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# OFFICIAL DOCUMENTS

July 17, 2018

Hon. Manassah Sogavare  
Minister of Finance and Treasury  
Ministry of Finance and Treasury  
PO Box 26  
Honiara  
Solomon Islands

Dear Minister,

***Solomon Islands: Advance Agreement for the Preparation of a  
Proposed Solomon Islands Roads and Aviation Project (SIRAP)  
Preparation Advance No. V167***

In response to the request for financial assistance made on behalf of the Solomon Islands (“Recipient”), I am pleased to inform you that the International Development Association (“World Bank”) proposes to extend to the Recipient an advance out of the World Bank’s Project Preparation Facility in an amount not to exceed one million Dollars (\$1,000,000) (“Advance”) on the terms and conditions set forth or referred to in this letter agreement (“Agreement”), which includes the attached Annex, to assist in financing the activities described in the Annex (“Activities”). The objective of the Activities is to improve operational safety and oversight of air transport and associated infrastructure, and strengthen the sustainability and climate resilience of the project roads and airports in the Recipient’s territory (“Project”), for the carrying out of which the Recipient has requested the World Bank’s financial assistance.


The Recipient represents, by confirming its agreement below, that: (a) it understands that the provision of the Advance does not constitute or imply any commitment on the part of the International Bank for Reconstruction and Development or the International Development Association to assist in financing the Project; and (b) it is authorized to enter into this Agreement and to carry out the Activities, repay the Advance and perform its other obligations under this Agreement, all in accordance with the provisions of this Agreement.

Please confirm the Recipient's agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank.

Very truly yours,  
INTERNATIONAL DEVELOPMENT ASSOCIATION

By Mona Sur  
Mona Sur  
Acting Country Director  
Papua New Guinea and the Pacific Islands  
East Asia and Pacific Region

AGREED:  
SOLOMON ISLANDS

By:   
Authorized Representative  
Name: Hon Manasseh D. Sogavare  
Title: Minister of Finance & Treasury  
Date: 26. 7. 18

Enclosures:

- (1) "Standard Conditions for Advances Made by the World Bank under its Project Preparation Facility", dated July 31, 2010; and
- (2) Disbursement Letter for the Advance of the same date as this Agreement, together with the "Disbursement Guidelines for Investment Project Financing" dated February 2017.

**PPA No. V167  
ANNEX**

**Article I  
Standard Conditions; Definitions**

1.01. **Standard Conditions.** The “Standard Conditions for Advances Made by the World Bank under its Project Preparation Facility” dated July 31, 2010 (“Standard Conditions”), constitute an integral part of this Agreement.

1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement (including the cover letter to this Agreement and this Section) as follows:

- (a) “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 and as of July 1, 2016.
- (b) “Category” means the category set forth in the table in Section III of Schedule 2 to this Agreement.
- (c) “EHS Guidelines” means the World Bank Group Environmental, Health and Safety Guidelines published on [www.ifc.org/ehsguidelines](http://www.ifc.org/ehsguidelines), as said guidelines are updated from time to time.
- (d) “Ministry of Finance and Treasury” means the Recipient’s ministry responsible for finance, or any successor thereto.
- (e) “Ministry of Communication and Aviation” means the Recipient’s ministry responsible for communication and aviation, or any successor thereto.
- (f) “Ministry of Infrastructure Development” means the Recipient’s ministry responsible for infrastructure development, or any successor thereto.
- (g) “Operating Costs” means incremental expenses incurred by the Recipient (other than TFSU Operating Costs) on account of the implementation, management, and monitoring and evaluation of the Activities, based on the annual budgets approved by the World Bank, including rental of office space, bank charges, advertising costs, communications, utilities, stationery, vehicle operation, maintenance, and insurance, transportation costs, accommodations and allowances of the Recipient’s staff, taxes incurred during overseas travel, but excluding salaries, fees, sitting fees, honoraria, bonuses, and any other salary supplements of the Recipient’s civil servants.
- (h) “PASO” means Pacific Aviation Safety Office, the office established under the terms of the Pacific Islands Civil Aviation Safety and Security Treaty (PICASST), which was ratified by the Recipient on May 8, 2008 and which entered into force on June 7, 2008, or any successor thereto.

