

CONFORMED COPY

GRANT NUMBER H332-SOL

Financing Agreement

(Solomon Islands Rural Development Project)

between

SOLOMON ISLANDS

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated September 24, 2007

GRANT NUMBER H332-SOL

FINANCING AGREEMENT

AGREEMENT dated September 24, 2007, entered into between SOLOMON ISLANDS (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). The Recipient and the Association hereby agree as follows:

ARTICLE I – GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II – FINANCING

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equivalent to two million two hundred thousand Special Drawing Rights (SDR 2,200,000) (variously, “Grant” and “Financing”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Payment Dates are January 1 and July 1 in each year.
- 2.05. The Payment Currency is Dollars.

ARTICLE III – PROJECT

- 3.01. The Recipient declares its commitment to the objectives 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 – EFFECTIVENESS; TERMINATION

- 4.01. The Additional Conditions of Effectiveness consist of the following:
- (a) Each of the Co-financing Agreements has been executed and delivered and has become effective.
 - (b) The Program Implementation Manual, acceptable to the Association, has been adopted by the Recipient and the following staff of the Program Coordination Unit and of the management team in each of the four initial Participating Provinces have completed a training course satisfactory to the Association on the Program Implementation Manual: the Program Coordinator in MDPAC, accountant in MDPAC, Permanent Secretary in MAL, Chief Field Officers of MAL in the Participating Provinces, Provincial Secretaries in the Participating Provinces, and Permanent Secretary in MOFT.
 - (c) MDPAC has appointed the following staff members under terms of reference acceptable to the Association: a program manager, a program management advisor, an advisor for Part 2 of the Project, a senior finance officer, and a senior procurement officer.
 - (d) The Recipient has established a supplemental accounting system, acceptable to the Association.
- 4.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 4.03. For purposes of Section 8.05(b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE V – REPRESENTATIVE; ADDRESSES

- 5.01. The Recipient's Representative is the Minister of Finance and Treasury of the Recipient.

5.02. The Recipient's Address is:

Ministry of Finance and Treasury
P.O. Box 26
Honiara, Solomon Islands
Facsimile: + 677 27855

5.03. The Association's Address is:

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

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

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

SOLOMON ISLANDS

By: /s/ Gordon Darcy Lilo
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: /s/ Nigel Roberts
Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to assist the Recipient to raise the living standards of rural households by establishing improved mechanisms for the delivery of priority economic and social infrastructure and services through: (i) increased, cost-effective and sustained provision of local services and basic infrastructure determined through participatory planning prioritized by villagers; (ii) increased capacity of agriculture institutions to provide demand-driven agriculture services at the local level; and (iii) support for rural business development.

The Project consists of the following Parts:

Part 1: Local Infrastructure and Services

(a) Provision of Community Development Grants

Funding public infrastructure and services through periodic allocations to Participating Provinces to finance Community Development Grants to fund public infrastructure and services.

(b) Capacity Building:

(i) Support for capacity building activities, including information and communications, training, domestic and international study tours and peer learning; and

(ii) funding of operating costs and small rehabilitation of provincial facilities; in each case to support provincial government staff and line ministry staff at provincial level, facilitators, ward councilors and other community representatives at ward level, Subproject Implementation Committee members and contractors, to plan, budget, implement and monitor and evaluate Community Development Subprojects.

Part 2: Improved Agricultural Services

(a) Provision of Annual Agriculture Service Allocations

Provision of Annual Agriculture Service Allocations to Participating Provinces to engage Participating Service Providers to develop and deliver agricultural services at the provincial level included in Annual Agriculture Service Programs through Participating Service Providers.

(b) Capacity Building

Support for capacity building for: (i) MAL at the national level to facilitate and supervise provincial service delivery; (ii) other Participating Service Providers; and (iii) rural households, through the provision of: (i) technical assistance; (ii) training and (iii) targeted rehabilitation or replacement of offices or other infrastructure and the financing of operating costs.

Part 3: Rural Business Development

(a) Provision of Supplemental Equity Facility (SEF)

Provision of financing to Participating SMEs to supplement loans received by Participating SMEs from Participating Commercial Banks.

