Safeguards)

63. The project is categorized as environmental Category B and triggers the Bank’s safeguard policies on Environmental Assessment, Natural Habitats, Pest Management, Physical Cultural Resources and Indigenous Peoples. The environmental and social safeguard issues are related to the local public and economic infrastructure activities to be financed under Component 1 of the project as well as the agriculture activities financed under Component 2. Under component 1, the potential negative socio-environmental impacts and risks related to development of small-scale infrastructure are mostly disturbance to the ground and vegetation cover, cutting small number of trees for timber, temporary construction impacts such as dust, noise, waste and wastewater generation, increased erosion potential, disruption to domestic activities, and safety risks. Under Component 2, potential negative impacts may be associated with cultivation in

environmentally sensitive areas, soil erosion, agricultural land and water degradation, and use of agro-chemicals and fertilizers. Most of the impacts are small scale, site-specific and manageable.

Safeguard Policies Triggered	Yes	No
Environmental Assessment (OP/BP 4.01)	X	
Natural Habitats (OP/BP 4.04)	X	
Forests (OP/BP 4.36)		X
Pest Management (OP 4.09)	X	
Physical Cultural Resources (OP/BP 4.11)	X	
Indigenous Peoples (OP/BP 4.10)	X	
Involuntary Resettlement (OP/BP 4.12)		X
Safety of Dams (OP/BP 4.37)		X
Projects on International Waterways (OP/BP 7.50)		X
Projects in Disputed Areas (OP/BP 7.60)		X

64. In order to avoid and/or mitigate the potential adverse social and environmental impacts due to the implementation of RDP II, the Solomon Islands Government has drafted an Environmental and Social Management Framework (ESMF) taking into account the experiences from RDP I and other similar projects. The ESMF establishes a mechanism to exclude subprojects in categories mentioned in the Bank's exclusion list and subprojects that may have significant impacts that may not be manageable under the RDP II. Basic environmental and social screening (a simple form/checklist) will be carried out by Community Helpers and Provincial Governments during the identification of sub-projects. The ESMF also determines and assesses the potential environmental and social impacts of sub-projects, and sets out appropriate measures and implementation mechanism to avoid or minimize the potential environmental impacts of physical investments to acceptable levels. As Component 1 activities may involve limited earth works, the ESMF includes Chance Find procedures.

65. As RDP II may support the use of pesticide under Component 2, an Integrated Pest Management Plan (IPMP) has been prepared and annexed to the ESMF with the aim of ensuring safety for both humans and the environment related to the transport, handling, usage, and disposal of the pesticide provided, and promote integrated pest and disease management techniques. As investments under Component 2 will continue to be identified during project implementation, the ESMF requires Environmental and Social Management Plans (ESMPs) be prepared for Agribusiness Partnerships under Component 2 during project implementation.

66. The Project implementing agencies have had some experience on social and environmental safeguards through RDP I, in which safeguard implementation has been assessed as satisfactory to the Bank. Therefore, RDP I institutional arrangements for ESMF implementation will continue to be applied in RDP II.

67. The public notice concerning the draft ESMF was published in-country and was made available to the public via MDPAC, MAL and the Participating Provinces. The draft ESMF was presented for consultation at a public meeting in Honiara on August 13, 2014. The main provisions of the ESMF have been discussed with various provincial governments, line

ministries, communities, and development partners. The draft ESMF has also been reviewed and commented by the Bank. Comments given by the Bank and relevant feedback received from public consultation will be incorporated into the final ESMF. The ESMF was disclosed in-country on August 15, 2014 and in the Bank's InfoShop for public access on August 24, 2014.

Annex 1: Results Framework and Monitoring
SOLOMON ISLANDS: Rural Development Program II

Project Development Objective: <i>to improve basic infrastructure and services in rural areas and to strengthen the linkages between smallholder farming households and markets</i>												
Project Development Level Results Indicators	Core	Unit of Measure	Baseline	Cumulative Target Values					Frequency	Data Source/ Methodology	Responsibility for Data Collection	Description (indicator definition etc.)
				YR 1	YR 2	YR3	YR 4	YR5				
Beneficiaries with improved quality of, and/or, access to rural infrastructure or services (including from disaster recovery)	<input checked="" type="checkbox"/>	Number	0	0	22,000	85,000	200,000	262,850	Ongoing	Verified Technical Design Forms (TDFs)	Community Helpers, MDPAC	Total number of household members who may use completed community infrastructure or service subprojects (including from disaster recovery)
Of which female (beneficiaries)	<input checked="" type="checkbox"/>	Number	0	0	11,000	42,500	100,000	131,425	Ongoing	Verified Technical Design Forms (TDFs)	Community Helpers, MDPAC	Total number of females in households who may use completed community infrastructure or service subprojects
Male and female members of farming households engaged in productive partnerships with commercial enterprises	<input type="checkbox"/>	Number	0	7,000	26,500	53,600	68,200	68,200	Ongoing	Agriculture Partnership monitoring forms	MAL	Number of clients that are engaged in partnerships supported by the program.
Increase in sales for farmers engaged in partnerships	<input type="checkbox"/>	Percentage	0	0	10	15	20	30	Ongoing	Agriculture Partnership monitoring forms	MAL	Percentage increase in value of produce sold by partnership participants from beginning of partnership to project close
Number of male and female beneficiaries receiving agriculture and livestock support to recover incomes lost from April 2014 flooding	<input type="checkbox"/>	Number	0	0	5,400	5,400	5,400	5,400	Ongoing	Monitoring forms	MAL	Number of beneficiaries, gender disaggregated, who received some chicken, pig, or cash crop replacement support

INTERMEDIATE RESULTS

Intermediate Result (Component 1): Community infrastructure and services												
Intermediate Level Results Indicators	Core	Unit of Measure	Baseline	Cumulative Target Values					Frequency	Data Source/ Methodology	Responsibility for Data Collection	Description (indicator definition etc.)
				YR 1	YR 2	YR3	YR 4	YR5				

Intermediate Result (Component 1): Community infrastructure and services												
Intermediate Level Results Indicators	Core	Unit of Measure	Baseline	Cumulative Target Values					Frequency	Data Source/ Methodology	Responsibility for Data Collection	Description (indicator definition etc.)
				YR 1	YR 2	YR3	YR 4	YR5				
Number of community infrastructure sub-projects completed (including from disaster recovery)		Number	0	0	30	120	280	374	Ongoing	MIS	MDPAC, PSUs	Subprojects that are in use by beneficiary communities
Participants in community prioritization/consultation meetings	<input checked="" type="checkbox"/>	Number	0	80,000	160,000	180,000	180,000	180,000	Once for each grant cycle	MIS, Report on 2 nd community meeting, Form C1.3	MDPAC, Community Helpers	Number of people attending the second community prioritization meeting
...of which are women	<input checked="" type="checkbox"/>	Number	0	40,000	80,000	90,000	90,000	90,000	Same as above	Same as above	Same as above	Same as above
Percentage of sub-projects for which plans for community engagement in post-project operations and maintenance are confirmed	<input checked="" type="checkbox"/>	Percentage	0	0	5	30	70	100	Ongoing	MIS, Subproject Monitoring Form, C1.18	MDPAC, CHs	Percentage of total number of approved subprojects that have plans for O&M confirmed by CHs
Community and other non-project financed contributions as a percentage of total subproject costs (at the time of completion)	<input checked="" type="checkbox"/>	Percentage	0	0	15	30	30	30	Ongoing	MIS, Subproject Full Cost Form, C1.24	MDPAC, CHs	Cash contributions and cash values of non-cash contributions as a proportion of total sub project costs
Representatives in Ward Development Committees that are women	<input type="checkbox"/>	Percentage	0	20	50	50	50	50	Ongoing	MIS	MDPAC, CHs	Percentage of total number of WDC members that are women
Percentage of subprojects with co-financing from MPs, MPAs or Provincial Government	<input type="checkbox"/>	Percentage	0	5	10	15	15	20	Ongoing	MIS, Co-financing agreements	MDPAC, PSUs, CHs,	Percentage of subprojects either under implementation or completed with a co-financing agreement signed from MPs, MPAs or Provincial Government

Intermediate Result (Component 2): Agriculture Partnerships and Support												
Intermediate Level Results Indicators	Core	Unit of Measure	Baseline	Cumulative Target Values					Frequency	Data Source/ Methodology	Responsibility for Data Collection	Description (indicator definition etc.)
				YR 1	YR 2	YR3	YR 4	YR5				

Intermediate Result (Component 2): Agriculture Partnerships and Support												
Intermediate Level Results Indicators	Core	Unit of Measure	Baseline	Cumulative Target Values					Frequency	Data Source/ Methodology	Responsibility for Data Collection	Description (indicator definition etc.)
				YR 1	YR 2	YR3	YR 4	YR5				
Number of agribusiness partnerships established	<input type="checkbox"/>	Number	0	18	46	79	79	79	Ongoing	Partnership application forms	MAL	Total number of partnerships financed by RDP
Increase in area of crops with improved farming practices under partnerships	<input type="checkbox"/>	Percentage	0	5	10	15	20	25	Ongoing	Partnership application forms, monitoring forms	MAL	Total number of hectares of land being farmed by agriculture partnership farmers where improvements are verified by MAL
Total value of ASEF grants disbursed	<input type="checkbox"/>	Solomon Dollars	0	3,000,000	7,000,000	11,000,000	15,000,000	16,000,000	Ongoing	Approved application forms	MAL	Total amount of funds disbursed to ASEF grant recipients
Increase in employees of small and medium-sized enterprises (ASEF recipients) and agricultural partnerships	<input type="checkbox"/>	Percentage	0	5	7	8	9	10	Ongoing	Monitoring forms	MAL	Measure the increase in employees from the baseline to project closing for each SEF and agricultural partnership grant recipients
Male and female farmers who are members of a formal association, and who participate in agriculture partnerships	<input checked="" type="checkbox"/>	Percentage	0	30	40	50	60	60	Ongoing	Partnership application forms, monitoring forms	MAL	Share of clients (farmers or members of a business) who have become members of a relevant association as a result of project activities
Client days of agriculture training provided	<input checked="" type="checkbox"/>	Number	0	1,000	5,000	10,000	15,000	20,000	Ongoing	Participant lists from Component 2 training events	MAL	Number of client days of training provided i.e. the number of clients who completed training multiplied by the duration of training expressed in days

Intermediate Result (Component 3): Project Management												
Intermediate Level Results Indicators	Core	Unit of Measure	Baseline	Cumulative Target Values					Frequency	Data Source/ Methodology	Responsibility for Data Collection	Description (indicator definition etc.)
				YR 1	YR 2	YR3	YR 4	YR5				

Intermediate Result (Component 3): Project Management

Intermediate Level Results Indicators	Core	Unit of Measure	Baseline	Cumulative Target Values					Frequency	Data Source/ Methodology	Responsibility for Data Collection	Description (indicator definition etc.)
				YR 1	YR 2	YR3	YR 4	YR5				
Audit reports submitted on time	<input type="checkbox"/>	Number	0	1	2	3	4	5	Ongoing	Audit submitted to Bank	MDPAC	Number of audits submitted by June 30 th deadline each year
Percentage of subprojects with data entered into the MIS from the field	<input type="checkbox"/>	Percentage	0	0	20	30	40	60	Ongoing	MIS	MDPAC	Percentage of total approved subprojects in which CHs or other stakeholders have submitted data from outside of Honiara
Social accountability pilot scaled up beyond pilot communities	<input type="checkbox"/>	Yes/No	0	No	No	Yes	Yes	Yes	Once	Semi-annual Progress Report	MDPAC	Implementation of community scorecards in communities other than those agree as part of the pilot
Years with adequate government counterpart contributions	<input type="checkbox"/>	Number	0	1	2	3	4	5	Annual	Annual development budget	MDPAC	Line item in budget to finance RDP activities

Annex 2: Detailed Project Description

SOLOMON ISLANDS: Rural Development Program II

1. The Rural Development Program (RDP) was prepared in 2007 as a two-phase, long-term (10 years) program to support the Solomon Islands' national rural development goals. The long-term program was planned in two phases, the build-up of which would be determined by the performance of program components and the pace of capacity building. Phase I, RDP I, will be completed at the end of February 2015, and Phase 2, RDP II, is intended to build on experience of the first phase to further refine and institutionalize rural service delivery mechanisms and support smallholder farmers.