- (i) “Procurement Plan” means the Recipient’s procurement plan for the Activities, dated June 20, 2018 and provided for under Section IV of the Procurement Regulations, as the same may be updated from time to time in agreement with the World Bank.
- (j) “Procurement Regulations” means the “World Bank Procurement Regulations for IPF Borrowers” dated July 2016, revised November 2017.
- (k) “Program” means the regional aviation program designed to be carried out by the Program Countries, as presented to such countries in the PASO’s Council Meeting held at Noumea, New Caledonia on October 13, 2011, and as set forth in minutes of such meeting dated October 21, 2011.
- (l) “Program Countries” means collectively the Recipient, Tuvalu, the Kingdom of Tonga, the Republic of Kiribati, the Independent State of Samoa, and the Republic of Vanuatu.
- (m) “Program Operations Manual” means the operations manual for the Program, most recently updated on April 5, 2018, setting forth detailed guidelines and procedures for the implementation of the Program, including in the areas of monitoring and evaluation, procurement, coordination, social and environmental safeguards, financial, administrative and accounting procedures, corruption and fraud mitigation measures, and such other arrangements and procedures as shall be required for the Program, as the same may be amended and/or supplemented from time to time with the prior written agreement of the World Bank.
- (n) “Safeguard Policies” means, the Operational Policies (Ops) and Bank Procedures (BPs) of the Bank, namely OP/BP 4.01 (Environmental Assessment), OP/BP 4.04 (Natural Habitats), OP/BP 4.09 (Pest Management), OP/BP 4.10 (Indigenous Peoples), OP/BP 4.11 (Physical Cultural Resources), OP/BP 4.12 (Involuntary Resettlement), OP/BP 4.36 (Forests), and OP/BP 4.37 (Safety of Dams); they can be found at <https://policies.worldbank.org>.
- (o) “Service Agreement” means the agreement referred to in Section 2.03(a) of this Agreement between the Recipient and TAL, on behalf of TFSU, as said agreement may be revised from time to time with the prior written agreement of the World Bank, and such term includes any annexes or schedules to such agreement.
- (p) “Standard Conditions” means Standard Conditions for Advances Made by the World Bank under its Project Preparation Facility” dated July 31, 2010.
- (q) “TAL” means Tonga Airports Limited, a corporation established in the Kingdom of Tonga under the Tonga’s Civil Aviation Act 1990, Companies Act 1995 and Public Enterprises Act 2002.
- (r) “Technical and Fiduciary Services Unit” or “TFSU” means the unit within TAL responsible for regional coordination and Activities implementation support as set forth in the Service Agreement.
- (s) “TFSU Costs” means: (a) the costs of TFSU consulting services provided for specific activities related to the Activities, payable in accordance with the provisions of the Service Agreement; and (b) the applicable TFSU Operating Costs.

- (t) “TFSU Operating Costs“ means incremental expenses incurred by TAL through the TFSU on account of the delivery of services under the Service Agreement and the service agreements between TAL and each of the other Program Countries, based on the annual budgets approved by the World Bank, including rental of office space, bank charges, communications, utilities, stationery, vehicle operation, maintenance, and insurance, transportation costs, and accommodations and allowances of TAL’s staff, but excluding salaries, sitting fees, fees, honoraria, bonuses, and any other salary supplements.
- (u) “Training and Workshops” means the reasonable costs of goods and services required for the participation of personnel involved in training, workshops and study tours, including travel and subsistence costs for training, workshop and study tour participants, costs associated with securing the services of trainers, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, and other costs directly related to training, workshop or study tour, but excluding fees of consultants.
- (v) “UXO EMP” means the environmental management plan for unexploded ordnance related activities, detailing the procedures, specifications and risk mitigation measures to be taken during the identification, removal, management, transportation, and destruction of unexploded ordnances.