(b) Capacity Building

Provision of: (i) technical assistance to business training and counseling institutions; (ii) training for staff in Participating Commercial Banks related to handling small and medium enterprise loan and supplemental financing applications; (iii) technical assistance to small and medium enterprises, including Participating SMEs, in the preparation of business plans; and (iv) technical assistance to the Recipient and Participating Commercial Banks to develop and implement an SEF communications strategy.

Part 4: Program Management

Provision of support to the Recipient for management at central and provincial levels, including the preparation and consolidation of annual work plans and budgets, supervision of Project activities, preparation of progress reports, financial management and procurement functions, communication activities, monitoring and evaluation, and training and domestic and international study tours.

SCHEDULE 2**Project Execution****Section I. Implementation Arrangements****A. Institutional Arrangements.**

1. The Recipient, through MDPAC, shall establish by September 30, 2007, and maintain until completion of the Project, the Program Steering Committee, including Permanent Secretaries from MDPAC, MOFT, MAL, MID, MPGRD and the Provincial Secretaries of Participating Provinces. The Recipient shall ensure that MDPAC shall be responsible for Project coordination and that the Program Steering Committee shall be responsible for guiding the work of MDPAC.
2.
 - (a) The Recipient shall establish by December 31, 2007, and maintain until completion of the Project, a Program Coordination Unit at the national level and shall ensure that such Program Coordination Unit is provided at all times with adequate funds and other resources, and is staffed by qualified and experienced personnel in adequate numbers, as shall be necessary to accomplish its functions, responsibilities and objectives under the Project, and in each case as shall be acceptable to the Association. The Project Coordination Unit shall coordinate activities implemented by the Participating Provinces.
 - (b) The Permanent Secretary in MDPAC shall be the Program Coordinator, assisted by: (i) a full time program manager responsible for the daily coordination of Project activities; (ii) a senior finance specialist; (iii) a senior procurement specialist; (iv) a communications specialist; (v) a coordinator for Part 1 of the Project; (vi) a coordinator for Part 2 of the Project; and (vii) a senior planning, monitoring and evaluation officer, in each case acceptable to the Association.
 - (c) The Recipient shall establish by October 15, 2007, and maintain until completion of the Project, the following technical working groups to support the Program Coordination Unit in ensuring consistency of Project activities with the Recipient's sector policies: (i) for Part 1 of the Project, the technical working group shall include representatives of MDPAC, MPGRD and MID; (ii) for Part 2 of the Project, the technical working group shall include representatives of MDPAC, MAL and Participating Provinces; and (iii) for Part 3 of the Project, the technical working group shall include representatives of MDPAC, CBSI and MOFT.

3. (a) The Recipient shall establish by December 31, 2007, and maintain until completion of the Project, a management team at the provincial level in each Participating Province, and shall ensure that each such management team is provided at all times with adequate funds and other resources, and is staffed by qualified and experienced personnel in adequate numbers, as shall be necessary to accomplish its functions, responsibilities and objectives, in each case acceptable to the Association.
- (b) The provincial secretary of each Participating Province shall be responsible for Project management at the provincial level, assisted by: (i) a provincial team leader; (ii) specialists in finance and engineering; and (iii) line agency staff, in each case acceptable to the Association.
4. The Participating Provinces for Parts 1 and 2 of the Project for the first two (2) years of Project implementation shall be Choiseul, Western, Malaita and Temotu provinces, and thereafter may include additional eligible provinces agreed with the Association.
5. The Recipient shall ensure that each Participating Province shall establish by December 31, 2007, and thereafter maintain until completion of the Project, a provincial Project account acceptable to the Association.

B. Project Implementation.

1. The Recipient shall: (a) adopt the Program Implementation Manual, acceptable to the Association; (b) carry out the Project in accordance with the Program Implementation Manual; and (c) not waive, amend or abrogate, or allow to be amended, waived or abrogated, any provision of the Program Implementation Manual or any component thereof, without the prior consent of the Association.
2. The Recipient shall submit an annual work plan and budget for each Part of the Project to the Association for review and concurrence (a) within ninety (90) days of the Effective Date for calendar year 2008; and (b) for each subsequent calendar year, by no later than September 30 of each year, commencing on September 30, 2008.
3. The Recipient shall prepare by December 31, 2007, and thereafter implement until completion of the Project, a communications and awareness strategy acceptable to the Association.
4. The Recipient shall undertake a baseline survey of the Project performance indicators, acceptable to the Association, for each Part of the Project by March 31, 2008.

