

**OFFICIAL
DOCUMENTS**

**CREDIT NUMBER 5574-SB
GRANT NUMBER D022-SB**

Financing Agreement

(Rural Development Project II)

between

SOLOMON ISLANDS

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated *January 29* , 2015

CREDIT NUMBER 5574-SB
GRANT NUMBER D022-SB

FINANCING AGREEMENT

AGREEMENT dated *January 29*, 2015, entered into between SOLOMON ISLANDS ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association").

WHEREAS (A) the Recipient, having satisfied itself as to the feasibility and priority of the project described in Schedule 1 to this Agreement ("Project"), has requested the Association to extend a credit and a grant as provided in Section 2.01 of this Agreement, to assist in the financing of the Project; and

(B) the Recipient has also requested the Association, acting as trustee of funds provided by the Commonwealth of Australia to provide additional assistance towards the financing of the Project and the Association, acting as trustee of said funds, has agreed to make available a grant to the Recipient from the Commonwealth of Australia in the amount equal to at least thirteen million three hundred thousand Dollars (\$13,300,000) ("Australia Co-financing") to assist in the financing of the Project, pursuant to a grant agreement to be signed between the Recipient and the Association ("Australia Co-financing Agreement");

(C) the Recipient has also requested the International Fund for Agricultural Development (IFAD) to provide additional assistance towards the financing of the Project and IFAD has agreed to make available financing to the Recipient in the amount equal to at least four million six hundred thousand Dollars (\$4,600,000) ("IFAD Co-financing") to assist in the financing of the Project, pursuant to a financing agreement to be signed between the Recipient and IFAD ("IFAD Co-financing Agreement");

(D) the Recipient has also undertaken to provide counterpart funds in the amount of \$7,000,000 and to take all measures on its part to seek additional funds in the amount of \$13,000,000 to assist in the financing of the Project; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend a credit and grant to the Recipient upon the terms and conditions set forth in this Agreement;

NOW THEREFORE, the Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.

- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant and a credit (collectively, “Financing”) in the following amounts to assist in financing the project described in Schedule 1 to this Agreement (“Project”):
- (a) an amount equivalent to two million seven hundred thousand Special Drawing Rights (SDR 2,700,000) (“Grant”); and
 - (b) an amount equivalent to three million three hundred thousand Special Drawing Rights (SDR 3,300,000) (“Credit”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%).
- 2.05. The Payment Dates are May 15 and November 15 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
- 2.07. The Payment Currency is Dollars.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall carry out the Project in accordance with the provisions of Article IV of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Events of Suspension consist of the following: (a) the Australia Co-financing Agreement has failed to enter into effect by February 28, 2015; (b) the IFAD Co-financing Agreement has failed to enter into effect by August 31, 2015; and (c) the Recipient has, by December 31, 2017, been unable to secure the additional funds referred to in Section V of Schedule 2 to this Agreement.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Recipient's Representative is its Minister of Finance.
- 6.02. The Recipient's Address is:

Ministry of Finance
P.O. Box 26
Honiara, Solomon Islands

Facsimile: +677 27855

- 6.03. The Association's Address is:

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

Cable:

Telex:

Facsimile:

INDEVAS
Washington, D.C.

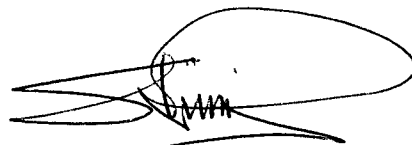
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AGREED at *Honiara, Solomon Islands*, as of the day and year first
above written.

SOLOMON ISLANDS

By



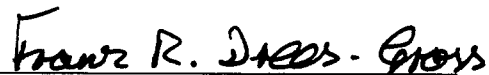
Authorized Representative

Name: HON. SNYDER RINI

Title: MINISTER OF FINANCE
AND TREASURY

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

Name: FRANZ R. DREES-GROSS

Title: COUNTRY DIRECTOR, EACNF

SCHEDULE 1

Project Description

The objective of the Project is to assist the Recipient to improve basic infrastructure and services in rural areas and to strengthen the linkages between smallholder farming households and markets.

The Project consists of the following parts:

Part 1: Community Infrastructure and Services

(a) Community Development Grants

Carrying out of Community Development Sub-projects designed to increase access to public infrastructure and services in rural areas through the provision of Community Development Grants to eligible communities.

(b) Community Facilitation and Capacity Building

(i) Carrying out of a program of activities designed to build the capacity of communities for identification, design and implementation of Community Development Sub-projects, including financing of community helpers and other stakeholders responsible for facilitation of the Community Development Sub-projects.