2. In order to achieve the project development objective: *to improve basic infrastructure and services in rural areas and to strengthen the linkages between smallholder farming households and markets*, the RDP II will have three components: (i) community infrastructure and services, (ii) agribusiness partnerships and support, and (iii) program management.

3. **Component 1 – Community infrastructure and services:** The specific objective of this component would be to increase access to infrastructure and services in rural areas through participatory planning, budgeting and implementation mechanisms at community and provincial level. This Component aims to retain and refine the community-driven development mechanisms developed during the first phase of the RDP with a number of modifications based on implementation lessons and evaluation findings. The four sub-components include:

4. **Subcomponent 1.1 – Community Development Grants:** There will be two cycles of grant financing for sub-projects in each of the 172 rural wards (though Renbell will receive 5 grants for its 10 wards in each cycle). The grant allocation per ward would be SBD 200,000, with additional allocations for large or very remote wards. All wards with a population of 6,000 or less will receive the standard SBD 200,000 allocation (except in Renbell, as described above). The 13 very remote wards in the country (identified under the current phase of RDP) will receive an additional SBD 50,000 per cycle due to very high transport costs. The few larger wards will receive a larger grant allocation, with a maximum grant size for any ward of SBD 400,000.

Table 1: Grant Allocations per Cycle

SBD (000)	Ward population Up to 6,000	Ward population 6 to 9,000	Ward population over 9,000	Remote Location	Total Grant per Ward	Annual Value of Sub- Project Grants
Nos Wards						
142	200	0	0	0	200	28,400
13	200	0	0	50	250	3,250
7	0	300	0	0	300	2,100
4	0	0	400	0	400	1,600
Total 166 ward allocations. Total number of Wards in the Solomon Islands is 171. Because of very low populations, the ten wards in Rennell and Bellona are clustered in to 5 grant groups.						35,350

5. *Disbursement.* Community Development Grants will be disbursed to communities in one payment of 100% of the approved funding. Community Helpers will monitor subproject progress and submit reports certifying progress (with photographs). Subproject completion will be verified via a Technical Audit Form signed by Technical Community Helpers and/or PCU engineers, or technical specialists provided by the Provincial Government. The subproject Technical Audit Form will be used as evidence of proper use of the funds, and to document subproject funds as eligible expenditures under the project. Sub-project Implementation Committees (SICs) will be required to keep books and maintain all receipts for inspection and audit purposes. Copies of these documents will also be filed with the PSU.

6. *Operations and Maintenance funds.* As an incentive for communities to spend their funds efficiently, and to reduce the administrative burden of recovering small amounts of funds from complete sub-projects, it was agreed that any amount remaining in the subproject account after the subproject is certified as complete can be retained by the community and used for Operations and Maintenance, as needed.

7. *Grant screening and approval process.* Sub-project selection by communities and WDCs will remain as in RDP I. WDCs will submit their top 5, ranked priority sub-projects jointly to the PSU and the Provincial Government body responsible for annual technical planning and budgeting. An MOU will be signed between the Provincial Government and MDPAC that will expand membership of this body to include RDP's provincial Team Leader, RDP's provincial Finance Officer, Constituency Development Officers, and provincial heads of line ministries or authorities when RDP sub-projects relate to their sector. This provincial planning and budgeting body will make subsequent revisions to the priority list, if needed, on the basis of alignment with sector plans, technical and financial feasibility, and complementarity with other funding sources (e.g. EU-financed rural water, sanitation and hygiene budget support program). At this stage, likely co-financing or separate financing opportunities will also be identified (i.e. Constituency Development Funds or Provincial Government budget). Provincial heads of line ministries or authorities will be expected to sign an endorsement letter for all sub-projects proposed for their sector. The same endorsement letter will be required for co-financing agreed by Constituency Development Officers. The approved and top ranked sub-project for each ward will then go forward to the Provincial Assembly for endorsement.

8. *Line ministry support.* The processes of securing support and agreement on future staffing, equipment or financial support by line departments, ministries or authorities for any facility created or developed under RDP will be managed through four measures: (i) the endorsement letter from provincial level sector heads and the CDO (if needed) that will accompany the proposal submitted to the Provincial Assembly, (ii) TDF letters of agreement committing CDOs, sector departments or authorities to detailed technical support, staffing, equipment or finance during or after sub-project implementation, (iii) PCU forwarding signed letters of commitment to the concerned Ministry officials in Honiara; and (iv) where sector authorities need to provide on-going support they will, as part of the O&M plan to be developed towards the end of implementation, be expected to again re-sign their earlier commitment letter.

9. *Ward profiling.* Under RDP I, every community was mapped and those maps consolidated into a ward map for use in the WDC selection of priority sub-projects. This map, along with details of every community's infrastructure (including its condition), community needs, as well

as past and present development projects, were made available to the WDC. Demographic data were also gathered during village meetings. These existing RDP practices that collect and summarize ward level information will be revised to bring them in-line with and contribute to the Provincial Government's Ward Profiling exercise. Every community will be revisited at the beginning of RDP II and a new round of information gathering undertaken. This raw data will be made available to all Provincial Governments, MDPAC, MPGIS and MRD, in format that consolidates ward level information into a report for sharing with these ministries and provincial governments.

10. *Eligible sub-project types.* The menu of eligible and ineligible sub-project types will remain the same as for RDP I, but the language of the PIM and CH training materials will be revised to better ensure that communities understand their choices. In particular, CHs will be encouraged to inform communities that they are not limited solely to social infrastructure (e.g. water supply, schools and health facilities), but can also invest in public economic activities (e.g. foot bridges, jetties, feeder roads, storage facilities, etc.) and capacity building and training (e.g. income generating skills, health practice, etc.), very little of which is now prioritized and funded. The Infrastructure Manual and standard designs prepared for RDP will be revisited, improved, as needed, and included in the new technical training for CHs. A Photo Book of examples of eligible investments, highlighting economic infrastructure in particular, will also be prepared and made available for awareness building and initial village prioritization and planning sessions.

11. **Subcomponent 1.2 – Community Facilitation and Capacity Development:** RDP II will continue the practice of providing community level support by Community Helpers. These will be recruited and trained as two cadres: Technical Community Helpers (TCH) and non-technical Community Helpers (CH). Both cadres will provide community level facilitation, oversight and monitoring. TCH will additionally provide engineering and technical services to neighboring wards operating under a non-technical CH. Table 2 provides the number and distribution of these people across provinces

Table 2: Number and Distribution of Community Helpers

Province	Technical Community Helpers (TCH)	Community Helpers (non technical) (CH)	Total	Wards
Western	5	5	10	26
Choiseul	3	3	6	14
Isabel	3	3	6	16
Central	2	2	4	13
Guadacanal	4	5	9	22
Makira	3	3	6	20
Temotu	3	2	5	17
Malaita	6	6	12	33
Renbel	1 ⁶	2	3	10
TOTAL	30	31	61	171

⁶ The Renbel Team Leader will also perform Finance Officer and Community Helper duties.

12. MDPAC will begin recruitment for both cadres of CH will begin towards the end of 2014. Well performing existing CHs will be encouraged to apply for either cadre. Each cadre of community helper will carry a different salary award. Within each cadre there will be two levels: A and B. As with RDP I, remuneration will be pegged to school teachers' salary scales and contracts will be renewed annually on the basis of satisfactory performance. All incumbents will enter at level B and will have the opportunity for promotion to grade A after two years of satisfactory service with a concomitant increase in salary. Further performance incentives for TCH may include the possibility of technical certification after 2-3 years of operation. The criteria for assessing satisfactory service will be built into TCH terms of reference.

13. *Community Helper training.* The Solomon Island National University has been selected as the only appropriate and capable institution for drawing together the resources necessary to deliver training for Community Helpers. This will take place in Honiara during the first 5-6 months of RDP II. The training will have two broad streams: the first, built on RDP I materials and experience, will enhance community mobilization, management and supervision skills. This will run for six weeks and will include orientation to RDP and grounding in the mechanisms and outputs of sub-project design and implementation. All CH will participate in this stream. The second stream, responding to the critical need for a larger number of engineers than was available to RDP I, will focus on developing the engineering skills of the cohort recruited as Technical Community Helpers (TCH). This will be designed based upon experience with similar "barefoot engineer" training programs in Indonesia and Timor Leste. Refresher training is built into year 3. Additional to these formal training events, on-the-job mentoring by senior RDP staff and quarterly meetings between PSUs and CH will continue to provide the forum for continued training and skills development.

14. *PSU training.* The annual Team Leaders Conference will provide the basis for formal training for Team Leaders and Finance Officers. The first of these Conferences will take place in April/May 2015 implying that any new PSU staff should be recruited and be under contract at least a month before that event.

15. *SIC training* which was developed and refined during RDP I, requires consolidation and to be documented as modules for adaption to different locations and types of sub-project. The sub-provincial level cluster training methodology, designed on the basis of four elements (orientation and SIC responsibilities; finance and procurement; technical design; operations and maintenance) has worked well and will be continued.

16. *Social Accountability Pilot.* A pilot social accountability activity utilizing Community Scorecards and drawing on the facilitation skills of Community Helpers will also be carried out focusing on the quality of services delivered by RDP-financed facilities, and beginning with the education sector in collaboration with the Ministry of Education and Human Resource Development. An NGO will be contracted to design and pilot the use of Community Score Cards in a selection of communities chosen to extract a range of lessons which will enable a determination as to whether and how to scale up use of this social accountability tool for all RDP-financing education sector sub-projects and potentially to sub-projects in other sectors. Efforts to integrate the Community Score Cards into the ministries responsible for education and/or health will be explored, but integration within RDP processes will be a priority as well.

17. Subcomponent 1.3 - Rural infrastructure disaster recovery and resilience: This subcomponent will provide support to the communities in Guadalcanal most badly affected by the April 2014 flash floods. Disaster assessments will be used to identify the most affected communities and each of these communities will receive Disaster Recovery Grants to repair or rebuild damaged community infrastructure which receives the highest priority by the community. The provision of Disaster Recovery Grants would differ from Community Development Grants in that recipient communities will be identified using community-level data gathered after the April 2014 floods rather than through a Ward Development Committee appraisal process. Once the most affected communities are identified, they will be invited to propose a community-driven, priority project which will then be appraised at that provincial level using normal RDP processes. The remaining steps will also follow normal RDP processes. Three extra Community Helpers will be hired for Guadalcanal to support the additional workload of implementing 40-50 Disaster Recovery Grants.

18. Subcomponent 1.4 – Provincial support: The Program Support Unit (PSU) structure has proved effective in RDP I and will continue in RDP II with two exceptions (i) Central Province which will be managed by the PSU in Guadalcanal; (ii) Rennel & Bellona will be overseen by a combined TL/FO who will also perform the role of a CH for wards in and around the provincial center. As with all other TLs, this TL will report directly to the PCU. Continuing RDP I practice, PSUs will be located in the Provincial Government Offices.