5. Without limiting the provisions of Section III of this Schedule 2, the Recipient shall prepare, by the date which is six (6) months after the Effective Date, a document setting out the scope of the Project audit.
6. The Recipient shall make the proceeds of the Financing allocated to Part 1(a) of the Project available to Participating Provinces as Community Development Grants for Community Development Subprojects in accordance with the Program Implementation Manual, including the Environmental Assessment/Environment and Social Management Framework, and the implementation arrangements set out below, except as the Association shall otherwise agree.
 - (a) **Participating Provinces.** The Recipient shall, through MDPAC, enter into an agreement acceptable to the Association with each Participating Province which shall set out the terms and conditions under which such Participating Province shall implement its respective activities under Part 1(a) of the Project in accordance with the Program Implementation Manual.
 - (b) **Community Development Grant Selection.** The Recipient, through each Participating Province shall ensure that: (i) each Community Development Subproject meets the eligibility criteria set out in the Program Implementation Manual; and (ii) each Community Development Subproject has been approved by the respective Development Council and endorsed by the respective Provincial Assembly for inclusion in the annual budget of the Participating Province.
 - (c) **Community Development Grant Implementation.** The Recipient, through each Participating Province, shall ensure that, with respect to each Community Development Subproject: (i) a Subproject Implementation Committee, acceptable to the Association, shall appraise the Community Development Subproject; (ii) the Participating Province and the Subproject Implementation Committee, shall enter into an agreement setting out the terms and conditions for the Community Development Grant prior to commencement of the Community Development Subproject; and (iii) the Subproject Implementation Committee, shall implement, and the Participating Province shall monitor and evaluate, the Community Development Subproject; in each case in a manner acceptable to the Association in accordance with the Program Implementation Manual.
 - (d) **Capacity Building Implementation.** The Recipient shall ensure that capacity building activities and training programs under Part 1(b) of the

Project are implemented in accordance with the Program Implementation Manual.

7. The Recipient shall make the proceeds of the Financing allocated to Part 2(a) of the Project available to Participating Provinces as Annual Agriculture Service Allocations in accordance with the Program Implementation Manual, including the Environmental Assessment/Environment and Social Management Framework, and the implementation arrangements set out below, except as the Association shall otherwise agree.
 - (a) **Annual Agriculture Service Program Formation.** The Recipient, through MAL, shall ensure that each Participating Province shall develop an Annual Agriculture Service Program, acceptable to the Association: (i) within ninety (90) days of the Effective Date for calendar year 2008; and (ii) for each subsequent calendar year, by no later than September 30 in each year commencing on September 30, 2008, for Annual Agriculture Service Allocations to be made in the upcoming year in the Participating Province.
 - (b) **Annual Agriculture Service Program Implementation.** The Recipient, though each Participating Province, shall ensure that: (i) upon approval of each Annual Agriculture Service Program, each Participating Province shall enter into an agreement with each Participating Service Provider identified under the Annual Agriculture Service Program; and (ii) the Participating Service Providers shall implement, and MAL shall monitor and evaluate, the activities undertaken under each Annual Agriculture Service Program; in each case in a manner acceptable to the Association in accordance with the Program Implementation Manual.
 - (c) **Capacity Building Implementation.** The Recipient shall ensure that capacity building activities and training programs under Part 2(b) of the Project are implemented in accordance with the Program Implementation Manual.
8. The Recipient shall make the proceeds of the Financing allocated to Part 3(a) of the Project available as SEF Grants to Participating SMEs to provide supplemental equity financing in conjunction with a loan made to the Participating SME for an investment project by a Participating Commercial Bank in accordance with the Program Implementation Manual, including the Environmental Assessment/Environment and Social Management Framework, and the implementation arrangements set out below, except as the Association shall otherwise agree.
 - (a) **Participating Commercial Banks.** (i) The Recipient shall ensure that only commercial banks which have been approved in writing by the

Association shall be Participating Commercial Banks for the purposes of the Project.