(ii) Carrying out of a pilot social accountability activity aimed at evaluating the quality of community services.

(c) Rural Infrastructure Disaster Recovery and Resilience

Carrying out of Disaster Recovery Sub-projects designed to repair or rebuild flood-damaged community infrastructure in Guadalcanal Province through the provision of Disaster Recovery Grants to eligible communities.

(d) Provincial Support Units

Carrying out of a program of activities designed to strengthen the capacity of the Provincial Support Units for overseeing implementation of this Part 1 of the Project at the provincial level.

Part 2: Agriculture Partnerships and Support

(a) Agribusiness Partnerships

Carrying out of Agribusiness Partnership Sub-projects designed to assist smallholder farmers in engaging in productive partnerships with commercial enterprises through the provision of Agribusiness Partnership Grants to selected partnerships.

(b) Agriculture Supplemental Equity Facility Grants

Provision of Agriculture Supplemental Equity Facility Grants to Participating SMEs to supplement loans from Participating Commercial Banks for financing of ASEF Sub-projects.

(c) Agriculture Commercialization

Carrying out a program of activities designed to strengthen the enabling environment for the development of the agricultural sector, including activities designed to build the capacity of MAL and facilitate industry coordination, provision of training to farmer groups, and undertaking adaptive research.

(d) Agriculture and Livestock Disaster Recovery and Resilience

- (i)** Acquisition of agriculture and livestock assets and infrastructure for the Guadalcanal Province communities.
- (ii)** Development of training materials on climate and disaster resilient farming practices and provision of associated training to farmers.

(e) Agribusiness Support

Establishment, operationalization and maintenance of an Agribusiness Management Unit to facilitate implementation of this Part 2 of the Project.

Part 3: Program Management

Carrying out a program of activities designed to strengthen the capacity of MDPAC for overall Project management, including finance management, procurement, monitoring and evaluation, social and environmental safeguards.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. Project Steering Committee

The Recipient shall maintain, at all times during the implementation of the Project, the Project Steering Committee: (a) composed of Permanent Secretaries or their delegates from, *inter alia*, the Ministry of Finance, MAL, Ministry of Infrastructure Development, Ministry of Provincial Government and Institutional Strengthening, Ministry of Education and Human Resource Development, Ministry of Health and Medical Services, Ministry of Rural Development, and MDPAC; and Provincial Secretaries of Participating Provinces; and (b) with responsibility for strategic and policy guidance on the implementation of the Project. To this end, the Recipient shall ensure that the Project Steering Committee shall meet at least twice a year.

2. Ministry of Development Planning and Aid Coordination and MAL

The Recipient shall vest implementation and coordination of: (a) Parts 1 and 3 of the Project in MDPAC; and (b) Part 2 of the Project in MAL. To this end, the Recipient shall maintain MDPAC and MAL with adequate resources, qualified and experienced staff in adequate numbers, and mandate, satisfactory to the Association.

3. Program Coordination Unit

- (a) The Recipient shall maintain, at all times during the implementation of the Project, a Program Coordination Unit, within MDPAC, with mandate, functions and resources satisfactory to the Association, and with staff in adequate numbers and with qualifications, experience and terms of reference satisfactory to the Association, to be responsible for, *inter alia*: (i) preparing the draft Annual Work Plans and Budgets for no-objection by the Association; (ii) facilitating the implementation of all Project activities; (iii) overseeing and guiding the overall administration of procurement, financial management, environmental and social management, and communication of the Project; and (iv) carrying out the overall monitoring, evaluation and reporting on Project activities.
- (b) The Recipient shall ensure that the Permanent Secretary in MDPAC shall be the Program coordinator, assisted by a program manager, an

international program advisor, a finance officer and a procurement officer.

4. Provincial Support Units

- (a) The Recipient shall maintain, at all times during the implementation of the Project, the Provincial Support Units at the provincial level in each of the Participating Provinces (except Central Province), with terms of reference and resources, including qualified and experienced staff in adequate numbers, all satisfactory to the Association, to be responsible for: (i) overseeing day to day implementation of Part 1 of the Project at the provincial level including reviewing and recommending for approval proposals for the Community Development Sub-projects and Disaster Recovery Sub-projects; and (ii) managing and monitoring the implementation of Community Development Sub-projects and Disaster Recovery Sub-projects in accordance with the Community Development Grant Agreements and the Disaster Recovery Grant Agreements.
- (b) The Provincial Secretary of each Participating Province shall be the head of the respective Provincial Support Unit and shall be assisted by a provincial team leader and a finance officer.