Component 2: Agriculture Partnerships and Support

19. Component 2 has the following sub-components: (i) agriculture partnership grants; (ii) agriculture supplemental equity facility; (iii) agriculture commercialization; (iv) agriculture and livestock disaster recovery and resilience; and (v) agribusiness support.

20. Sub-Component 2.1 - Agribusiness Partnerships: The concept of productive alliances between private sector agribusinesses and smallholder farmers is modelled on successful programs of this nature in PNG and elsewhere. Such partnerships involve a package embracing provision of finance on a matching grant basis in concert with business development services, market linkages, capacity building and policy /institutional support. Partnerships are intended to facilitate productive and mutually beneficial alliances between agribusiness, farmers and other value chain actors. To be eligible for Agribusiness Partnership Grants (APGs), these partnerships must engage smallholders and assist them to improve their productivity and connection to markets. Partnerships may also include agricultural input suppliers, traders, agents, financial institutions, service providers, government agencies, NGOs, CSOs, transporters, processors, exporters and end-users. Partnerships may be based on any one or more agricultural or livestock commodities, but it is envisaged that many would focus on improving productivity and value addition in the value chains for the major cash crops.

21. Preference in the allocation of APGs would be given to partnerships that: (i) offer equitable opportunities for participation by men, women and youth; (ii) incorporate specific measures to facilitate the inclusion of disadvantaged and vulnerable groups; and (iii) address the need for

farming households to adapt to climate variability, climate change and mitigate the impact of natural disasters.

22. Partnerships would be financed through a competitive matching grant scheme. The primary grant recipient would be a legal entity (company, cooperative, NGO, CSO or registered association). Cost sharing arrangements would be defined in partnership agreements with RDP II financing up to 80% of partnership costs. The maximum Program finance per partnership would be SBD 2.0 million (US\$ 275,000), no province may access more than 30% of the total budget for Sub-Component 2.1, and no partnership may access more than 15% of the total. It is envisaged that RDP II would support around 50 partnerships comprising about 15 large (SBD 1.5-2.0m), 25 medium (around SBD 1.0m) and 30 small (SBD 0.2-0.5m) partnerships. However the number could be more or less than these amounts depending on the mix of applications received.

23. Grant applications would be required to detail the total cost of the partnership, how this would be allocated among the primary and secondary partnership members, how each of these will contribute to the costs, how grant funds will be used, the number of farmer beneficiaries, and the cost per beneficiary. There will be a progress-based payment system whereby grants will be released in tranches, based on outputs or milestones to be defined in the partnership agreements. Spot checks will be undertaken to independently verify outputs/milestones before payments are released.

24. There will be a two-stage application process; expression of interest (EOI) and proposals. Applicants approved at EOI stage will be provided with professional assistance to prepare full partnership proposals which must incorporate an environmental and social safeguards assessment. EOIs and proposals will be evaluated by an independent Technical Appraisal Committee (TAC) with final sign-off by the MAL Undersecretary (Technical).

25. It is expected that most partnerships would benefit from access to business support services, in particular for the preparation of partnership applications and business plans, as well as implementation of partnerships. RDP II will engage an expert panel of business development service providers and partnership agreements will define the entitlement of partners to access support services. Where government (e.g. extension) services are used by commercial partners, the direct costs (per diem, transport etc.) will be financed by the partnerships.

26. Sub-component 2.2 - Agricultural Supplemental Equity Facility (ASEF): RDP II will re-activate the supplemental equity facility which was created under RDP I. The ASEF is a financial instrument which aims to stimulate agribusiness activity in rural areas. The facility will be accessed through the commercial banks for projects in which the owner contributes 20% of the cost, and the bank is prepared to lend 60%. The remaining 20% will be financed by a ASEF grant to the borrower. Under RDP II the ASEF eligibility criteria will be directed towards financing agribusiness enterprises (broadly defined, including primary production as well as upstream and downstream activities) rather than any business undertaking in rural areas.

27. The ASEF will support sub-projects that are profitable and sustainable from a financial perspective given the reduced weighted average cost of capital achieved through the

supplemental equity. The approach of working through the banking system will give priority to activities that are expected to strengthen and expand agricultural and agribusiness activities in ways that will benefit rural communities, through employment generation or supply of agro-industrial raw materials. The ASEF will also give priority to projects which generate positive externalities/benefits to the less advantaged members of rural communities (contributing therefore to more equitable income distribution), including those which improve market access and promote the adoption of improved agricultural technologies and value addition. Projects which increase employment opportunities in rural areas will also be favored.

28. The maximum ASEF contribution to any project will be SBD 0.3 million (total project cost of SBD 1.5 million) which corresponds to the banks' definition of small and medium enterprises (SMEs), and it is anticipated that there would be around 80 grants amounting to around US\$ 2.2 million. Under the proposed funding formula this would leverage around US\$ 11 million in agribusiness investment. Applicants that can provide evidence of successful utilization of one ASEF grant would be eligible for further grant(s) provided funds are available. Whilst primary partners under Sub-Component 2.1 would not be excluded from the ASEF, it is envisaged that the majority of ASEF beneficiaries would be SMEs operating independently or as secondary participants in RDP II-supported partnerships. However, in order to be eligible, all ASEF recipients must be able to satisfy bank collateral condition for the 60% of funding provided by the banks. Any un-secured portion of the bank loan may be partially guaranteed under the Central Bank's loan guarantee scheme.

29. ASEF applicants will be eligible to receive consultancy support to prepare their applications, and ASEF recipients will be eligible to access RDP II-funded business development services that will enhance their prospects of success. These services will be provided by accredited business development service (BDS) providers.

30. Sub-Component 2.3 - Agricultural Commercialization: This Sub-Component will support MAL efforts to strengthen the enabling environment for development of the agricultural sector through direct engagement and support for farmer groups, improved industry coordination, capacity building and adaptive research. The program will extend the RDP I practice of implementing provincial and ward-level activities which directly engage with and support farmer groups, whether formally constituted or not. However the number of such activities will be considerably less than the 1,000 plus activities supported under RDP I, the focus will be on diversification and commercialization, and the period of engagement would extend over 1-2 years per group. The existing cocoa and coconut industry committees will be supported by the creation of an Industry Councils Secretariat with a budget to finance general administration, meetings, conferences, studies and consultancies. Beyond the life of RDP II, the Secretariat is expected to be financed by the Industry Councils themselves. The Program will also support MAL capacity building through training staff for new responsibilities in agribusiness, marketing, economics and M&E; as well as in-service training for MAL extension personnel in agro-processing and quality assurance. The selection of participants will ensure that female staff will have equitable opportunities for training. There will also be support for adaptive research and demonstrations including Participatory Action Research (PAR) sites for cocoa, cocoa variety testing and selection, coconut seed gardens, a twinning arrangement with the PNG Cocoa and Coconut Research Institute (CCIL), and possible other cash crops.

31. Sub-Component 2.4 – Agriculture and Livestock Disaster Recovery and Resilience: RDP II would include a two-year program to assist rural households critically affected by the April 2014 flash floods to restore their productive assets and build the resilience of farmers through the roll-out of national disaster risk and resilience training programs, educating farmers about climate-resilient agricultural techniques and development of disaster management plans. In support of these activities the Sub-Component would fund: (i) partial replacement of livestock (pigs and poultry) lost in the disaster; (ii) building materials for reconstruction of improved animal housing; (iii) rehabilitation of cocoa and copra dryers to restore production; and (iv) training in disaster risk management and climate-resilient farming techniques. The Sub-Component will have five main elements: (i) needs assessment and prioritization; (ii) procurement of livestock and materials needed to restore productive assets; (iii) distribution of livestock and materials; (iv) training in disaster risk management and resilience; and (v) Sub-Component Management.

32. Sub-Component 2.4 will continue the flood recovery work being undertaken through a UNDP-supported emergency program which is due to expire in September 2014. It will provide replacement livestock, livestock housing and feed to around 650 households, and replacement copra/cocoa driers to around 20 households, mostly in Honiara city and Guadalcanal province which were worst affected by the floods. Training in disaster risk management and resilience will be provided to selected rural households in all provinces.

33. Sub-Component 2.5 - Agribusiness Support: The Component 2 Management Unit (C2MU) based in MAL would have a mandate to coordinate and manage the implementation of Component 2. The responsibilities of the C2MU include: (i) preparation and implementation of the annual work plan and budget and preparation semi-annual and annual progress reports; (ii) management of the project cycle for agribusiness partnerships covering all of the seven steps from calls for expressions of interest, and providing secretariat support to the TAC, through to implementation support and monitoring, and including verification of milestones to trigger progress-based payments; (iii) oversight of the ASEF to ensure compliance with the eligibility and assessment criteria, and that the impacts of the ASEF interventions are adequately monitored; (iv) recruitment and supervision of service providers to support agribusiness partnerships, ASEF applicants and recipients, and farmer groups; and (v) Component 2 monitoring and evaluation.

34. The C2PMU would not be required to perform financial management and procurement functions. All financial management and procurement activities (other than community procurement under Component 1 and procurement undertaken through partnership agreements) will be undertaken by the PCU. The C2MU would be staffed by a Component 2 Manager, a Business Development Support Coordinator, a Partnership and Training Coordinator (to oversee and support the agribusiness partnerships), two M&E Officers and an Office Assistant. The C2MU will report to the Undersecretary (Technical) of MAL and the RDP Program Coordination Unit (PCU).

Annex 3: Implementation Arrangements

SOLOMON ISLANDS: Rural Development Program II

Project Institutional and Implementation Arrangements

1. The main implementation arrangements in place under RDP I will largely remain in place under RDP II, with the most notable differences being the introduction of new activities under the agriculture component, Component 2.

Project administration mechanisms

2. **Central level.** Overall *program coordination* responsibility would be with MDPAC, and continue to be guided by a Steering Committee of relevant Permanent Secretaries (Finance and Treasury; Agriculture and Livestock; Infrastructure Development; Provincial Government and Institutional Strengthening; Rural Development; and Development Planning and Aid Coordination) and Provincial Secretaries, and chaired by the PS of Development Planning and Aid Coordination. The Permanent Secretary in MDPAC (Program Coordinator) will be the Program Director and will be assisted by a full time national Program Manager and a full time international Program Advisor responsible for the daily coordination of program activities, and: (i) for fiduciary aspects, finance and procurement specialists, (ii) coordinators and other support staff for component 1 (based in MDPAC) and component 2 (based in MAL) (ii) for additional cross-component implementation support, an M&E/MIS officer, and environment officer. The Program Manager (reporting to the PS MDPAC) will coordinate implementation of program activities managed by the provincial governments and by MAL (as regards component 2).
3. **Provincial level.** Program management and coordination at the provincial level would be the responsibility of the Provincial Secretary assisted by a Provincial Team Leader, Finance Officer and Community Helpers operating at the ward and village level. These will all be national positions. Central Province activities will be managed from Guadalcanal, and due to the small number of community grants, the Renbel Province Team Leader will also be responsible for finance. The provincial government will continue to be responsible for activities in the province, through MOUs with MDPAC. Technical support would be engaged from line agency staff at provincial level (e.g. Environmental Health; Works; Agriculture; Home Affairs; Education).
4. Each provincial government would demonstrate commitment to general conditions of program implementation and willingness to meet all requirements as described in the PIM through a Memorandum of Understanding (or equivalent), to be signed by the Provincial Secretary and MDPAC as the national government department responsible for overall program implementation.