(ii) The Recipient shall, through MDPAC, enter into an agreement, acceptable to the Association, with each Participating Commercial Bank prior to making any proceeds of the Financing available to a Participating SME through such Participating Commercial Bank. Each such agreement shall set out the terms and conditions under which such Participating Commercial Bank shall implement its respective activities under Part 3(a) of the Project in accordance with the Program Implementation Manual. Each Participating Commercial Bank shall ensure that each Participating SME and SEF Grant meets the eligibility criteria set out in the Program Implementation Manual.

- (b) **Provision of SEF Grants.** The Recipient shall, through MDPAC:
- (i) prior to making an SEF Grant to a Participating SME, enter into an agreement with such Participating SME setting out the terms and conditions, acceptable to the Association, of the SEF Grant including the amount of equity contribution to be made by the Participating SME; and
 - (ii) with respect to each SEF Grant, transfer the proceeds of such SEF Grant to the account of the Participating SME held at the corresponding Participating Commercial Bank upon authorization of the corresponding Participating Commercial Bank.
- (c) **SEF Grant Monitoring.** The Recipient shall ensure that (i) the Program Coordination Unit shall perform bi-annual reviews of all SEF Grant transactions during the preceding six (6) months and provide the results of such reviews to the Association in each Project Report; and (ii) publish, in a manner acceptable to the Association, at least every six (6) months a list, certified by the Program Coordination Unit and CBSI, of all SEF Grant transactions in the preceding period.
- (d) **Capacity Building.** The Recipient shall ensure that capacity building activities under Part 3(b) of the Project are implemented in accordance with the Program Implementation Manual.

C. Safeguards.

1. In carrying out the Project, the Recipient shall ensure that: (a) environmental screening has been completed for each Project activity in accordance with the environmental screening criteria set out in the Environmental Assessment/Environment and Social Management Framework; and (b) the recommended environmental mitigation measures set out in the Environmental Assessment/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 Environmental Assessment/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 Recipient 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 Environmental Assessment/Environment and Social Management Framework and satisfactory to the Association.

3. In carrying out the Project, the Recipient shall, in accordance with the Social Assessment included in the Program Implementation Manual 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 not possible, 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.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports.

1. (a) 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 the indicators set forth below in sub-paragraph (b) of this paragraph. Each Project Report shall cover the period of one (1) calendar semester, 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) The performance indicators referred to above in sub-paragraph (a) consist of the following:
 - (i) at the development objective level:

- (A) number of people using the local infrastructure and agricultural services provided; and
 - (B) percentage of people surveyed who are satisfied with the local infrastructure and agricultural services provided;
- (ii) for Part 1 of the Project:
- (A) number of infrastructure sub-projects completed and maintained; and
 - (B) number of people satisfied with their level of participation in local decision making process;
- (iii) for Part 2 of the Project:
- (A) number of people surveyed that have been visited by qualified agricultural service providers; and
 - (B) number of people surveyed satisfied with agricultural services provided;
- (iv) for Part 3 of the Project:
- (A) number of businesses established or expanding in rural areas;
 - (B) profitability of the businesses established; and
 - (C) increases in income or employment arising to rural people from businesses established; and
- (v) for Part 4 of the Project:
- (A) timely implementation of component activities, submission of timely progress, financial and procurement reports; and
 - (B) management functions mainstreamed.
2. The Recipient shall prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about September 30, 2009, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph 1 of this Section II.A on the progress achieved in the carrying out of the Project during the period preceding the date of such

report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date.

B. Financial Management, Financial Reports and Audits.

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association (as part of the Project Report during those quarters in which a Project Report is also due under paragraph 1(a) of Section II.A of this Schedule 2) 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 and Works.** All goods and works 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 and Works.

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts 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:

<u>Procurement Method</u>
(a) National Competitive Bidding, subject to the additional procedures set out in the Annex to this Schedule 2
(b) Shopping
(c) Procurement from the Inter-Agency Procurement Services of the United Nations
(d) Direct Contracting

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.

<u>Procurement Method</u>
(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) Sole Source Procedures for the Selection of Individual Consultants

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 sixteen percent (16%) (exclusive of Taxes) of Eligible Expenditures, consisting of goods, works, services, Community Development Grants, SEF Grants, training, study tours and Incremental Operating Costs.

B. Withdrawal Conditions; Withdrawal Period.

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement.
2. The Closing Date is November 30, 2012.