5. Agribusiness Management Unit

The Recipient shall, by not later than August 30, 2015, establish and thereafter maintain at all times during the implementation of the Project, an Agribusiness Management Unit within MAL, with terms of reference and resources, including qualified and experienced staff in adequate numbers, all satisfactory to the Association, to be responsible for overseeing day to day implementation of Part 2 of the Project, including: (a) reviewing and recommending for approval Agribusiness Partnership Sub-project proposals under Part 2 of the Project; and (b) managing and monitoring the implementation of said Agribusiness Partnership Sub-projects in accordance with the Agribusiness Partnership Grant Agreements.

B. Project Implementation

1. Project Implementation Manual

The Recipient shall carry out the Project in accordance with the arrangements and procedures set out in the Project Implementation Manual (provided, however, that in the event of any conflict between the arrangements and procedures set out in the PIM and the provisions of this Agreement, the provisions of this Agreement shall prevail) and shall not amend, abrogate or

waive any provision of the PIM unless the Association has provided its prior no-objection thereof in writing.

2. Annual Work Plan and Budget

- (a) 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 containing all eligible Project activities and Eligible Expenditures, including Sub-projects, proposed to be included in the Project in the Recipient's following calendar year, including a specification of the source or sources of financing for all Eligible Expenditures, and environmental and social safeguard measures taken or planned to be taken in accordance with the provisions of Section I.F of this Schedule.
- (b) The Recipient shall ensure that the Project is implemented in accordance with the Annual Work Plan and Budget accepted by the Association for the Recipient's respective calendar year; provided, however, that in the event of any conflict between the Annual Work Plan and Budget and the provisions of this Agreement, the provisions of this Agreement shall prevail.
- (c) The Recipient shall not make or allow to be made any change to the Annual Work Plan and Budget without prior no-objection in writing by the Association.

C. Sub-grants

- 1. The Recipient shall provide Sub-grants for financing Sub-projects under Part 1 and Part 2 of the Project in accordance with the eligibility criteria (including negative checklist of excluded activities) and approval and administration arrangements set out in the Project Implementation Manual.
- 2. Without limitation upon the foregoing, the Recipient shall make each Sub-grant under a Sub-grant Agreement with the respective Beneficiary in accordance with the PIM and under terms and conditions acceptable by the Association, which shall include, *inter alia*:
 - (a) a description of the eligible Sub-project activities and expenditures to be financed out of the proceeds of the respective Sub-grant and the amount of the Sub-grant which shall be denominated in Solomon Islands Dollars;
 - (b) the obligations of the respective Beneficiary to:

- (i) carry out the Sub-project in accordance with the approved work plan and budget in respect of such Sub-project;
- (ii) carry out the Sub-project with due diligence and efficiency and in accordance with appropriate technical, economic, financial, managerial, environmental and social standards and practices, including in accordance with the provisions of the PIM and the Anti-Corruption Guidelines applicable to recipients of Financing proceeds other than the Recipient;
- (iii) provide, promptly as needed, the resources required for the purpose;
- (iv) procure the goods, works and services to be financed out of the Sub-grant in accordance with the provisions of Section III of this Schedule;
- (v) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Association, the progress of the Sub-project and the achievement of its objectives;
- (vi) ensure compliance with the environmental and social safeguard requirements set forth in this Agreement, including those provided in the ESMF;
- (vii) (1) maintain a financial management system and prepare financial records in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations, resources and expenditures related to the Sub-project; and (2) at the Association's or the Recipient's request, have such financial records audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the records as so audited to the Recipient and the Association;
- (viii) enable the Recipient and the Association to inspect the Sub-project, its operation and any relevant records and documents; and
- (ix) prepare and furnish to the Recipient and the Association all such information as the Recipient or the Association shall reasonably request relating to the foregoing; and