5. *Program staff at provincial level.* Program staff would provide support to the provincial government in the implementation of the component. The positions currently in place will be carried over from RDP I, with some re-advertising of positions to ensure the best quality candidates are retained or hired for RDP II. The PSU would be located with the provincial government and coordinate with various officers over the course of the project.
6. All provinces except for Central and Renbell will have one Provincial Team Leader and on Finance Officer. Due to the large populations of Malaita, Guadalcanal and Western provinces, Deputy Team Leaders will also be contracted. Due to the close proximity of Central Province to Guadalcanal, there will be no PSU for Central Province, all CHs will report to the Team Leader of Guadalcanal. Also given the small size of Renbell, the Team Leader will also be responsible for finance, as well as all CH responsibilities for two wards.

Component 1 Implementation arrangements

7. **Central level.** MDPAC would have responsibility for the implementation of this component. Operational policy, cross-provincial coordination and problem resolution would be the responsibility of the RDP Steering Committee chaired by the PS of MDPAC. In addition, a small Subnational Development Financing Working Group (SFWG) comprised of senior officials from MDPAC, and the Ministry of Provincial Government and Institutional Strengthening (MPGIS) would be established to ensure coordination and strategic alignment of RDP community grants, CDF financing, and PCDF grants. Semi-annual briefings of senior officials from relevant line ministries will also be conducted to ensure that RDP is consistent with relevant sector policies and is well coordinated with other sector programs including rural electrification, rural water supply and sanitation, health, education, transport, and others, as needed.
8. **Provincial level.** Provincial Governments, with the support of PSUs, will be responsible for reviewing and appraising prioritized subproject proposals once they have been received from the ward level. This review process will ensure that: (i) there is no duplication of funding with other funding sources; (ii) sector-specific subprojects are consistent with provincial and sector policies; (iii) there is firm commitment on the part of relevant ministries to provide sustained support, if needed, such as staffing, equipment and materials for schools and clinics; and (iv) opportunities for co-financing with other sources such as CDF, MPA funds, provincial government, etc. are exploited. If priority subprojects are rejected for any reason, the next priority subproject on the ward list will be reviewed until a subproject is cleared for presentation to the Provincial Assembly at its annual budget meeting. Once all ward subprojects have been reviewed and cleared by the provincial technical review committee (i.e. Technical, Policy and Budget Unit), the full set of subproject proposals will be forwarded to by the Provincial Secretary to the Provincial Assembly for endorsement. Upon Provincial Assembly endorsement, the full list of subprojects will be forwarded to PCU for information and communities will be advised to proceed with the subproject preparation process.

9. Technical staff of national ministries posted at provincial level and technical staff of the provincial administration will be responsible for ensuring that subprojects are implemented in accordance with relevant and appropriate technical standards and that the subprojects do not conflict with sector plans (for example the National Transport Plan). In the case that a subproject will result in recurrent charges on Ministry or Provincial Government budgets (for example staffing of schools and health facilities, maintenance of roads) the officials responsible for the sector will be asked to confirm in writing that these costs will be supported. Sector staff will also be encouraged to engage in subproject monitoring visits, and ongoing support to ensure quality construction and service delivery. RDP would provide funds for operating costs for such monitoring visits.
10. **Ward Development Committees.** The WDC would be responsible for reviewing and ranking subproject proposals submitted by villages within the ward, and recommending the top priority subproject for submission to the Provincial Technical, Policy and Budget Committee for assessment then Provincial Assembly for endorsement. WDCs would be composed of representatives of stakeholder groups (i.e. church, traditional leader, and village reps). While the number of WDC members may vary from ward-to-ward depending upon the number of villages or other representational considerations, they must have a balance of approximately 50% men and 50% women. The elected Member of Provincial Assembly for the ward would chair the WDC. The members of each WDC would be reconfirmed at the beginning of each grant cycle.
11. The Community Helpers would facilitate the ward ranking process and train the WDC members on their responsibilities with respect to RDP. Each WDC member would be provided with a form for ranking each subproject proposal and the WDC members would agree on a set of objective scoring criteria including, the number of beneficiaries, the current available resources in the community, likelihood of sustainability, the neediness of the beneficiaries, etc. WDC members would privately score each proposal, and then the scores would be added up to produce a ranked list, including a top priority. All WDC members would have to sign off on a form confirming the ranking results and forwarding the form to the Provincial Government for review, technical appraisal and endorsement by the Provincial Assembly.
12. **Community Subproject Implementation Committees (SIC).** For each approved subproject, a SIC will be set up. If the subproject chosen can be connected to an existing community group with responsibilities that cover that area (e.g. a School Committee if the subproject is investing in a school). This will enhance the ownership and sustainability of the subproject facility. As with the WDC, while the total number of SIC members may vary, they must also have a balance of approximately 50% male and 50% female. Selection of SIC members will be made at an open community meeting. SIC positions should include, at a minimum, a Chair, Vice Chair, Finance Officer, and a Technical Officer (someone with relevant technical skills). At least one of the office holders must be a woman. Other positions are optional.
13. The SIC would be responsible for subproject technical design and may wish to call upon TCHs or other technical specialists at the provincial or national level for assistance, if needed. The SIC would be recipient of the subproject grant, to be transferred to a SIC

bank account upon signature of a subproject financing agreement between the SIC and MRD. The SIC would then be responsible for subproject implementation, including procurement, contracting or purchasing of goods and materials, and payments to contractors. The SIC would be responsible for ensuring community participation in all aspects of the subproject implementation, including community contributions, and for monitoring and reporting on subproject progress and challenges.

14. **Community Helpers (CHs) and Technical Community Helpers (TCHs).** The main role of CHs and TCHs would be to reach out to communities and facilitate processes at local level. In particular, they would relay information to the communities about roles and responsibilities, and funding and conditions of access to funds; provide support to Ward Development Committees during the prioritization phase at ward level, including facilitating community open meetings, guiding WDC members and ensuring that subproject proposals meet the basic requirements as described in the PIM; communicate the list of prioritized subprojects to the provincial administration; provide feedback to communities once the subprojects have been approved by the Provincial Assembly; and provide support for the formation of the SIC and the subproject technical design and liaising with provincial government staff in all phases of subproject implementation.
15. All of the current CHs will be invited to apply for their own positions with an aim to retaining satisfactory performers and replacing poor performers, with a target of around 60-70 CH and TCHs nationwide. In addition, a new cadre of CH, the Technical CH (TCH) would be introduced into RDP with the aim of about half of the CHs becoming TCHs. TCHs would have to have basic skills and competencies to be recruited for such a position to begin with, but they would also receive an intensive 6-month technical training to allow them to provide a higher degree of technical design and problem solving support to communities than regular CHs. TCHs would be dispersed evenly across the wards, and they would be roughly teamed up with one CH so that their area of coverage would include their own wards as well as technical issues related to the other CH's wards. After an initial training course to be delivered by a training provider in Honiara, part of which is for all CHs and part of which is only for TCHs, there would be periodic refresher training at the provincial centers.
16. CHs and TCHs would be paid a monthly fee for their work and for travel operating costs, and there would be two bands of pay for each position, a regular fee and an advanced fee to be rewarded on the basis of strong performance.
17. A pilot social accountability activity using Community Scorecards (CSCs) will be conducted to determine the viability of such an approach for enhancing the quality of services supported by RDP, and the potential for integrating the use of this tool into ministries responsible for the quality of service provision. The initial pilot will focus on education, it will be delivered in collaboration with the Ministry of Education and Human Resource Development. An NGO will be contracted to conduct the pilot, and may continue to scale up the use of CSCs. Alternatively, capacity to administer CSCs will be built within RDP (especially CHs) and relevant ministry units in order to enable them to continue to expand the use of the tools.

18. **Special arrangements for implementation of the Rural Infrastructure Disaster Recovery and Resilience subcomponent.** Disaster Recovery Grants would be provided to the communities in Guadalcanal most affected by the April 2014 floods, and potentially to communities in other provinces if the Government wishes to use RDP to channel additional disaster recovery funds for future events that occur during the life of RDP II. In terms of process, Ward Development Committees would not be used to identify recipient communities as is normally the case in RDP. Instead, data from multiple field assessments (including sector data on shelter, water and sanitation, livelihoods, transport, etc) would be utilized to identify the most affected communities. RDP will propose a list of grant recipient communities to the Provincial Assembly for endorsement. Upon receiving this endorsement, Community Helpers will mobilize the community leading to subproject prioritization.
19. Upon community selection of a priority subproject, the usual RDP processes will be carried out, beginning with the list of all community subprojects being forwarded to the Provincial Government for review and appraisal. Since there will be other dedicated funding for disaster recovery, extra effort will be needed to ensure that there is no duplication of funding with other funding sources. If priority subprojects are rejected based on the usual RDP criteria, the next priority subproject identified by the community will be reviewed until a subproject is cleared for presentation to the Provincial Assembly.
20. To support the increased level of activity in Guadalcanal province, additional PSU staff (i.e. Engineer and 3 CHs) will be hired on a temporary basis, but for as long as two years. Implementation of this sub-component is intended to be complete within two years.

Component 2 Implementation Arrangements

21. **Central Level.** MAL would administer this component. A Component 2 Management Unit (C2MU) will be based in MAL with a mandate to coordinate and manage the implementation of Component 2. The C2MU would be staffed by an Agriculture Component Manager, a Business Development Support Coordinator, Partnership and Training Coordinator, two M&E Officers and an Office Assistant. The C2MU would be responsible for overall management of Component 2. The C2MU would report to the Undersecretary (Technical) of MAL and the RDP PCU based in MDPAC. All financial management and procurement activities would be undertaken by the PCU.
22. Day-to-day management would be the responsibility of the Agriculture Component Manager, a specialist employed by the program. He/she would be responsible for financial planning and budgeting, and would liaise with the Program Manager, Program Advisor and Finance Manager in the PCU and with MOFT, as needed.
23. For Agribusiness Partnerships, MAL would issue a Call for Proposals, and after completing a selection process, sign Partnership Agreements with lead and sub-partners. These Agreements will specify the roles and responsibilities of the partners and those of RDP II. The partners will be responsible for implementing all of the activities described in the Agreements, and for fulfilling all of the responsibilities specified, including regular

reporting and following specified requirements such as financial management, procurement and safeguard guidelines.

24. With respect to the Agriculture Supplemental Equity Facility (ASEF), implementation would be the responsibility of MAL, and separate Memorandums of Understanding (MoUs) would describe the arrangements between MAL and each participating commercial bank. Overall monitoring of the ASEF would be the responsibility of the MAL. The ASEF would be implemented through participating commercial banks. For each supplemental equity transaction, a grant agreement will be entered into between the recipient, MAL and the commercial bank.
25. Disbursements of supplemental equity would be authorized by commercial banks in accordance with the respective MOU between each bank and MAL. Upon such authorizations, disbursements would be made by the finance team in MDPAC out of the Designated Account into the account of the recipient with the authorizing commercial bank. MAL will maintain and periodically publish a list of supplemental equity recipients.
26. MAL will directly administer all support provided under subcomponent 2.3, Agricultural Commercialization. This will include: capacity building support to farmer groups to enable their members to diversify and commercialize their agricultural operations, establishment of a permanent institutional framework for the Industry Councils, training of MAL staff, and adaptive research and demonstrations including Participatory Action Research (PAR) sites for cocoa, cocoa variety testing and selection, coconut seed gardens, and new and emerging crops.
27. **Special arrangements for implementation of the Agriculture and Livestock Disaster Recovery and Resilience subcomponent.** Two additional positions would be created in the C2MU for up to two years to manage this subcomponent as well as short term technical assistance for training design and delivery support. The field assessments conducted by MAL immediately following the April 2014 floods will be used to identify which households suffered losses, and what was lost. The C2MU will work with other MAL officers to verify the losses and to specify the nature of replacement and repair needed. Once a complete list of recipients and items to be received is finalized, C2MU will purchase and deliver all of the goods and services. Beyond the replacement or repair of lost or damaged agricultural and livestock assets, MAL will also develop and deliver disaster risk reduction training to farmers in Guadalcanal and eventually all other provinces.

