

19-Dec-2023

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

Dear Minister:

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

We refer to the Financing Agreement, as amended (“Financing Agreement”), between Solomon Islands (“Recipient”) and the International Development Association (“Association”) dated October 31, 2019, for the Urban Water Supply and Sanitation Sector Project (“Project”). All capitalized terms used in this letter (“Amendment Letter”) shall have the same meanings ascribed to them in the Financing Agreement unless the context requires otherwise.

The Association hereby proposes to amend the Financing Agreement to reflect the modifications to the Project, for which the Recipient has requested the Association to provide additional financing as: (1) a grant in an amount equivalent to one million six hundred thousand SDR (SDR 1,600,000); and (2) a credit in the amount of thirteen million United States Dollars (USD 13,000,000). The Association has agreed to extend such financial assistance under the terms and conditions set forth in the financing agreement (Credit Number 7465-SB, Grant Number E273-SB) between the Recipient and the Association dated on or about the date of this Amendment Letter.

Accordingly:

I. Amendment to the Financing Agreement

1. The table set out in Section III.A of Schedule 2 to the Financing Agreement is updated as set forth in Annex 1 to this letter.
2. The definition in paragraph 32 (“Subsequent Co-financing Agreement”) of Section I of the Appendix to the Financing Agreement is amended to read as follows:

““Subsequent Co-financing Agreement” means the agreement, dated September 27, 2019, between the Recipient and the Co-financier providing for the Co-financing in an amount of eighteen million Euros (EUR 18,000,000) equivalent.”

II. Revisions to the Results Framework

The results framework for the Project is revised as set forth in Annex 2 to this letter.

Except as specifically amended herein, all other provisions of the Financing Agreement shall remain in full force and effect.

Please indicate your agreement to the amendments set out above by countersigning, dating and returning to us one original of this Amendment Letter. Upon receipt by the Association of a duly countersigned original of this Amendment Letter, the amendments detailed in this Amendment Letter shall become effective as of the date of countersignature.

Sincerely,

INTERNATIONAL DEVELOPMENT ASSOCIATION



Stephen N. Ndegwa
Country Director
Papua New Guinea & Pacific Islands
East Asia and Pacific Region

AGREED:
SOLOMON ISLANDS

By Harry kuma
Authorized Representative

Name Harry kuma

Title Minister of Finance and Treasury

Date: 21-Dec-2023

Annex 1 - Amended Withdrawal Table
(Section III.A of Schedule 2 to the Financing Agreement)

Category	Amount of the Credit Allocated (expressed in USD)	Percentage of Expenditures to be Financed (exclusive of Taxes)
(1) Goods, works, non-consulting services, Training, Incremental Operating Costs and consulting services for Parts 1(a), (c), (d), and (e) of the Project	11,795,000	Up to 100% of the Credit's agreed share of the cost specified and agreed upon in the Annual Work Plan and Budget
(2) Goods, works, non-consulting services, Training, Incremental Operating Costs and consulting services for Part 2 of the Project	2,225,000	Up to 100% of the Credit's agreed share of the cost specified and agreed upon in the Annual Work Plan and Budget
(3) Unallocated	0	
(4) Goods, works, non-consulting services, Training, Incremental Operating Costs and consulting services for Part 1(b) of the Project	0	
(5) Goods, works, non-consulting services, Training, Incremental Operating Costs and consulting services for Part 1(f) of the Project	980,000	Up to 100% of the Credit's agreed share of the cost specified and agreed upon in the Annual Work Plan and Budget
TOTAL AMOUNT	15,000,000	

Annex 2 - Revised Results Framework for the Project

Results Framework

COUNTRY: Solomon Islands

Urban Water Supply and Sanitation Sector Project Additional Financing

Project Development Objective(s)

To increase access and quality of water supply and quality of sanitation services in selected service areas of Solomon Water, and to improve the operational performance of Solomon Water.