- (c) the right of the Recipient to suspend or terminate the right of the Beneficiary to use the proceeds of the Sub-grant, or obtain a refund of all or any part of the amount of the Sub-grant then withdrawn, upon the Beneficiary's failure to perform any of its obligations under the Sub-grant Agreement.
 - 3. The Recipient shall exercise its respective rights and perform its respective obligations under each Sub-grant Agreement in such manner as to protect the interests of the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive any Sub-grant Agreement or any of its provisions.
- D. Agriculture Supplemental Equity Facility Grants**
- 1. To facilitate the carrying out of Part 2(b) of the Project, the Recipient shall:
 - (a) select Participating Commercial Banks in consultation with the Association, in accordance with criteria specified in the PIM; and
 - (b) make available a portion of the proceeds of the Financing to each Participating Commercial Bank under a Participation Agreement to be entered into between the Recipient and each of the Participating Commercial Banks, and under terms and conditions specified in the PIM, including the following:
 - (i) the proceeds of Financing shall be made available to Participating Commercial Banks for purposes of providing supplemental equity financing ("ASEF Grants") to Participating SMEs in conjunction with a loan made to the such Participating SMEs to finance ASEF Sub-projects;
 - (ii) the Participating SMEs shall be selected in accordance with eligibility criteria set forth in the PIM; and
 - (iii) the ASEF Grant shall finance a maximum of 20% of the cost of the ASEF Sub-project.
 - 2. The Recipient shall obtain rights adequate to protect its interests and those of the Association, including the right to:
 - (i) suspend or terminate the right of the Participating Commercial Bank to use the proceeds of the Financing, or to obtain a refund of all or any part of the amount of the Financing then withdrawn, as the case may be, upon the Participating Commercial Bank's failure to perform any of its obligations under the Participation Agreement; and

- (ii) require each Participating Commercial Bank to: (A) ensure that all ASEF Sub-projects are carried out with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Association, including in accordance with the provisions of the ESMF and the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Recipient; (B) provide, promptly as needed, the resources required for the purpose; (C) ensure that each Participating SME procures the goods, works and services to be financed out of the ASEF Grant in accordance with established private sector or commercial practices acceptable to the Association; (D) ensure that each Participating SME maintains policies and procedures adequate to enable the Participating Commercial Bank to monitor and evaluate in accordance with indicators acceptable to the Association, the progress of the ASEF Sub-projects and the achievement of their objectives; (E) (1) ensure that each Participating SME maintains a financial management system and prepares financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations, resources and expenditures related to the ASEF Sub-project; and (2) at the Association's or the Recipient's request, have such financial statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements as so audited to the Recipient and the Association; (F) enable the Association and the Recipient to inspect the ASEF Sub-projects, their operation and any relevant records and documents; and (G) prepare and furnish to the Association and the Recipient all such information as the Recipient or the Association shall reasonably request relating to the foregoing.

E. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

F. Safeguards

- 1. In carrying out the Project, the Recipient shall ensure that: (a) an environmental and social safeguard screening has been completed for each Project activity in accordance with the environmental and social safeguard screening criteria set out in the Environment and Social Management Framework; and (b) the recommended environmental mitigation measures set out in the Environment and Social Management Framework and the recommended mechanisms for community identification of environmental and social issues are implemented in

respect of each Project activity, and the implementation thereof is monitored and reported in Project Reports.

2. In carrying out the Project, the Recipient shall ensure that the location of each Project activity is determined in accordance with the Environment and Social Management Framework and that no Project activities shall result in: (a) the involuntary taking of land resulting in relocation or loss of shelter, loss of assets or access to assets, or loss of income sources or means of livelihood whether or not the affected persons must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas resulting in adverse impacts on the livelihoods of displaced persons. For the purposes of this paragraph, the term “involuntary” means actions that may be taken without a person’s informed consent or power of choice. The Recipient shall ensure that the location of each Project activity shall be reviewed by the Association prior to the commencement of the Project activities thereon to ensure that any voluntary donation of land was made in a manner meeting the requirements set out in the Environment and Social Management Framework and satisfactory to the Association.
3. In carrying out the Project, the Recipient shall, in accordance with the PIM and through a process of informed consultation and participation, involve concerned Indigenous Peoples in the design and implementation of the Project so as to avoid, or if that is not possible, to minimize adverse effects on Indigenous Peoples and ensure that the benefits received by the Indigenous Peoples under the Project are in harmony with their economic, social and cultural preferences and protect their customary user rights.
4. The Recipient shall, through MDPAC, MAL, and the Participating Provinces, and in accordance with the Integrated Pest Management Plan, ensure that pests are primarily controlled through environmental methods and, where environmental methods alone are not deemed effective, ensure: (a) that the proceeds of the Financing shall not be used to finance pesticides unless such pesticides are approved by the Association from among the list of pesticides which meet the present standards established by the Association; and (b) take the necessary measures to ensure the safe use and disposal of pesticides, in particular that persons handling pesticides will be provided with protective clothing and equipment and shall be adequately qualified and trained to handle pesticides.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators acceptable to the Association. Each

Project Report shall cover the period of six calendar months, and shall be furnished to the Association not later than forty five (45) days after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. The Recipient shall prepare and furnish to the Association not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. **Goods Works and Non-Consulting Services.** All goods, works and non-consulting services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