Dealing with conflicts of interests in the project

28. IFC's financing and advisory support to commercial banks that may wish to participate in the Agriculture Supplemental Equity Facility (ASEF) subcomponent, as well as IFC's potential future investment in financial institutions or agriculture enterprises that may wish to make use of the ASEF or Agribusiness Partnership Grants offered through the Program, may give rise to actual, potential or perceived conflicts of interest. Should such a situation arise, any actual, potential or perceived conflicts of interest will be managed in

accordance with the World Bank Group's guidelines for the management of inter-institutional conflicts of interest IFC's current investments in Solomon Islands, including commercial banks operating in Solomon Islands, are listed in the Annex to this letter.

29. In particular, the following arrangements have been put in place and agreed to with SIG to ensure that any such conflicts of interest are properly managed. First, in order to ensure that no preferential treatment is given to any commercial bank or agriculture enterprise, their selection will be based on objective, clear and transparent eligibility criteria which have been agreed to by the Government and IDA, and specified in the Project Implementation Manual. Selection of each participating commercial bank for ASEF and recipients of Agribusiness Partnership Grants will be managed entirely by Government, without any involvement of IDA or IFC. Second, the World Bank Group has maintained and will continue to have separate teams for the supervision of the Project and support to IFC investment projects. Third, confidential or privileged information belonging to the Government or any participating commercial banks or agricultural enterprises will not be shared between the IDA implementation support and IFC investment teams without the prior consent of the affected parties.

Financial Management, Disbursements and Procurement

Financial Management

30. As stated earlier, the fiduciary arrangements currently in place for RDP would be carried over to RDP II. The financial management assessment was carried out in accordance with the "*Principles Based Financial Management Practice Manual*" issued by the Board on March 1 2010. Under the Bank's OP/BP 10.00 with respect to projects financed by the Bank, the grantee is required to maintain financial management systems – including accounting, financial reporting, and auditing systems -- adequate to ensure they can provide the Bank with accurate and timely information regarding the project resources and expenditures. Overall, the financial management arrangements satisfies the financial management requirement as stipulated in OP/BP 10.00 subject to implementation of agreed actions and mitigating measures. The assessed financial management risk of the project is considered **moderate** if the following mitigating measures are put into place: (i) require monthly acquittal of Provincial Support Units and set monthly budget ceilings to manage spending; (ii) conduct training and utilize "progress-based payments" for grant tranche payments to eliminate the need for time-consuming transport of itemized receipts from rural communities; and (iii) conduct regular spot checks of community subproject and agriculture partnership financial records.

31. **Budget arrangements.** The current RDP team has budgeting experience from the RDP I project. An overall budget for the life of RDP II will need to be prepared including a detailed budget for the first two years. The first year of project operation may be a part year followed by the first full year of project operation. A detailed budget for each year should be prepared at least three months before the end of the current year, and the budget should be reviewed at least six monthly to amend any major variations that have occurred during the prior period. The budget will be consistent with the procurement plan but will also include additional non

procurable items not covered in the procurement plan. The initial budget for the project will require no objection from the World Bank.

32. **Staffing arrangements.** In addition to its responsibility as an implementing entity for the component of the project, MDPAC will be responsible for overall project management and coordination. The Project Manager, through the Finance Manager, will be responsible for preparing the financial statements for the project, assisted by PSU Finance Officers (one in each province, except Central and Renbel) and other members of the Finance Team, including a Senior Finance Office, Finance Officers, and perhaps others, depending upon the number of financial transactions over time. FM team members will continue to receive training in World Bank Financial Management and Disbursement Guidelines and any other relevant policies as needed.

33. **Accounting system.** MDPAC will receive funds from RDP and will maintain books of accounts specifically for the Project. The chart of accounts will allow project costs to be directly related to specific project activities and outputs. The project will continue use the MYOB accounting package, but the Bank will advise as to how to improve the functionality of the system so that it is more responsive to project needs. Where possible additional utilization of the MYOB features should be investigated to reduce the reliance on spreadsheets. In addition it is recommended that an accounting package which is able to incorporate Solomon island tax schedules should be used to manage the project payroll.

34. **Flow of funds.** In addition to the main PCU Designated Account, provincial sub-accounts will be used to provide funds to support the activities of the PSUs. Funds will also flow from the main PCU account to sub-project accounts established for each community subproject. A Sub-project Agreement would be signed between the MDPAC and each recipient community which defines the terms and conditions under which the funds are provided.

35. **Financial reporting arrangements.** The PCU will monitor and provide a quarterly Interim Financial Report (IFR) and annual Financial Report to the Bank within 45 days after the end of the period to monitor the use of Project funds. The information in these reports will be linked with the chart of accounts for the Project and will be similar in structure to the RDP I reporting.

36. **External Audit Arrangements.** The Auditor-General's Office (AGO), has advised the Bank that currently, due to their limited number of staff the AGO is unable to undertake World Bank financed project audits. Until the AGO has the required staff levels to undertake project audits, it will be the responsibility of the implementing agency, MDPAC, to hire a private audit firm to conduct annual audit of the project financial statements which shall be separate from the MDPAC accounts. The cost of the audit can be paid from project funds. The auditors will provide an audit report on the Project financial statements. The report will be submitted within six months after the end of the financial year. In addition, the auditors will provide a detailed management letter containing their assessment of the internal controls, accounting system, and compliance with financial covenants in the Financing Agreement.

37. **Designated Account.** MDPAC will create a new Designated Account for RDP II, as distinct from the DA used for RDP I. The currency of such a designated account will be Solomon Dollars with an initial designated ceiling of SBD24 million. The ceiling may be reviewed from time-to-time if cash flow needs change (e.g. when rounds of Component 1 and 2 grants are about to be disbursed), and the ceiling may be increased to an appropriate level to allow for a more efficient flow of funds so that program implementation is not delayed.

38. **Disbursement.** The Project will use three Disbursement Methods: advance, reimbursement and direct payment. It is most likely that the majority of disbursements will be through advances to the Designated Account and the replenishment of this account.

39. The project will have one disbursement category as outlined in the table below.

Category	Amount of the Credit and Grant Allocated (expressed in US\$)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Components 1, 2 and 3	9,000,000	100%

40. **Retroactive Financing.** No withdrawal shall be made for payments made prior to the date of the Financing Agreement, except that withdrawals up to an aggregate amount not to exceed SDR 540,000 from the Grant may be made for payments made prior to this date, but on or after August 31, 2014, for Eligible Expenditures.

Procurement

41. **Procurement Arrangements.** Procurement for the proposed project will be carried out in accordance with the World Bank's "Guidelines: Procurement under IBRD Loans and IDA Credits," dated January 2011 and revised July 2014 (Procurement Guidelines); and "Guidelines: Selection and Employment of Consultants by World Bank Borrowers," dated January 2011 and revised July 2014 (Consultant Guidelines); and the provisions stipulated in the Financing Agreement. The description of various items under different expenditure categories is presented below. For each contract to be financed by the Credit and Grant, the different procurement or consultant selection methods, estimated costs, prior review requirements, and time frame will be agreed between the Recipient and the Bank project team in the Procurement Plan.

42. **Procurement of Works.** Considering that the works values are very small, neither International Competitive Bidding (ICB) nor National Competitive Bidding (NCB) is foreseen. All civil works contracts which are estimated to cost less than US\$1 million equivalent per contract would be awarded through Shopping procedures. These works would be suitable for lump sum and fixed-price contracts awarded on the basis of quotations obtained from at least three local contractors.

43. **Procurement of Goods, Livestock and Non-consultant Services.** **International Competitive Bidding (ICB)** procedures shall be used for procurement of goods estimated to cost US\$500,000 or more per contract. Shopping may be used to procure goods, livestock and non-consulting services estimated to cost less than US\$500,000 per contract. However, small

value items, costing less than US\$5,000 per purchase from local suppliers will be permitted, when obtaining and comparing three quotations is not practical due to quality and market constraint. Direct Contracting may be used in circumstances which meet the criteria set out in para. 3.7 of the Procurement Guidelines.

44. ***Community Participation in Procurement:*** For the Component 1 subprojects supported with Community Development Grants, Community Participation in Procurement would be used in accordance with the provisions of paragraph 3.19 of the Procurement Guidelines. The existing structures under the Bank financed RDP will continue to be applied under RDP II, namely, Community Helpers (CHs), Ward Development Committees (WDCs), and Community Subproject Implementation Committee (SIC) will be fully involved in the sub-project development, selection, implementation and monitoring processes. As highlighted in the Lesson Learned section, community procurement is preferred by communities. However, procurement by communities is costly and time consuming due to local market constraints, high logistics costs and weak capacity of communities. To take into account the lesson learned from RDP I, another option available for the communities is that goods and materials can be procured in bulk on behalf of the communities through normal shopping procedures by the PCU and provided to the communities. To ensure that PCU is held accountable in such circumstances, a community delivery confirmation mechanism will be developed and included in the PIM. The procedures and process for community participation in procurement developed under the existing RDP would be modified to include other procurement options in addition to the commonly used methods for CDD type project (local shopping, community force account, direct contracting, etc).

45. Procedures for procurement under Component 2, as described in the Component 2 PIM, MAL would advertise and call for expressions of interest in the proposed partnerships (Call for Proposals). The C2 Management Unit (C2MU), assisted by a Technical Appraisal Committee (TAC), would identify eligible proposals. Financing of eligible proposals would be proposed by the C2MU, appraised by the TAC, and endorsed by the Undersecretary (Technical) of MAL. The proponents would need to have a demonstrated capacity to manage contracts and activities of the scope and nature identified in the proposed partnership. Eligible expenditures would include technical assistance, training and workshops, goods, equipment and materials as well as small works such as on-farm works. It is not possible to pre-identify items to be procured by the partnerships at this stage. The submission of many large proposals and contracts (above US\$ 200,000 per contract) is not anticipated.

46. The procurement of works, goods and consultants under the partnerships will be undertaken in accordance with the well-established private sector procurement methods or commercial practice under Para. 3.13 of the Procurement Guidelines. Given the wide variation of potential procurement items between individual partnerships, the items to be procured and the procedures will be specified for each Partnership Agreement, in a specific procurement plan. The Partnership Agreements will require the recipient(s) to maintain records of all procurement activities carried out and to make such records available to RDP II on request to ensure compliance with the Agreements. For complex procurement items the C2MU may provide guidance and training to Partners on the appropriate procurement procedures. The following

private sector procurement methods or commercial practices are recommended, but not mandatory:

- a. Goods. For small goods contracts estimated about US\$ 10,000 or less equivalent per contract, Direct Contracting may be used provided that the price is reasonable. For goods costing US\$200,000 equivalent or less per contract, Shopping would normally be used. Larger goods contracts may be procured using open bidding procedures (similar to National Competitive Bidding).
- b. Civil Works. For small works contracts estimated US\$ 50,000 or less equivalent per contract, Direct Contracting may be used provided that the price is reasonable. For works under US\$ 200,000 or less equivalent per contract, Shopping would normally be used. Larger works contracts may be procured using open bidding procedures (similar to National Competitive Bidding).