## **Article II**

### **Execution of the Activities**

2.01. ***Description of the Activities.*** The Activities for which the Advance is provided consist of the following parts:

- (a) Conducting road surveys for Malaita Road infrastructure investments, including pavement structure and drainage investigations;
- (b) Supporting the preparation of the preliminary design for Malaita Road infrastructure investments;
- (c) Conducting stakeholder engagement and consultations and preparation of safeguards documents required for the Project;
- (d) Supporting the preparation of the UXO EMP and preparation of specifications for the unexploded ordnance survey and removal activities;
- (e) Conducting unexploded ordnance surveys for Munda and Honiara Airports infrastructure investments, and removal of any identified unexploded ordnances as required;
- (f) Supporting the preparation of an airline review strategy;
- (g) Conducting an airport master planning study; and
- (h) Supporting procurement, financial management, project management, and other activities related to the preparation and implementation readiness of the Project;

2.02. ***Execution of the Activities Generally.*** The Recipient declares its commitment to the objectives of the Activities. To this end, the Recipient shall carry out Parts (a) and (b) of the

Activities through the Ministry of Infrastructure Development, Parts (d), (e), (f) and (g) of the Activities through the Ministry of Communication and Aviation, and Parts (c) and (h) of the Activities through both the Ministry of Infrastructure Development and the Ministry of Communication and Aviation, in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) this Article II; and (c) the Anti-Corruption Guidelines.

**2.03. Institutional and Other Arrangements.**

**(a) Service Agreement**

To ensure proper and efficient support for the Activities, the Recipient shall enter into a Service Agreement with the Tonga Airports Limited, under terms and conditions acceptable to the World Bank, pursuant to which, and pursuant to the Program Operations Manual, the TFSU shall provide technical and fiduciary support services to the Recipient for the implementation of the Activities.

**(b) Safeguards**

- (i) The Recipient shall ensure that: (a) all consultancies related to technical assistance, design and capacity building under the Activities, the application of whose results could have environmental, social and health and safety implications, shall only be undertaken pursuant to terms of reference reviewed and found satisfactory by the World Bank; and (b) such terms of reference shall require the technical assistance, design and capacity building activities to take into account the requirements of the applicable World Bank Safeguards Policies and EHS Guidelines.
- (ii) The Recipient shall ensure that prior to commencing Part (e) of the Activities: (A) an environmental management plan (“UXO EMP”) for that activity has been prepared and submitted to the World Bank for review, and the World Bank has notified the Recipient in writing of its no-objection thereto; and (B) the UXO EMP has been consulted on, adopted and publicly disclosed, to the satisfaction of the World Bank.
- (iii) The Recipient shall maintain monitoring and evaluation protocols and record keeping procedures acceptable to the World Bank and adequate to enable the Recipient and the World Bank to supervise and assess, on an on-going basis, the implementation of/compliance with the UXO EMP, as well as the achievement of the objectives thereof.

**2.04. Monitoring, Reporting and Evaluation of the Activities.** The Recipient shall monitor and evaluate the progress of the Activities in accordance with the provisions of Section 2.08 of the Standard Conditions.

**2.05. Financial Management.** (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.09 of the Standard Conditions.

(b) The Recipient shall ensure that interim un-audited financial reports for the Activities are prepared and furnished to the World Bank not later than forty-five (45) days after the end of each calendar semester, covering the semester, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Sections 2.09 (b) of the Standard Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient, commencing with the fiscal year in which the first withdrawal under the Advance was made. The audited Financial Statements for such period shall be furnished to the World Bank not later than six months after the end of such period.

#### 2.06. *Procurement*

All non-consulting services and consulting services required for the Activities and to be financed out of the proceeds of the Advance shall be procured in accordance with the requirements set forth or referred to in the "World Bank Procurement Regulations for IPF Borrowers" dated July 2016, revised November 2017 ("Procurement Regulations") and the provisions of the Procurement Plan.

### Article III Withdrawal of the Advance

3.01. *Eligible Expenditures.* The Recipient may withdraw the proceeds of the Advance in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the "Disbursement Guidelines for Investment Project Financing" dated February 2017, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies each category of Eligible Expenditures that may be financed out of the proceeds of the Advance ("Category"), the amount of the Advance allocated to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Advance Allocated (expressed in Dollars)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Non-consulting services, consulting services, Operating Costs, and TFSU Costs under Parts (a), (b), (c), (d), (f), (g) and (h) of the Activities	850,000	100%
(2) Non-consulting services, consulting services, Operating Costs, and TFSU Costs under the Activities.	150,000	100%
<b>TOTAL AMOUNT</b>	1,000,000	

3.02. *Withdrawal Conditions.* Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments:

(a) made prior to the date of countersignature of this Agreement by the Recipient, except that withdrawals up to an aggregate amount not to exceed \$200,000 equivalent may be made for payments made prior to this date but on or after January 1, 2018, for Eligible Expenditures; or

(b) under Category (2) unless and until the Recipient has fulfilled the obligations regarding the UXO EMP detailed in Section 2.03 of this Agreement, to the satisfaction of the World Bank.