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 22 (Purchase of Goods and Services, Sale of Government Property, Shares and Assets) of the Financial Instructions (January 2004)* 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 May 2004 (the Guidelines), as required by paragraph 3.3 and 3.4 of the Guidelines.

Eligibility

- (i) The eligibility of bidders shall be as 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) Invitation to pre-qualify for large specialized contracts and invitations to bid shall be advertised in at least one newspaper of national circulation. In case of bids, a minimum of thirty (30) days for the preparation and submission of bids shall be allowed except for commodities and small goods contract, such 30 days to begin with the availability of the bid documents or the advertisement, whichever is later. Potential bidders shall be allowed to purchase bidding documents up to anytime 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. No restrictions should be placed on bidders in respect of sourcing labor and materials, except in the case of unskilled labor, if available locally. 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 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.

Publication of Award of Contract

- (ix) The following information on contract award shall be published on an accessible and operational website or on another means of publication acceptable to the Association: (a) name of each bidder who submitted a bid; (b) bid prices as read out at bid opening; (c) name and evaluated price of each bid that was evaluated; (d) name of bidders whose bids were rejected and the reasons for their rejection; and (e) name of the winning bidder, price it offered as well as the duration and summary scope of the contract award. This publication shall be updated quarterly.

Complaints by Bidders and Handling of Complaints

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

Fraud and Corruption

- (xi) 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, or coercive practices in competing for, or in executing, a contract financed by the Association.

Right to Inspect/Audit

- (xii) Each bidding document and contract financed from the proceeds of a Financing shall include a provision requiring bidders, suppliers, and contractors 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.

Conflict of Interest

- (xiii) Bidders that have a business or family relationship with a senior member of the project implementing agency's staff shall not be awarded a contract, unless the conflict of interest stemming from this relationship has been resolved in a manner satisfactory to the Association throughout the process of evaluation of the bids and the execution of the contract.

Contracts and Administration

- (xiv) The commercial terms and conditions to be adopted should have the prior concurrence of the Association so as to ensure that these are appropriate for the size and nature of the intended contract. Variations to contract scope / conditions may only be made with the prior concurrence of the Association.

APPENDIX**Definitions**

1. “Annual Agriculture Service Allocation” means a portion of the proceeds of the Financing of the Project to be made available to each Participating Province, as described in paragraph 7 of Section I.B of Schedule 2 to this Agreement, and “Annual Agriculture Service Allocations” means more than one Annual Agriculture Service Allocation.
2. “Annual Agriculture Service Program” means the work program of each Participating Province setting out the agricultural services to be provided by the Participating Province, based on which the Annual Agriculture Service Allocations shall be made, and “Annual Agriculture Service Programs” means more than one Annual Agriculture Service Program.
3. “CBSI” means Central Bank of the Solomon Islands, which performs the central bank functions in the Solomon Islands, and any successor thereto.
4. “Chief Field Officer” means the senior officer of MAL in each Province.
5. “Co-financier” means the Association, acting as administrator of grant funds provided by each of: (a) the Government of Australia acting through the Australian Agency for International Development; and (b) the European Community, represented by the Commission of the European Communities, in each case as referred to in paragraph 10 of the Appendix to the General Conditions.
6. “Co-financing” means an amount of seven million five hundred thirteen thousand three hundred thirty Euro (€7,513,330) and seven million nine hundred thirteen thousand five hundred Australian dollars (AUD7,913,500), to be provided through the Co-financier to assist in financing the Project.
7. “Co-financing Agreement” means each of the Co-Financing Agreement (EC) and the Co-financing Agreement (Australia), and “Co-financing Agreements” means each Co-financing Agreement collectively.
8. “Co-financing Agreement (EC)” means the agreement, to be entered into between the Association, acting as administrator of grant funds provided by the European Community, and the Recipient, providing for a portion of the Co-financing for the Project.
9. “Co-financing Agreement (Australia)” means the agreement to be entered into between the Association, acting as administrator of grant funds provided by the Government of Australia acting through the Australian Agency for International

Development, and the Recipient providing for a portion of the Co-financing for the Project.