47. The procurement methods for each activity will be specified in the proposals. The PCU and C2MU will monitor the adherence to the approved proposals by the partnership.

48. All contracts financed in whole or in part by the project and procured under the agriculture partnership arrangements shall be subject to post-review by IDA.

49. ***Selection of Consultants.*** Selection of consultants would be followed in accordance with the following procedures: **Selection of Consulting Firms:** The consulting contracts expected to cost more than US\$300,000 equivalent per contract would use the Quality and Cost Based Selection (QCBS) or Quality Based Selection (QBS) in conformity with the Consultants Guidelines. Consulting services estimated under US\$300,000 equivalent per contract would follow the Selection Based on Consultants Qualifications (CQS). The Least-Cost Selection (LCS) would be used for assignment of auditor services. Under the circumstances described in paragraph 3.9 of the Consultants Guidelines, consultants may be selected and awarded on a Single-Source Selection (SSS), subject to the Bank's prior approval. **Selection of Individual Consultants:** Individual consultants would be selected and contracts awarded in accordance with the provisions of paragraphs 5.1 through 5.5 of the Consultants Guidelines. Under the circumstances described in paragraph 5.6 of the Consultants Guidelines, individual consultants may be selected and awarded on a single-source basis, subject to the Bank's prior approval.

50. There will be a large number of single-source selection of individual consultants in an effort to maintain continuity between RDP I and RDP II. To assist MDPAC in determining which consultants it wishes to maintain, a performance review will be conducted for all current consultants and used to update the Procurement Plan as to which positions would be listed as single source, and which would be competitively selected. All single source cases will be subject to the Bank's prior review.

51. **Procurement Risk Assessment:** An assessment of the capacity of MDPAC to implement procurement actions for the Project was carried out and the risk rating was "substantial". The procurement-related risks identified and mitigation measures are as follows:

- weak capacity of communities;

- local market constraint and high logistics costs;
- non-compliance with the agreed procedures;
- no accountability mechanism in place for PCU bulk procurement;
- delay in implementation due to improper planning; and
- incomplete procurement record-keeping.

The following mitigation measures are proposed:

- The PCU will be responsible for procurement but for complex procurement items additional expertise will be hired where necessary to supplement the capacity of PCU.
- The PCU will review the procurement procedures developed for Community Procurement under RDP I and the local market conditions, and will include other appropriate options for community's consideration, e.g., goods and materials may be procured in bulk through normal shopping procedures by the PCU and would be provided to the communities.
- A mechanism for community confirmation of shipment delivery will be incorporated into the PIM to ensure that bulk procurement by PCU is confirmed by communities.
- A Grievance Redress Mechanism will be in place to allow any party with a concern or complaint about RDP procurement to direct their complaint to the appropriate RDP or government official.
- Use the high shopping thresholds allowed for the fragile and small states in the Pacific and simplified procurement templates including automated bidding documents provided in the Procurement Guidance Note *Making Procurement Work for Fragile and Small States in the Pacific*, issued on January 2013.
- One of the RDP engineers will conduct procurement post reviews for procurement activities carried out at community level. An annual procurement post review report will be submitted to the Bank for review.
- A procurement database developed by the Bank team will be used for RDP II. The database would be used to capture all procurement data for the purpose of cost estimating, market analysis and procurement planning.
- A standard procurement check list of records will be shared with the PCU for use of procurement record keeping.

52. **Procurement Threshold and Prior Review Thresholds.** Procurement and prior review are shown below.

Procurement Methods	Procurement Thresholds	Prior Review Thresholds
I. Goods:		
International Competitive Bidding	≥US\$500,000	All contracts subject to prior review
Shopping	<US\$500,000	First two contracts
Direct Contracting	Meet the criteria set out in	All contracts subject to prior review

	para. 3.7 of Procurement Guidelines	
II. Works:		
Shopping	<US\$1, 000,000	First two contracts
III. Community Participation in Procurement		
Community participation in procurement would be used for Community Development Grants and Disaster Recovery Grants under Component One and Agriculture Partnership Grants under Component Two.		
IV. Selection of Consultants:		
Selection Methods	Procurement Thresholds	Prior Review Thresholds
Firms (QCBS, QBS, LCS, CQS and SSS)	In accordance with the Bank's Consultants Guidelines	≥US\$100,000, and all SSS contracts
Individual Consultants		≥US\$50,000 (exception made to SSS contracts, legal and procurement related assignments, where all contracts are subject to prior review)

53. Frequency of Procurement Supervision. In addition to the prior review to be carried out by the Bank, the capacity assessment has recommended that procurement supervision missions visit the field once a year to carry out post review of procurement. The sampling ratio of procurement post review is one out of 10 contracts.

54. Procurement Plan. For subprojects under Community Development Grant, it is unlikely that the communities will be able to prepare an annual procurement plan in advance. The detailed procurement plan would be prepared by communities only after specific subprojects are selected. In such circumstances, the guidance for procurement planning has been provided in the Project Implementation Manual. For other components, the PCU will prepare a procurement plan, which provides the basis for the procurement methods. The Plan will also be available in the Project's database and in the Bank's external website. The Procurement Plan will be updated in agreement with the Project Team annually or as required to reflect the actual project implementation needs and improvements in institutional capacity. A summary table of procurement plans is presented in the two tables below.

Table 1: Goods, Livestock and Works

Contract No.	Contract Description	Estimated Cost (USD'000)	Procurement Method	Bank's Review	Expected Contract Signature
Procurement of Goods and Livestock:					
GD0001	IT Equipment	133.00	Shopping	Prior	-Mar-15
GD0002	7 X 4 WD Vehicle	336.00	Shopping	Prior	Mar-15
GD0003	20 X OBM ENGINES		Shopping	Post	Jan-15

		146.60			
GD0004	2 X OBM BOATS	14.60	Shopping	Post	Jan-15
GD0005	Boat safety Kits	2.53	Shopping	Post	Jan-15
GD0006	61 Smart phones	23.85	Shopping	Post	May-15
GD0007	Pig & Chicken feed (28,100)	236.15	Shopping	Post	May-15
GD0008	Pig & Chicken feed (28,100)	236.15	Shopping	Post	Aug-15
GD0009	Pig & Chicken feed (28,100)	236.15	Shopping	Post	Jan-15
GD0010	Pig & Chicken feed (28,100)	236.15	Shopping	Post	Jun-16
GD0011	1,400 Pigs (850 gilts 550 bores)	269.18	Shopping	Post	Jan-15
GD0012	3,300 Chicken	45.21	Direct contracting	Prior	Jan-15
GD0013	550 Animal medication kits	56.51	Shopping	Post	Feb-15
GD0014	Soak hole materials , sand & gravel for 125 kits	51.21	Shopping	Post	Jan-15
GD0015	Hardware materials for pig and chicken housing, dryers and fermentries	165.40	Shopping	Post	Jan-15
GD0016	Timber for pig and chicken housing, dryers and fermentries (245 kits)	31.86	Shopping	Post	Jan-15
GD0017	Steel drums and chimneys for driers (20)	38.72	Shopping	Post	Jan-15
GD0018	8 Sets of office furniture	3.80	Shopping	Post	May-15
GD0019	Miscellaneous tools and equipment	15.00	Shopping	Post	Jun-15
Procurement of Works					
W0001	Renovate RenBel Office	15.64	Shopping	Prior	Jan-15

Table 2: Consulting Services

Ref. No.	Description of Assignment	Estimated Cost (US\$'000)	Selection Method	Bank's Review	Expected Signing Date
IC0100	Program Manager	159.04	Sole Source	Prior	Dec-14
IC0101	Program Advisor	864.00	Sole Source	Prior	Dec-14
IC0102	Finance Manager		Sole Source	Prior	Dec-14

		127.23			
IC0103	Senior Finance Officer	116.63	Sole Source	Prior	Dec-14
IC0104	Finance Officer 1	68.92	Sole Source	Prior	Dec-14
IC0105	Finance Officer 2	68.92	Competitive	Prior	Dec-14
IC0106	Procurement Officer	68.92	Competitive	Prior	Dec-14
IC0107	Training / Communication Officer	45.95	Competitive	Post	Dec-14
IC0108	PCU M&E Officer	116.63	Competitive	Prior	Dec-14
IC0109	Senior Environment Officer	90.12	Competitive	Prior	Dec-14
IC0110	Environment Officer	53.01	Sole Source	Prior	Dec-14
IC0111	Data entry Officer	31.81	Competitive	Post	Dec-14
IC0112	Logistics Officer	31.81	Competitive	Post	Dec-14
IC0113	Component 1 Coordinator	132.53	Sole Source	Prior	Dec-14
IC0114	Component 1 Assistant Coordinator	105.53	Sole Source	Prior	Dec-14
IC0115	National Engineer	90.12	Sole Source	Prior	Dec-14
IC0116	Regional Engineer (recovery)	528.00	Competitive	Prior	Dec-14
IC0117	Volunteer Engineers x 2	28.77	Sole Source	Prior	Feb-15
IC0118	Provincial Team Leader Western	103.56	Sole Source	Prior	Dec-14
IC0119	Provincial Team Leader Isabel	103.56	Sole Source	Prior	Dec-14
IC0120	Provincial Team Leader Makira	103.56	Sole Source	Prior	Dec-14
IC0121	Provincial Team Leader Guadalcanal	103.56	Sole Source	Prior	Dec-14
IC0122	Provincial Team Leader Choisuel	103.56	Competitive	Prior	Dec-14
IC0123	Provincial Team Leader Malaita	103.56	Competitive	Prior	Dec-14
IC0124	Provincial Team Leader Temotu	103.56	Competitive	Prior	Dec-14
IC0125	Provincial Team Leader Renbel	103.56	Competitive	Prior	Dec-14
IC0126	Deputy Team Leader Malaita	74.22	Sole Source	Prior	Dec-14
IC0127	Deputy Team Leader Guadalcanal	74.22	Competitive	Prior	Dec-14
IC0128	Deputy Team Leader		Competitive	Prior	Dec-14

	Western	74.22			
IC0129	Provincial Finance Officer Western	68.92	Sole Source	Prior	Dec-14
IC0130	Provincial Finance Officer Isabel	68.92	Sole Source	Prior	Dec-14
IC0131	Provincial Finance Officer Malaita	68.92	Sole Source	Prior	Dec-14
IC0132	Provincial Finance Officer Guadalcanal	68.92	Sole Source	Prior	Dec-14
IC0133	Provincial Finance Officer Choisuel	68.92	Sole Source	Prior	Dec-14
IC0134	Provincial Finance Officer Temotu	68.92	Sole Source	Prior	Dec-14
IC0135	Provincial Finance Officer Makira	68.92	Competitive	Prior	Dec-14
IC0136	Community Helpers (31)	206.75	Sole Source	Prior	Dec-14
IC0137	Community Helpers (3) (Recovery)	22.00	Competitive	Post	Dec-14
IC0138	Technical Community Helpers (30)	270.37	Competitive	Post	Dec-14
IC0139	C2 Manager	132.53	Competitive	Prior	Dec-14
IC0140	C2 Partnership Coordinator	106.03	Competitive	Prior	Dec-14
IC0141	C2 Training & Business Support Officer	106.03	Competitive	Prior	Dec-14
IC0142	C2 Recovery Coordinator	95.42	Competitive	Prior	Dec-14
IC0143	C2 Recovery Assistant	77.75	Competitive	Prior	Dec-14
IC0144	C2 Disaster risk and climate resilience training TA	44.00	Competitive	Post	Dec-14
IC0145	Industry Council Secretariat Officer	68.92	Competitive	Prior	Dec-15
IC0146	Economics and marketing specialist	95.00	Competitive	Prior	May-15
IC0147	C2 M&E Officer 1	53.01	Competitive	Prior	Dec-14
IC0148	C2 M&E Officer 2	53.01	Competitive	Prior	Dec-14
IC0149	MTR	60.00	Competitive	Prior	Aug-17
IC0150	MTR	43.00	Competitive	Post	Aug-17
IC0151	End of Project Evaluation	60.00	Competitive	Prior	Oct-19
IC0152	End of Project Evaluation	43.00	Competitive	Post	Oct-19
IC0153	C1 Studies 1	37.67	Competitive	Post	Aug-16
IC0154	C1 Studies 2		Competitive	Post	Aug-17