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

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

Procurement Method
(a) National Competitive Bidding, subject to the additional procedures set out in the Annex to this Schedule 2
(b) Shopping
(c) Direct Contracting
(d) Community Participation in Procurement
(e) Procurement in Loans to Financial Intermediary Institutions and Entities

C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.
2. **Other Methods of Procurement of Consultants' Services.** The following table specifies methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used:

Procurement Method
(a) Quality-based Selection
(b) Least Cost Selection
(c) Selection based on Consultants' Qualifications
(d) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants
(e) Single-source procedures for the Selection of Individual Consultants
(f) Single-source Procedures for the Selection of Firms

D. Review by the Association of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. All other contracts shall be subject to Post Review by the Association.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Credit and Grant ("Category"), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Grant Allocated (expressed in SDR)	Amount of the Credit Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, consultant services, Sub-grants, Training, and Incremental Operating Costs	2,700,000	3,300,000	100%
TOTAL AMOUNT	2,700,000	3,300,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, 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.

2. The Closing Date is February 28, 2020.

Section V. Other Undertaking

- A. To ensure availability of adequate funds for the Project, the Recipient shall take all measures necessary on its part to secure, by not later than December 31, 2017, an amount of at least \$13,000,000 to assist in financing the Project.

ANNEX to SECTION III of SCHEDULE 2

Special Procedures for National Competitive Bidding in Solomon Islands

The procedure to be followed for National Competitive Bidding shall be those set forth in the provisions on competitive bidding in *Chapter 7 (Supply Chain Management) (July 2010)* with modifications set forth below in order to ensure economy, efficiency and transparency and broad consistency with the provisions of Section I of the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Association in January 2011 (revised 2014) (the “Guidelines”), as required by paragraph 3.3 and 3.4 of the Guidelines.

Eligibility

(i) The eligibility of bidders shall be defined under Section I of the Association’s Guidelines; accordingly, no bidder or potential bidder shall be declared ineligible for contracts financed by the Association for reasons other than those provided in Section I of the Guidelines. Foreign bidders shall be eligible to participate in bidding under the same conditions as national bidders. In particular, no domestic preference over foreign bidders shall be granted to national bidders in bid evaluation, nor shall foreign bidders be asked or required to form joint ventures with national bidders in order to submit a bid.

Registration

(ii) Registration shall not be used to assess bidders’ qualifications. A foreign bidder shall not be required to register as a condition for submitting its bid and, if determined to be the lowest evaluated responsive bidder, shall be given reasonable opportunity of registering, without any let or hindrance. The registration process shall not be applicable for Sub-contractors. Bidding shall not be restricted to any particular class of contractors, and non-classified contractors shall also be eligible to bid.

Advertising; Time for Bid Preparation

(iii) Invitations to bid shall be advertised in at least one newspaper of national circulation, allowing a minimum of thirty (30) days for the preparation and submission of bids shall be allowed except for commodities and small goods contract. Potential bidders shall be allowed to purchase bidding documents up to any time prior to the deadline for submission of bids.

Standard Bidding Documents

(iv) Standard Bidding Documents, acceptable to the Association, shall be used.

Qualification Criteria

(v) Qualification criteria shall be clearly specified in the bidding documents, and all criteria so specified, and only such specified criteria, shall be used to determine whether a bidder is qualified. Qualification shall be assessed on a pass or fail basis and merits points shall not be used. Such assessment shall only take into account the bidder's capacity and resources to perform the contract, specifically its experience and past performance on similar contracts, capabilities with respect to personnel, equipment and construction and manufacturing facilities, and financial capacity. The evaluation of the bidder's qualifications shall be conducted separately from the technical and commercial evaluation of the bid.

Bid Submission, Bid Opening and Bid Evaluation

(vi) Bidders may submit bids, at their option, either in person or by courier service or by mail. Bids shall be opened in public, immediately after the deadline for submission of bids. Bids received after the deadline for bid submission shall be rejected and returned to the bidders unopened.

- (a) All bidding for goods and works shall be carried out through a one-envelope procedure.
- (b) Evaluation of bids shall be made in strict adherence to the criteria that shall be clearly specified in the bidding documents and quantified in monetary terms for evaluation criteria other than price; merit points shall not be used in bid evaluation.
- (c) A contract shall be awarded to the technically responsive bid that offers the lowest evaluated price and no negotiations shall be permitted.
- (d) Bidders shall not be eliminated from detailed evaluation on the basis of minor, non-substantial deviations.
- (e) No bidder shall be rejected on the basis of a comparison with the employer's estimate and budget ceiling without the Association's prior concurrence.
- (f) A copy of the minutes of the public bid opening shall be promptly provided to all bidders, and to the Association with respect to contracts subject to prior review.