3.03. **Refinancing Date.** The Refinancing Date is February 28, 2019.

#### **Article IV Terms of the Advance**

4.01. **Service Charge.** The Recipient shall pay a service charge on the Withdrawn Advance Balance at the rate of three-fourths of one percent (3/4 of 1%) per annum. The service charge shall accrue from the respective dates on which amounts of the Advance are withdrawn and shall be paid in arrears in accordance with the provisions of Section 4.02 of this Agreement. Service charges shall be computed on the basis of a 360-day year of twelve 30-day months.

4.02. **Repayment.** The Withdrawn Advance Balance shall be repaid by the Recipient to the World Bank (together with any service charges accrued thereon) in accordance with the provisions of Article IV of the Standard Conditions and the following provisions:

(a) **Refinancing under the Refinancing Agreement:** If, on or before the Refinancing Date, a Refinancing Agreement has been executed by all of its parties, then the full amount of the Withdrawn Advance Balance shall be repaid to the World Bank (together with any service charges accrued on the Advance to the date of repayment) as soon as the Refinancing Agreement becomes effective, by means of a withdrawal by the World Bank of an amount of the Refinancing Proceeds equivalent to the Withdrawn Advance Balance plus such service charges, in accordance with the provisions of the Refinancing Agreement.

(b) **Repayment in the absence of a Refinancing Agreement:** If, on or before the Refinancing Date, no Refinancing Agreement has been executed by all of its parties, or if, by such date or at any time thereafter, it has been so executed but terminates without becoming effective, then:

- (i) if the amount of the Withdrawn Advance Balance does not exceed \$50,000, it shall be repaid by the Recipient to the World Bank (together with service charges accrued on the Withdrawn Advance Balance to the date of repayment) on such date as the World Bank shall specify in a notice to the Recipient, which shall in no event be earlier than 60 days following the date of dispatch of such notice; and
- (ii) if the amount of the Withdrawn Advance Balance exceeds \$50,000, it (together with service charges accrued on the Withdrawn Advance Balance to the Notice Date) (the "Aggregate Balance") shall be paid by the Recipient to the World Bank in ten approximately equal semiannual installments, in the amounts and on the dates ("Payment Dates") which the World Bank shall specify in a notice to the Recipient. In no event shall the first Payment Date be set earlier than 60 days following the date ("Notice Date") of dispatch of such notice. The Recipient shall pay a service charge on the Aggregate Balance at the rate of three-fourths of one percent (3/4 of 1%) per annum, payable in arrears on each Payment Date. The service charge shall be computed on the basis of a 360-day year of twelve 30-day months.



**Article V**  
**Effectiveness; Termination**

5.01. **Effectiveness Condition.** This Agreement shall not become effective until the World Bank has notified the Recipient that it has received evidence satisfactory to the World Bank that the Service Agreement referred to in Section 2.03(a) of this Annex has been executed.

5.02. **Effective Date.** Except as the Recipient and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 5.01 ("Effective Date"). If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Advance Account if this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.

5.03. **Termination for Failure to Become Effective.** This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date ninety (90) days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.

**Article VI**  
**Recipient's Representative; Addresses**

6.01. **Recipient's Representative.** The Recipient's Representative referred to in Section 9.02 of the Standard Conditions is the minister at the time responsible for finance.

6.02. **Recipient's Address.** The Recipient's Address referred to in Section 9.01 of the Standard Conditions is:

Ministry of Finance and Treasury  
PO Box 26  
Honiara  
Solomon Islands

Facsimile:  
677-27855

6.03. **World Bank's Address.** The World Bank's Address referred to in Section 9.01 of the Standard Conditions is:

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

Telex: 248423 (MCI) or 64145 (MCI)      Facsimile: (1)-202-477-6391