		37.67			
IC0155	C1 Studies 3	37.67	Competitive	Post	Aug-18
IC0156	TA for Training for BDS providers	76.00	Competitive	Prior	Apr-15
Selection of Firms					
CF0001	CH Training	340.00	SSS	Prior	Dec-14
CF0002	C2 Business development support trainers 1	289.75	CQS	Prior	Jan-15
CF0003	C2 Business development support trainers 2	289.75	CQS	Prior	Jan-16
CF0004	C2 Business development support trainers 3	289.75	CQS	Prior	Jan-17
CF0005	C2 Business development support trainers 4	289.75	CQS	Prior	Jan-18
CF0003	Social Accountability Pilot	287.30	CQS	Prior	Mar-15

Environmental and Social (including safeguards)

55. Institutional Arrangements for safeguard implementation: The PCU in MDPAC will include an Environment Officer (EO) who will have oversight of all project safeguards, in consultation with the PCU management team. Provincial Governments, supported by the PSUs, are responsible for the coordination of overall development planning at provincial and ward levels, including issues related to environmental and social safeguards management and environmental sustainability. Each Provincial Government will engage qualified provincial officials to: (a) review, approve and monitor sub-project ESMPs; (b) ensure compliance with ESMF and other safeguard instruments; (c) liaise with the Ministry of Environment Climate Change, Disaster Management and Meteorology as needed; (d) build capacity and troubleshoot for Community Helpers and SICs; and (e) raise awareness and build capacity of various stakeholders at the provincial, and village levels. The project will also provide training and technical support to the MDPAC, provincial governments, CHs and SICs on sound environmental management practices and on implementation of the ESMF.

56. Environmental Management procedures: The key stakeholders for implementing environmental management procedures at subproject level will be the Provincial Governments, CHs, the EO, the Project Engineer (PE), contractors, and the participating communities. For each subproject, the four steps that are described in detail in the ESMF will be followed. In the first step, when the list of proposed subprojects becomes available, the CHs will coordinate with the EO to carry out screening for social and environmental eligibility of subprojects. In steps 2 and 3, with inputs from the EO and the PE, the CHs will carry out site assessments, screen for potential impacts and risks and select/propose appropriate mitigation measures based on the instructions given in the ESMF. In step 4, the designers will incorporate the environmental solutions and mitigation measures proposed in step 3 into the technical design. Any contractors engaged by communities will be responsible for implementing mitigation measures proposed in

step 3 during the construction phase. Communities will also have the responsibility to implement the proposed mitigation measures during the construction and operation phase. Environmental monitoring and supervision will be the responsibility of CHs, the communities, the PE and the EO. Environmental reporting will be carried out by the PE, EO and Project/Component Leaders.

57. The Bank safeguard policy on Indigenous Peoples is triggered, as people in the project area meet the requirements of the policy. The project includes all vulnerable sub-groups (whether ethnic/tribal/kinship minority groups, women, youth and displaced) in consultations to agree on the sub-projects. The project embeds the basic principles of free, prior, and informed consultation leading to broad community support for the project. As such a separate Indigenous People's Plan is not required under Bank policy and a free standing IPP has not been prepared.

58. MDPAC and MAL will consult the participating communities, enterprises, farmers and local NGOs on the project's environmental and social aspects on an on-going basis, and will take their views into account. It will provide relevant materials in a timely manner prior to consultation, in a form and language(s) that are understandable and accessible to the groups being consulted.

Monitoring & Evaluation

59. A Management Information System has been established for Component 1 under the current phase of RDP and efforts are underway to upgrade this to a web-based system which will allow for decentralized data entry, project management and public viewing. A full time MIS/Monitoring and Evaluation Officer will be part of the PCU. Data on activities and outputs will be provided in routine (monthly and quarterly) reports prepared and submitted to PCU by PSUs, CHs and SICs. In addition, special studies on aspects of Component 1 operations will be contracted on topics such as: technical quality of construction, operations and maintenance, the role of women, etc.

60. The C2MU reporting to the US (Technical) of MAL and the PCU will be responsible for M&E of Component 2. The C2MU will work in close collaboration with agribusiness partnerships, industry councils and independent service providers, including NGOs and Church Groups in the provinces to ensure that meaningful and reliable data are collected for use in M&E Reports. The C2MU will include two M&E Specialists who will lead, oversee and coordinate all M&E activities. The M&E system will include provision for monitoring activities of value chain actors within agribusiness partnerships (e.g. rural communities, small and medium sized farmers and their groups and associations, primary processors, traders, financial institutions, transporters and domestic and export buyers). The system will include appropriate feedback mechanisms informing the C2MU of progress towards achievement of outcome indicators.

61. Semi-annual reports will include current outcomes/results from each component. The MIS will provide data for assessing progress on indicators in the project's Results Framework.

Role of Partners (if applicable)

62. As in RDP I, RDP II will continue to be a multi-donor operation with contributions from Australia/DFAT, IFAD and potentially the European Union. As has been the custom for RDP, implementation support missions will continue to include representatives of each donor agency so that these missions are, in fact, joint donor review missions. In addition to providing incremental contributions to the Bank to finance trust fund administration and implementation support, each donor may also engage additional technical expertise at various times depending upon project need and donor interest, and in coordination with the other donor partners. International and national NGOs may also be invited to join supervision missions.

Annex 4

Operational Risk Assessment Framework (ORAF)

Solomon Islands: Solomon Islands Rural Development Program II (P149282)

Stage: Appraisal

Project Stakeholder Risks						
Stakeholder Risk	Rating	Moderate				
<p>Risk Description:</p> <p>Rural communities are supportive of the CDD approach, and prefer its engagement and transparency to the more opaque Constituency Development Funds. Provincial governments are broadly supportive, but seek further control of RDP resources. National government support is strong, but RDP does not yet feature in annual budget requests as do constituency and provincial funds. While the private sector has expressed an interest in partnerships with farmers, there is limited experience in this area. The same donors who supported RDP I are also planning to support RDP II and their engagement has been broadly collaborative and in keeping with the joint support provided throughout RDP I.</p>	Risk Management: <p>Information sharing mechanisms established under RDP I will be maintained and enhanced at the community level (community posters and information meetings), provincial level (quarterly provincial reporting) and at the national level (Cabinet briefings and media releases) to highlight the benefits of transparency and accountability in the delivery of resources over alternative delivery mechanisms.</p>					
	Resp: Both	Status:	Stage: Implementation	Recurrent: <input type="checkbox"/>	Due Date:	Frequency:
	Risk Management: <p>MAL will provide awareness building and extensive support to the private sector to encourage their full participation in agriculture partnerships.</p>					
	Resp: Client	Status:	Stage: Both	Recurrent: <input type="checkbox"/>	Due Date:	Frequency:
Implementing Agency (IA) Risks (including Fiduciary Risks)						
Capacity	Rating	Substantial				
<p>Risk Description:</p> <p>MDPAC has seven years of experience implementing RDP and has developed one of the most effective</p>	Risk Management: <p>MAL will not manage project funds directly, but funds allocated to Component 2 will be managed through a separate funding category to ensure that funds are not used on Component 1 activities.</p>					

<p>networks for rural service delivery in the country . The RDP Project Coordination Unit (PCU) has a strong team, but Provincial Support Units vary from province-to-province. In the transition from RDP I to RDP II, there is a risk of turnover which could require some rebuilding. MAL does not have the capacity to provide fiduciary controls in the provinces and has limited experience of managing donor funds on its own. Discussion as to the most appropriate implementing agency to ensure the sustainability of RDP going forward could lead to a change from MDPAC to another government agency.</p>	Resp: Client	Status:	Stage: Implementation	Recurrent: <input type="checkbox"/>	Due Date:	Frequency:
	Risk Management: Any changes to the implementing agency will need to be proposed to Cabinet for a decision prior to appraisal so that the Bank can conduct fiduciary and capacity assessments in time for appraisal.					
	Resp: Client	Status:	Stage: Preparation	Recurrent: <input type="checkbox"/>	Due Date:	Frequency:
	Risk Management: Performance incentives and other benefits (such as technical training) will be introduced to address provincial performance issues and more extensive training and mentoring programs will be instituted.					
Governance	Resp: Client	Status:	Stage: Preparation	Recurrent: <input type="checkbox"/>	Due Date:	Frequency:
	Rating Moderate					
	Risk Management: Maintain and enhance engagement in the RDP Project Steering Committee, including active provincial government participation.					
	Resp: Client	Status:	Stage: Implementation	Recurrent: <input type="checkbox"/>	Due Date:	Frequency:
<p>Risk Description:</p> <p>The existence of related programs supporting rural activities at the provincial, constituency and ward levels creates some competition for resources and political support. Efforts to integrate systems across these levels have been largely ineffective. Fiduciary mechanisms under RDP have been largely effective, with checks and balances across MoFT, MDPAC and MAL.</p>	Risk Management: Create a working-level coordination group among the ministries responsible for managing community (RDP), provincial and constituency funds.					
	Resp: Client	Status:	Stage: Implementation	Recurrent: <input type="checkbox"/>	Due Date:	Frequency:
	Risk Management: Continue existing fiduciary controls and enhance through output-based grants and web-					

	based, publicly accessible reporting on community projects.				
	Resp: Client	Status:	Stage: Implementation	Recurrent: <input type="checkbox"/>	Due Date:
	Risk Management: Utilize a Grievance Redress Mechanism to allow various parties to register concerns and complaints with appropriate RDP and/or government officials				
	Resp: Client	Status:	Stage: Implementation	Recurrent: <input type="checkbox"/>	Due Date:
	Risk Management: PCU will provide regular financial reports and other information to Provincial Governments to engage them more actively in holding PSUs accountable for their expenditures.				
	Resp: Client	Status:	Stage: Implementation	Recurrent: <input type="checkbox"/>	Due Date:
	Risk Management: Communities will no longer receive funds based on documentation which proves the legitimate use of funds, but rather through verification (including photographs) of stages of progress by Community Helpers and output-based grants.				
	Resp: Client	Status:	Stage: Implementation	Recurrent: <input type="checkbox"/>	Due Date:
	Risk Management: The Bank will conduct regular reviews of PCU, PSU and agricultural partnership grant recipients to ensure that funds are being used for intended purposes.				
	Resp: Bank	Status:	Stage: Implementation	Recurrent: <input type="checkbox"/>	Due Date:
Project Risks					
Design	Rating		Substantial		