Rejection of All Bids and Re-Bidding

(vii) Neither shall all bids be rejected nor new bids solicited without the Association's prior written concurrence.

Extension of the Validity of Bids

(viii) Extension of validity of bids may be allowed in exceptional circumstances but there shall be no amendment of the price or any other condition of the bids. Bidders may refuse such an extension without forfeiting their bid securities, but bidders granting an extension shall provide extension of the validity of their bid securities.

Complaints by Bidders and Handling of Complaints

(ix) The Recipient shall establish and implement an effective and independent protest mechanism allowing bidders to protest and to have their protests handled in a timely manner.

Fraud and Corruption

(x) The Association shall declare a firm or individual ineligible, either indefinitely or for a stated period, to be awarded a contract financed by the Association, if it at any time determines that the firm or individual has, directly or through an agent, engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in competing for, or in executing, a contract financed by the Association.

Right to Inspect/Audit

(xi) Each bidding document and contract financed from the proceeds of a Financing shall include a provision requiring bidders, suppliers, contractors and subcontractors to permit the Association at its request, to inspect their accounts and records relating to the bid submission and performance of the contract and to have said accounts and records audited by auditors appointed by the Association. The deliberate and material violation by the bidder, supplier, contractor or subcontractor to such provision may amount to obstructive practice.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each May 15 and November 15:	
commencing May 15, 2025 to and including November 15, 2034	1%
commencing May 15, 2035 to and including November 15, 2054	2%

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03 (b) of the General Conditions.

APPENDIX

Section I. Definitions

1. “Agribusiness Management Unit” means the unit to be established within MAL and referred to in Section I.A.5 of Schedule 2 to this Agreement.
2. “Agribusiness Partnership Grant” means a portion of the proceeds of the Financing to be made available to each of the relevant partners, including smallholders and relevant stakeholders in the agriculture sector, under Part 2(a) of the Project; and “Agribusiness Partnership Grants” means more than one Agribusiness Partnership Grant.
3. “Agribusiness Partnership Grant Agreement” means the agreement to be entered into between the Recipient and the respective Agribusiness Partnership Grant Beneficiary for the purposes of implementing and financing an Agribusiness Partnership Sub-project; and “Agribusiness Partnership Grant Agreements” means collectively, all such Agribusiness Partnership Grant Agreements.
4. “Agribusiness Partnership Grant Beneficiary” means a partnership formed by smallholder farmers with the private sector partners for purposes of facilitating productive alliances between agribusiness, farmers and other value chain actors, selected in accordance with the eligibility criteria and procedures set forth in the Project Implementation Manual, to receive an Agribusiness Partnership Grant for the financing of an Agribusiness Partnership Sub-project, and the term “Agribusiness Partnership Grant Beneficiaries” means, collectively, all such Agribusiness Partnership Grant Beneficiaries.
5. “Agribusiness Partnership Sub-project” means a set of specific activities under Part 2(a) of the Project to be carried out by a respective Agribusiness Partnership Grant Beneficiary utilizing the proceeds of an Agribusiness Partnership Grant; and the term “Agribusiness Partnership Sub-projects” means, collectively, all such Agribusiness Partnership Sub-projects.
6. “Annual Work Plan and Budget” means each annual work plan, together with the related budget, for the Project accepted by the Association pursuant to the provisions of Section I.B.2 of Schedule 2 to this Agreement; as the said plan and budget may be modified from time to time with the prior written no-objection of the Association.
7. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011.

8. “ASEF Grant” or “Agriculture Supplemental Equity Facility Grant” means a portion of the proceeds of the Financing made available under Part 2(b) of the Project to Participating SMEs to provide supplemental equity financing in conjunction with a loan made to the agriculture enterprise by a Participating Commercial Bank.
9. “ASEF Sub-project” means investment projects under Part 2(b) of the Project to be carried out by a respective Participating SME utilizing the proceeds of an ASEF Grant; and the term “ASEF Sub-projects” means, collectively, all such ASEF Sub-projects.
10. “Australia Co-financing” means an amount equivalent to at least thirteen million three hundred thousand Dollars (USD 13,300,000) to be provided by the Commonwealth of Australia to assist in financing the Project.
11. “Australia Co-financing Agreement” means the agreement to be entered into between the Association, acting as administrator of the Australia Co-financing, and the Recipient, providing for the Australia Co-financing.
12. “Beneficiary” means an Agribusiness Partnership Grant Beneficiary, or a Community Development Grant Beneficiary or a Disaster Recovery Grant Beneficiary.
13. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
14. “Co-financier” means the Commonwealth of Australia or the International Fund for Agriculture Development, in each case as referred to in paragraph 10 of the Appendix to the General Conditions.
15. “Co-financing” means, for purposes of paragraph 11 of the Appendix to the General Conditions, the IFAD Co-financing or the Australia Co-financing.
16. “Co-financing Agreement” means each of the IFAD Co-Financing Agreement and the Australia Co-financing Agreement, and “Co-financing Agreements” means, collectively, such Co-financing Agreement.
17. “Community Development Grant” means a portion of the proceeds of the Financing to be made available to each Community Development Grant Beneficiary to finance a Community Development Sub-project; and “Community Development Grants” means, collectively, all such Community Development Grants.
18. “Community Development Grant Agreement” means the agreement to be entered into between the Recipient and the respective Community Development Grant