Project Development Objective Indicators by Objectives/ Outcomes

Indicator Name	PBC	Baseline	Intermediate Targets							End Target
			1	2	3	4	5	6	7	
Increased access and quality of water supply and quality of sanitation services										
People provided with access to improved water sources through piped house water connections (Number)		0.00	0.00	0.00	2,000.00	4,000.00	14,000.00	24,000.00	34,000.00	34,000.00
Action: This indicator has been Revised	Rationale: Gizo subproject removed from the project, so beneficiary target numbers updated accordingly Indicator name: unchanged Baseline: unchanged Intermediate Targets: updated based on current project progress End Target: Reduced from 40,000 to 34,000 to exclude Gizo Monitoring and Evaluation Plan: definition edited									
People provided with access to improved water sources through piped water connections - Females (Number)		0.00	0.00	0.00	940.00	1,800.00	6,500.00	11,200.00	16,000.00	16,000.00

Indicator Name	PBC	Baseline	Intermediate Targets							End Target
			1	2	3	4	5	6	7	
Volume of water unaccounted for (Cubic meters/year)		7,355,000.00	7,355,000.00	7,000,000.00	6,700,000.00	6,310,000.00	5,920,000.00	5,530,000.00	5,140,000.00	4,745,000.00
Action: This indicator has been Revised	Rationale: Updated based on AF preparation analysis Indicator name: unchanged Baseline: unchanged Intermediate Targets: edited according to updated NRW projections End Target: edited according to updated NRW projections Monitoring and Evaluation Plan: unchanged Other: tagged as climate change indicator									
Operating cost coverage (Number)		1.11	1.11	1.12	1.14	1.17	1.20	1.22	1.24	1.25
Action: This indicator has been Revised	Rationale: Updating missing information Indicator name: unchanged Baseline: unchanged Intermediate Targets: unchanged End Target: unchanged Monitoring and Evaluation Plan: definition added									

Intermediate Results Indicators by Components

Indicator Name	PBC	Baseline	Intermediate Targets							End Target
			1	2	3	4	5	6	7	
Component 1. Urban Water Supply										
1.1 Water mains created and rehabilitated (Kilometers)		0.00	0.00	0.00	5.00	8.00	10.00	25.00	35.00	45.00
Action: This indicator has been Revised	Rationale: Gizo subproject removed from the project, so kilometers of pipeline reduced accordingly									

Indicator Name	PBC	Baseline	Intermediate Targets							End Target
			1	2	3	4	5	6	7	
Indicator name: unchanged Baseline: unchanged Intermediate Targets: updated based on current project progress End Target: reduced from 56km to 45km Monitoring and Evaluation Plan: unchanged										
1.2 New storage capacity implemented (Cubic Meter(m3))		0.00	0.00	0.00	6,000.00	6,000.00	6,000.00	6,000.00	6,000.00	12,000.00
Action: This indicator has been Revised										
Rationale: Updating missing information Indicator name: unchanged Baseline: unchanged Intermediate Targets: unchanged End Target: unchanged Monitoring and Evaluation Plan: definition added										
Component 2. Urban Sanitation										
2.1 New septage treatment capacity at the centralized septage treatment plant (Population-Equivalent) (Number)		0.00	0.00	0.00	0.00	60,000.00	60,000.00	60,000.00	60,000.00	60,000.00
Action: This indicator has been Revised										
Rationale: Updating missing information Indicator name: unchanged Baseline: unchanged Intermediate Targets: unchanged End Target: unchanged Monitoring and Evaluation Plan: definition added Other: indicator tagged to climate change										
2.2 Trunk sewer mains rehabilitated (Kilometers)		0.00	0.00	0.00	2.00	4.00	6.00	7.00	7.00	7.00