Risk Description: In addition to the on-going challenges of inter-island transport, communication, and other logistical impediments that already affect RDP, the addition of Renbell Province will create further obstacles to timely and effective implementation. Communities could suffer from delays in project implementation and/or project ownership due to ineffective community mobilization and problem solving. With respect to Component 2, private sector capacity to initiate and manage partnerships with farmers may be less than the design proposes. The principle value chains, cocoa and coconut, may not have sufficient growth potential to absorb project funds and other value chains may not be attractive enough to warrant investment.	Risk Management: New, more intensive training modules will be developed for Community Helpers to strengthen their ability to engage communities in project activities to solve problems, including those of a technical nature, as they arise.					
	Resp: Client	Status:	Stage: Both	Recurrent: <input type="checkbox"/>	Due Date:	Frequency:
	Risk Management: MAL will do a more in-depth scoping of the capacity of the private sector to provide services to smallholders and develop plans to strengthen this capacity and fill needs for technical capacity.					
	Resp: Client	Status:	Stage: Both	Recurrent: <input type="checkbox"/>	Due Date:	Frequency:
	Risk Management: Intensive support will be provided by PCU to ensure that the new Renbell PSU operates effectively and has the full support of the Provincial Government.					
	Resp: Client	Status:	Stage: Preparation	Recurrent: <input type="checkbox"/>	Due Date:	Frequency:
Social and Environmental	Rating	Moderate				
Risk Description: Small scale rural infrastructure activities have generally limited, highly localized impacts. Social risks emerge mainly around competition for scarce natural resources, in particular, land. Some community members may also be excluded from decision-making. Safeguard mechanisms put in place during the on-going phase of RDP have proven effective in identifying risks and mitigation actions. Capacity to implement mitigation actions is mixed across communities. The capacity and incentives for	Risk Management: Continue to implement the Environmental and Social Management Framework and associated tools developed under RDP I as they have successfully mitigated risks.					
	Resp: Client	Status:	Stage: Implementation	Recurrent: <input type="checkbox"/>	Due Date:	Frequency:
	Risk Management: MAL will provide enhanced monitoring of safeguard mitigation actions by agriculture partnership grant recipients.					
	Resp:	Status:	Stage:	Recurrent:	Due Date:	Frequency:

private sector firms to implement mitigation actions may be low as such efforts could increase the costs of doing business.	Client		Implementation	<input type="checkbox"/>		
	Risk Management: Provide training for Community Helpers and communities on the use of the ESMF.					
	Resp: Client	Status:	Stage: Implementation	Recurrent: <input type="checkbox"/>	Due Date:	Frequency:
Program and Donor	Rating	Moderate				
Risk Description: RDP has been operating as a government program for seven years and has received financing from the EU, Australian Aid/DFAT, IFAD and the Bank, including two successful rounds of additional financing and a significant government contribution. In principle support from all RDP I donors is confirmed. While initial interest is strong, EU financing is not yet confirmed. Under RDP I Donor funds were successfully managed through trust funds with no earmarking or restrictions.	Risk Management: Maintain joint donor review missions and joint donor preparation support.					
	Resp: Bank	Status:	Stage: Both	Recurrent: <input type="checkbox"/>	Due Date:	Frequency:
	Risk Management: Actively support the EU project preparation process to confirm support, ensure full design integration into RDP II and to design effective financing arrangements.					
	Resp: Both	Status:	Stage: Both	Recurrent: <input type="checkbox"/>	Due Date:	Frequency:
Delivery Monitoring and Sustainability	Rating	Substantial				
Risk Description: With subprojects located in all rural wards of the country, RDP has found it difficult to obtain rich and timely information as to the effectiveness of implementation in some communities. Provincial governments have very limited resources for monitoring and have only lightly engaged with RDP in monitoring. RDP provides training and support to sustain investments, but it is too early to assess their effectiveness over time. Monitoring of partnerships has proven manageable in a similar PNG project as most firms operate in larger towns. Component	Risk Management: A new web-based Management Information System with the capability of uploading information from anywhere with a mobile phone connection will be used to collect timely information on community projects.					
	Resp: Both	Status:	Stage: Both	Recurrent: <input type="checkbox"/>	Due Date:	Frequency:
	Risk Management: Provincial sector staff will be engaged in community project monitoring and ongoing support for facilities that fall within their sectors.					
	Resp:	Status:	Stage:	Recurrent:	Due Date:	Frequency:

2 interventions are dependent upon private sector firms sustaining the services they offer to farmers.	Client		Implementation	<input type="checkbox"/>	
				<input type="checkbox"/>	
Overall Risk					
Overall Implementation Risk:		Rating	Moderate		
Risk Description:					
With nearly seven years of experience implementing the current phase of RDP, many systems have been put in place to manage risks. Financial management and procurement reviews and capacity building have helped to improve operating procedures over time, and RDP II will benefit from these refined systems. With the program moving more towards government counterpart financing, the vulnerability to annual budget allocations and political changes will become more of a risk for RDP II than for the current phase of RDP. Strong multi-donor support, country office engagement and political support for RDP will help to counter this. The private sector partnership approach in the agricultural sector is new and may have limited quality uptake. The Ministry of Agriculture and Livestock will need to provide technical assistance and capacity building support to potential applicants and active partnerships.					

Annex 5: Implementation Support Plan

SOLOMON ISLANDS: Rural Development Program II

Strategy and Approach for Implementation Support

1. The strategy for implementation support has been developed based on the nature of the Project and its risk profile. Risks considered to be notable include: (a) new elements of the CDD approach requiring new skills which are limited in country; (b) uneven or incorrect application of agribusiness partnerships project design; (c) capacity constraints within the implementing entities; (d) insufficient inclusion or backlash against required inclusion of women; and (e) geographic isolation and difficulty of monitoring activity in such areas. The proposed mitigation measures to contain these risks are integrated into various Project design features. Specifically, the strategic approach for implementation support includes the following measures:

- a. *New elements of the CDD approach requiring new skills which are limited in country.* The intensive training for Technical Community Helpers will be a demanding activity to manage as it is a partnership among different training providers and it is pulling together material across different sources. The Bank will engage technical/vocation training expertise to support this work, including refresher training support. Experience in use of Community Scorecards for social accountability of service delivery is also very limited, so expertise from more experienced countries in the region will be accessible to RDP in this new effort. Specific sector support, beginning with education, will also be sought in an effort to integrate the scorecard tool into line ministry accountability and quality assurance functions.
- b. *Uneven or incorrect application of agribusiness partnerships project design* – While the Agribusiness Partnership model has been tested and refined in other countries, it is a process heavy activity which is vulnerable to various interpretations and policy choices. Intensive support will be needed particularly through the first round of grants to ensure the process moves efficiently. Experience from neighboring PNG will be tapped to help with problem-solving and strategic choices.
- c. *Capacity constraints within the implementing entities* - Experience with RDP I shows that despite the long experience with implementation of RDP, the main implementing agencies (MDPAC and MAL) will need further capacity building and problem-solving support by the Bank early on during project implementation. Country office and regional fiduciary staff will provide more frequent engagement with the client to identify and quickly address capacity challenges as they emerge.
- d. *Insufficient inclusion or backlash against required inclusion of women* – While experience during RDP I was quite positive in terms of the benefits to women, RDP II will pursue a more aggressive approach to inclusion of women in decision making, the result of which will need to be carefully monitored in order to avoid any adverse effects. The Bank will engage a Gender Advisor to conduct an assessment during implementation of the first round of grants, and provide additional guidance on addressing issues as they arise.

- e. *Geographic dispersion and isolation* – Solomon Islands is a highly dispersed, island country where limited and high-cost transport and communications are serious impediments to implementation. As such, it is difficult both to implement in many parts of the country, and to monitor activities. The project will use an internet-based MIS which can be updated from the field, including uploading photos of progress, by Community Helpers who will be provided with 3G, GPS-enabled tablets or smartphones. The Bank will provide extensive technical support to this effort, including facilitating the customization of a prototype system, and drawing on experience in other countries.

Implementation Support Plan

2. Project implementation will be supported primarily by CMU/region-based staff, including fiduciary compliance and operational support, technical aspects, and safeguards compliance. Country-based administrative and fiduciary staff will provide operational support and liaison with the client. Formal missions will be conducted at least three times during the first year of implementation, and semi-annually thereafter.

3. In addition to periodic reviews by the Bank and inputs (monitoring, training) from procurement, financial management, and safeguards specialists, the plan identifies appropriate technical expertise (such as vocational training and gender) to contribute to periodic reviews.

4. For each of the donors, the Bank will either manage funds through trust accounts (e.g. DFAT) or through a co-financing arrangement where the Bank agrees to manage procurement, financial management, safeguards, general supervision and other review functions, etc. (e.g. IFAD). Depending upon each individual arrangement, donor partners are expected to contribute significantly to implementation support in ways such as: participation in joint donor review missions, provision of funds to the Bank for implementation support (e.g. variable costs such as the hiring of consultants to fulfill some of the skills requirements listed below), as well as through their own direct contracting of specialist consultants as needs arise. This has been the case during RDP I.

Main focus of support to implementation

<i>Time</i>	<i>Focus</i>	<i>Skills Needed</i>	<i>Resource Estimate (SWs)</i>	<i>Partner Role</i>
<i>Year 1</i>				
	Support roll-out of CH/TCH training	Vocational Training Specialist	20	
	Team Leadership	Task Team Leader	12	
	Monitor Component 2	Agriculture Specialist	6	
	Support social accountability pilot	Social Accountability Specialist	6	
	Review technical designs and quality systems	Rural Infrastructure Specialist/Engineer	4	
	Review of community-driven processes	Community Development Specialist	6	

	MIS design and deployment	ICT Specialist	4	
	Review of environmental safeguards application	Environmental Specialist	2	
	Review of environmental safeguards application	Social Safeguard Specialist	2	
	Review of financial management & training	Financial Mgmt. Specialist	3	
	Review of procurement & training	Procurement Specialist	3	
	Implementation Support	Program Assistant	4	
<i>Years 2-3</i>				
	Team Leadership	Task Team Leader	12	
	Monitor Component 2	Agriculture Specialist	6	
	Support social accountability pilot	Social Accountability Specialist	4	
	Review technical designs and quality systems	Rural Infrastructure Specialist/Engineer	4	
	Review of community-driven processes	Community Development Specialist	6	
	Review of environmental safeguards application	Environmental Specialist	4	
	Review of financial management & training	Financial Mgmt. Specialist	4	
	Review of environmental safeguards application	Social Safeguard Specialist	3	
	Review of procurement & training	Procurement Specialist	4	
	Implementation Support	Program Assistant	8	
	Review of gender equity	Gender Advisor	3	

Skills Mix Required

<i>Skills Needed</i>	<i>Number of Staff Weeks</i>	<i>Number of Trips</i>	<i>Comments</i>
Task Team Leader	50	0	Based in the country
Community-driven Development Specialist	25	10	Based in the region
Agriculture Specialist	25	10	Provided by IFAD
Vocational Training Specialist	20	6	Based in the region
Program Assistant	12	0	Based in country
Environmental Specialist	10	5	Based in the region
Social Accountability Specialist	10	4	Based in the region
Social Safeguard Specialist	10	5	Based in the region
Education Specialist	10	4	Based in the region
Financial Mgmt.	10	5	Based in the region

Specialist			
Procurement Specialist	<i>10</i>	<i>5</i>	Based in the region
Rural Infrastructure Specialist/Engineer	<i>8</i>	<i>4</i>	TDB
Gender Advisor	<i>6</i>	<i>2</i>	Based in the region

Partners

Name	Institution/Country	Role
Brendan Peace	DFAT	Counsellor, Development
Chase Palmeri	IFAD	Country Program Manager
Marc Van Uytvanck	European Union	Attache Cooperation