Beneficiary for the purposes of implementing and financing a Community Development Sub-project; and “Community Development Sub-grant Agreements” means collectively, all such Community Development Sub-grant Agreements.

19. “Community Development Grant Beneficiary” means a community selected in accordance with the eligibility criteria and procedures set forth in the Project Implementation Manual, to receive a Community Development Grant for the financing of a Community Development Sub-project; and the term “Community Development Grant Beneficiaries” means, collectively, all such Community Development Grant Beneficiaries.
20. “Community Development Sub-project” means a set of specific activities under Part 1(a) of the Project to be carried out by a respective Community Development Grant Beneficiary utilizing the proceeds of a Community Development Grant; and the term “Community Development Sub-projects” means, collectively, all such Community Development Sub-projects.
21. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011(revised July 2014).
22. “Disaster Recovery Grant” means a portion of the proceeds of the Financing to be made available to each Recipient Community under Part 1(c) of the Project; and “Disaster Recovery Grants” means more than one Disaster Recovery Grant.
23. “Disaster Recovery Grant Agreement” means the agreement to be entered into between the Recipient and the respective Disaster Recovery Grant Beneficiary for the purposes of implementing and financing a Disaster Recover Sub-project; and “Disaster Recovery Grant Agreements” means, collectively, all such Disaster Recovery Grant Agreements.
24. “Disaster Recovery Grant Beneficiary” means a community selected in accordance with the eligibility criteria and procedures set forth in the Project Implementation Manual, to receive a Disaster Recovery Grant for the financing of a Disaster Recovery Sub-project; and the term “Disaster Recovery Beneficiaries” means, collectively, all such Disaster Recovery Grant Beneficiaries.
25. “Disaster Recovery Sub-project” means a set of specific activities under Part 1(c) of the Project to be carried out by a respective Disaster Recovery Grant Beneficiary utilizing the proceeds of a Disaster Recovery Grant; and the term “Disaster Recovery Sub-projects” means collectively all such Disaster Recovery Sub-projects.

26. “Environmental and Social Management Framework” or “ESMF” means the framework, dated August 2014, adopted by the Recipient and included in the PIM, acceptable to the Association, for screening, managing and monitoring environmental and social impacts under the Project, including those related to natural habitats, pest management, chance cultural finds, forestry, land acquisition and Indigenous Peoples, as such framework may be amended from time to time with the prior agreement of the Association.
27. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010.
28. “Guadalcanal Province” means one of the provinces of the Solomon Islands consisting of the island of Guadalcanal.
29. “IFAD Co-financing” means an amount equivalent to at least four million six hundred thousand Dollars (USD 4,600,000) to be provided by the International Fund for Agriculture Development to the Recipient for purposes of co-financing the Project.
30. “IFAD Co-financing Agreement” means the agreement to be entered into between the International Fund for Agriculture Development and the Recipient, providing for the IFAD Co-financing.
31. “Incremental Operating Costs” means reasonable expenditures incurred under the Project and reflected in the Annual Work Plan and Budget, for field and domestic and international travel, staff allowances, office lease and administrative expenditures, small goods and services for field and laboratory activities, expenditures related to building and vehicle maintenance, vehicle rental and fuel, and housing allowance and benefits required for positions taken in the Participating Provinces; but excluding government staff salaries.
32. “Indigenous Peoples” means those social groups in Solomon Islands that have a distinct social and cultural identity, that are susceptible to being disadvantaged in the development process induced by the Project or any part thereof, as identified by the ESMF and as the same may be updated during Project implementation.
33. “Integrated Pest Management Plan” means a plan included in the ESMF, setting out measures to develop and implement integrated pest management and safe handling of pesticides in the course of Project implementation; as the said plan may be modified from time to time with the prior written no-objection of the Association.
34. “Ministry of Agriculture and Livestock” or “MAL” means the Recipient’s Ministry of Agriculture and Livestock, or any successor thereto.