10. “Community Development Grant” means a portion of the proceeds of the Financing to be made available to each Participating Province out of which Community Development Subprojects will be funded each year, as described in paragraph 6 of Section I.B of Schedule 2 to this Agreement; and “Community Development Grants” means more than one Community Development Grant.
11. “Community Development Subproject” means a project funded out of a Community Development Grant for the provision of public infrastructure and services in rural area selected through a community participatory process in accordance with the Program Implementation Manual; and “Community Development Subprojects” means more than one Community Development Subproject.
12. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004.
13. “Development Council” means the provincial government organization of the Recipient responsible for selecting Community Development Subprojects in each Participating Province.
14. “Environmental Assessment/Environmental and Social Management Framework” means the framework, dated July 10, 2007, adopted by the Recipient and included in the Program Implementation Manual, 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.
15. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005.
16. “Incremental Operating Costs” for the purpose of paragraph 1 of Section IV of Schedule 2 to this Agreement means expenditures under the Project 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 excludes government staff salaries.
17. “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 Social Assessment and as the same may be updated during Project implementation.

18. "MAL" means the Recipient's Ministry of Agriculture and Livestock, or any successor thereto.
19. "MDPAC" means the Recipient's Ministry of Development Planning and Aid Coordination, or any successor thereto.
20. "MID" means the Recipient's Ministry of Infrastructure Development, or any successor thereto.
21. "MOFT" means the Recipient's Ministry of Finance and Treasury, or any successor thereto.
22. "MPGRD" means the Recipient's Ministry of Provincial Government and Rural Development, or any successor thereto.
23. "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.
24. "Participating Commercial Bank" means each commercial banking institution designated by the Recipient under Part 3 of the Project and approved by the Association in writing, and "Participating Commercial Banks" means more than one Participating Commercial Bank.
25. "Participating Province" means, with respect to each of Part 1 and Part 2 of the Project, each of Choiseul, Western, Malaita, and Temotu provinces in the first and second years of Project implementation and each of such additional Provinces as may be agreed between the Recipient and the Association in accordance with paragraph 4 of Section I.A of Schedule 2 to this Agreement, and "Participating Provinces" means more than one Participating Province.
26. "Participating Service Provider" means MAL, and each such non-governmental organization, community based organization, farmers associations or small or medium enterprise or private individual, identified as part of the annual planning process and acceptable to the Association, designated to implement an Annual Agriculture Services Allocation in accordance with the Program Implementation Manual, and "Participating Service Providers" means more than one Participating Service Provider.
27. "Participating SME" means a small or medium rural enterprise which meets the qualifications for participation in Part 3 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.

28. “Permanent Secretary” means officer operating as the chief executive of a ministry of the Recipient.
29. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004.
30. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated July 13, 2007 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
31. “Program Coordination Unit” means a coordination unit for the Project established by the Recipient and maintained until completion of the Project at the national level and acceptable to the Association.
32. “Program Coordinator” means the Permanent Secretary in the Recipient’s MDPAC as referred to in paragraph 2(b) of Section I.A of Schedule 2 to this Agreement.
33. “Program Implementation Manual” 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 Assessment/Environmental and Social Management Framework and the Social Assessment; (vii) the Community Development Grant implementation procedures; (viii) the Annual Agriculture Service Allocation implementation procedures; and (ix) the SEF Grant implementation procedures, as such Program Implementation Manual, or any component thereof may be amended from time to time with the agreement of the Association.
34. “Program Steering Committee” means the steering committee established by the Recipient and maintained until completion of the Project at the national level acceptable to the Association in accordance with paragraph 1 of Section I.A of Schedule 2 to this Agreement.
35. “Province” refers to a province, a territorial division of the Recipient.

36. “Provincial Assembly” means the legislative body of each Participating Province.
37. “Provincial Secretary” means the officer operating as the administrative head of the government of a Province of the Recipient.
38. “Social Assessment” means the report of the social assessment conducted by the Recipient to identify social impacts of the Project, dated July 10, 2007.
39. “Supplemental Equity Facility” and the acronym “SEF” mean a portion of the proceeds of the Financing made available under Part 3 of the Project to Participating SMEs to provide supplemental equity financing in conjunction with a loan made to the Participating SME by a Participating Commercial Bank.
40. “SEF Grant” means a grant to a Participating SME, and “SEF Grants” means more than one SEF Grant.
41. “Subproject Implementation Committee” mean the committee established for the subproject technical design, appraisal and implementation of a Community Development Subproject, and “Subproject Implementation Committees” mean more than one Subproject Implementation Committee.