Indicator Name	PBC	Baseline	Intermediate Targets							End Target
			1	2	3	4	5	6	7	
Action: This indicator has been Revised										
<p>Rationale: <i>Updating missing information</i> <i>Indicator name: unchanged</i> <i>Baseline: unchanged</i> <i>Intermediate Targets: unchanged</i> <i>End Target: unchanged</i> <i>Monitoring and Evaluation Plan: definition added</i></p>										
Component 3. Water Conservation, Sanitation, and Hygiene Awareness and Education										
3.1 People trained to improved hygiene behaviour or sanitation practices under the project (Number)		0.00	0.00	200.00	400.00	600.00	800.00	1,000.00	1,000.00	1,000.00
Action: This indicator has been Revised										
<p>Rationale: <i>During COVID-19 WASH campaigns pivoted to include more online engagement with communities. The face-to-face training indicator target is therefore reduced</i> <i>Indicator name: unchanged</i> <i>Baseline: unchanged</i> <i>Intermediate Targets: updated based on current project progress</i> <i>End Target: reduced from 10,000 to 1,000 people</i> <i>Monitoring and Evaluation Plan: unchanged</i> <i>Other: tagged as citizen engagement indicator</i></p>										
People trained to improved hygiene behaviour or sanitation practices under the project - Females (Number)		0.00	0.00	94.00	188.00	282.00	376.00	470.00	470.00	470.00

Indicator Name	PBC	Baseline	Intermediate Targets							End Target
			1	2	3	4	5	6	7	
Action: This indicator has been Revised										
<p>Rationale: <i>During COVID-19 WASH campaigns pivoted to include more online engagement with communities. The face-to-face training indicator target is therefore reduced</i> Indicator name: unchanged Baseline: unchanged Intermediate Targets: updated based on current project progress End Target: reduced from 4,700 to 4,70 people Monitoring and Evaluation Plan: unchanged</p>										
Component 4. Institutional Strengthening and Project Management										
4.1 SW staff training on improved operation and maintenance (Hours)		0.00	0.00	400.00	800.00	1,200.00	1,600.00	2,000.00	2,000.00	2,000.00
Action: This indicator has been Revised										
<p>Rationale: <i>Updating missing information</i> Indicator name: unchanged Baseline: unchanged Intermediate Targets: unchanged End Target: unchanged Monitoring and Evaluation Plan: definition added</p>										
4.2 SCADA system installed and operational (Yes/No)		No	No	No	No	No	No	Yes	Yes	Yes
Action: This indicator has been Revised										
<p>Rationale: <i>Updating missing information</i> Indicator name: unchanged Baseline: unchanged Intermediate Targets: updated based on current project progress End Target: unchanged Monitoring and Evaluation Plan: definition added</p>										
4.3 Grievances responded to and satisfactorily resolved in relation to SW water services according to standards (Percentage)		0.00	0.00	60.00	80.00	90.00	90.00	90.00	90.00	90.00

Indicator Name	PBC	Baseline	Intermediate Targets							End Target
			1	2	3	4	5	6	7	
4.7 Share of women in management position at SW (Percentage)		30.00	30.00	30.00	35.00	35.00	35.00	40.00	40.00	40.00
Action: This indicator has been Revised	Rationale: Updating missing information Indicator name: unchanged Baseline: unchanged Intermediate Targets: unchanged End Target: unchanged Monitoring and Evaluation Plan: unchanged Other: tagged as gender indicator									

Monitoring & Evaluation Plan: PDO Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
People provided with access to improved water sources through piped house water connections	This indicator measures the cumulative number of people who benefited from improved water supply services through piped house water connections.	Semi-annually	SW billing system and census data	(Number of new connections) x (Number of people per household)	SW
People provided with access to improved water sources through piped water connections - Females	This indicator measures the cumulative number of females who benefited from improved water supply services through piped house connections.	Semi-annually	SW billing records and census data	(Number of new connections) x (Number of people per household) x (Share of female in population)	SW
Samples tests meeting national water quality standards at distribution points (%)	Water samples from the regular SW monitoring system that comply with SW's water safety plans.	Semi-annually	SW water quality laboratory	Sampling at distribution point per SW standard water quality monitoring plan.	SW
Percentage of collected wastewater disposed of in accordance with international environmental standards during dry weather (%)	Percentage of collected sewage in the sewerage network that receives screening and is disposed through rehabilitated outfalls.	Semi-annually	Connection/billing data, level gauge records in outfall pumping stations and rainfall records from Solomon Islands	Review volumetric consumption from billed data for NRH system. Review of level gauge records in outfall pumping stations for Ranadi system for dry weather periods. Australian and New Zealand Environment and Conservation Council (ANZECC) guidelines are to	SW