35. “Ministry of Development Planning and Aid Coordination” or “MDPAC” means the Recipient’s Ministry of Development Planning and Aid Coordination, or any successor thereto.
36. “Ministry of Education and Human Resource Development” means the Recipient’s Ministry of Education and Human Resource Development, or any successor thereto.
37. “Ministry of Finance” means the Recipient’s Ministry of Finance, or any successor thereto.
38. “Ministry of Health and Medical Services” means the Recipient’s Ministry of Health and Medical Services, or any successor thereto.
39. “Ministry of Infrastructure Development” means the Recipient’s Ministry of Infrastructure Development, or any successor thereto.
40. “Ministry of Provincial Government and Institutional Strengthening” means the Recipient’s Ministry of Provincial Government and Institutional Strengthening, or any successor thereto.
41. “Ministry of Rural Development” means the Recipient’s Ministry of Rural Development, or any successor thereto.
42. “Part” refers to a part of the Project set out in Schedule 1 to this Agreement; and “Parts” refers to more than one Part of the Project.
43. “Participating Commercial Bank” means each commercial banking institution designated by the Recipient under Part 2(b) of the Project and approved by the Association in writing, and “Participating Commercial Banks” means, collectively, all such Participating Commercial Banks.
44. “Participating Province” means any of the Recipient’s Central, Guadalcanal, Makira, Isabel, Choiseul, Western, Malaita, Temotu, and Rennell and Bellona Provinces, and “Participating Provinces” means collectively all such Participating Provinces.
45. “Participating SME” means a small or medium rural enterprise which meets the qualifications for participation in Part 2(b) of the Project as set out in the Program Implementation Manual and which has received or been selected to receive a loan from a Participating Commercial Bank; and “Participating SMEs” means more than one Participating SME.
46. “Participation Agreement” means the agreement to be entered into between the Recipient and the respective Participating Commercial Bank for purposes of

providing the ASEF Grants, through the Participating Commercial Bank to the Participating SMEs.

47. "Procurement Guidelines" means the "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011(revised July 2014).
48. "Procurement Plan" means the Recipient's procurement plan for the Project, dated August 28, 2014, and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
49. "Program" means the Recipient's rural development program, comprising the Rural Development Program I and II partly financed by funds provided by the Association and other donors.
50. "Program Coordination Unit" means a coordination unit for the Project referred to in Section I.A.3 of Schedule 2 to this Agreement.
51. "Project Implementation Manual" or "PIM" means the manual adopted by the Recipient, setting forth the implementation arrangements for the Project acceptable to the Association, including: (i) overall Project implementation arrangements; (ii) the procurement procedures consistent with those set forth in Section III of Schedule 2 to this Agreement and in the Procurement Plan, including standard procurement documentation; (iii) reporting requirements, financial management procedures and audit arrangements and procedures consistent with those set forth in Section II of Schedule 2 to this Agreement; (iv) annual budget and work plan procedures; (v) monitoring and evaluation criteria; (vi) the Environmental and Social Management Framework; and (vii) the implementation arrangements for the Sub-projects and the ASEF Grants, including eligibility criteria and a grievance redress mechanism; as such Project Implementation Manual, or any component thereof may be amended from time to time with prior written agreement of the Association.
52. "Project Steering Committee" means the steering committee referred to in Section I.A of Schedule 2 to this Agreement.
53. "Province" refers to a province, a territorial division of the Recipient.
54. "Provincial Support Units" means the units referred to in Section I.A.4 of Schedule 2 to this Agreement.
55. "Solomon Islands Dollars" means the Recipient's currency.

- 56. “Sub-grant” means an Agribusiness Partnership Grant, a Community Development Grant, or a Disaster Recovery Grant; and “Sub-grants” means collectively all such Sub-grants.
- 57. “Sub-grant Agreement” means an Agribusiness Partnership Grant Agreement, Community Development Grant Agreement or Disaster Recovery Grant Agreement; and “Sub-grant Agreements” means collectively all such Sub-grant Agreements.
- 58. “Sub-project” means an Agribusiness Partnership Sub-project, a Community Development Sub-project or a Disaster Recovery Sub-project; and “Sub-projects” means collectively all such Sub-projects.
- 59. “Training” means the reasonable costs of training, study tours and workshops required for the Project and set forth in the Annual Work Plan and Budget, including materials, rental of facilities, reasonable transportation costs, course fees, as well as domestic travel and subsistence of trainers.