			Meteorological Services	be considered, in the absence of national guidelines.	
Volume of water unaccounted for	Difference between billed and produced water volumes for the supply of Honiara during one year.	Every 12 months	SW production and billing system	N/A	SW
Operating cost coverage	Total annual operational revenues (generated by water sales) / total annual operating costs (including depreciation)	Annually	SW reports, audited financial statements	Technical and financial operational reporting	SW

Monitoring & Evaluation Plan: Intermediate Results Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
1.1 Water mains created and rehabilitated	Length of water mains installed or rehabilitated	Semi-annually	SW PMU quarterly reports	N/A	SW
1.2 New storage capacity implemented	Increased volume of storage capacity connected to the network.	Semi-annually	SW PMU quarterly reports	New reservoir volume data minus decommissioned/demolished reservoir volume data	SW
2.1 New septage treatment capacity at the centralized septage treatment plant (Population-Equivalent)	Treatment capacity of the septage treatment plant	Semi-annually	SW PMU quarterly report	N/A	Solomon Water
2.2 Trunk sewer mains rehabilitated	Km of new or rehabilitated sewer trunk mains	Semi-annually	SW supervision reports	N/A	SW
3.1 People trained to improved hygiene behaviour or sanitation practices under the project	This indicator describes the number of people who have taken part in improved hygiene behavior or sanitation practices training under the project. This includes beneficiaries of face-to-face training, workshop, community consultations implemented as part of WASH awareness campaigns.	Annually	SW PMU annual report	Training workshop proceedings, consultation and advocacy campaign reporting	SW
People trained to improved hygiene behaviour or sanitation practices under the project - Females	This indicator describes the number of females who have taken part in improved hygiene behavior or sanitation practices training under the project. This includes beneficiaries of face-	Annually	SW PMU annual report	Training workshop proceedings, consultation and advocacy campaign reporting. If no detailed gender-disaggregated count of beneficiaries is	SW

	to-face training, workshop, community consultations implemented as part of WASH awareness campaigns			available, the share of females in population will be applied to the total number of beneficiaries.	
4.1 SW staff training on improved operation and maintenance	This indicators captures the total amount of training (staff-hours) delivered to SW staff through activities supported by the project. This covers both theoretical and on-the-job training.	Semi-annually	SW quarterly reports	Training reports and proceedings	SW
4.2 SCADA system installed and operational	SCADA system has been installed and is operational	Semi-annually	SW quarterly reports	N/A	SW
4.3 Grievances responded to and satisfactorily resolved in relation to SW water services according to standards	This indicators describes whether complaints are addressed in compliance with SW operating standards, which define timing of responsiveness, and the level of required responses.	Semi-annually	SW PMU quarterly reports	Grievance collection and management records	SW
4.4 Operating cost efficiency of water supply services (US\$/m3 sold)	Ratio between operational and maintenance costs (without depreciation) and volumes of water sold over one year.	Annually	SW annual report or IBNet	Technical and financial operational reporting	SW
4.6 Increase in the share of women and girls who feel safer from gender-based violence during water collection or using sanitation facility as a result of the project	This indicator measures the cumulative increase (in percentage point) in the share of surveyed women and girls who declare feeling safer from gender-based violence during water collection and using sanitation facility than before the improvement of water supply and/or sanitation services due to the project.	Once, in the last year of project implementation	Households survey in areas where SW water supply services have been expanded as part of the project.	Questionnaire based household survey eliciting women and girls' perception (in a safe interview space).	SW
4.7 Share of women in management position at SW	Share of women in employed Tier 1-4 positions at SW. This includes the following positions: Board of Directors, Chief Executive Officer (Tier 1), Chief Financial Officer (Tier 2), Coordinators (Tier 3) and General Administrative and Management positions (Tier 4)	Yearly		SW HR data	SW