

The World BankINTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION1818 H Street N.W.
Washington, D.C. 20433
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Cable Address: INTBAFRAD
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September 30, 2010

Honorable Gordon Darcy Lilo
Minister of Finance and Treasury
Ministry of Finance and Treasury
P.O. Box 26
Honiara, Solomon Islands

Re: PRIF Multi-Donor Trust Fund Grant to co-finance the
Telecommunications and ICT Development Project
Grant No.TF096582

Honorable Minister:

In response to the request for financial assistance made on behalf of Solomon Islands ("Recipient"), I am pleased to inform you that the International Bank for Reconstruction and Development and the International Development Association (collectively "World Bank"), acting as administrator of grant funds provided under the Pacific Region Infrastructure Facility ("PRIF") multi-donor trust fund, proposes to extend to the Recipient a grant in an amount not to exceed one million five hundred thousand United States Dollars (US\$ 1,500,000) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in the financing of the project described in the Annex ("Project"). This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the Recipient may withdraw the Grant proceeds subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in 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. You should keep one countersigned original for your records. This Agreement shall become effective when the World Bank has received a countersigned original of this Agreement.

Very truly yours,
**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT/INTERNATIONAL
DEVELOPMENT ASSOCIATION**

By/s/Amy Beasley

Amy Beasley
Authorized Representative
The World Bank Group

AGREED:

SOLOMON ISLANDS

By/s/ Gordon Darcy Lilo, MO _____
Authorized Representative
Name Hon. Gordon Darcy Lilo, MO
Title Minister of Finance & Treasury
Date: 21.10.10

Enclosures:

- (1) Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 31, 2010
- (2) Disbursement Letter dated 30 September, 2010, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006

Article I

Standard Conditions; Definitions

1.01. *Standard Conditions.* The Standard Conditions for Grants Made by the World Bank out of Various Funds dated July 31, 2008 (“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, and the following additional terms shall have the meanings ascribed to them below.

- (i) “Incremental Operating Costs” means cost incurred by the Recipient to compensate Solomon Telekom in accordance with Section 5 of the Settlement Agreement for the provision of telecommunication services under the Project;
- (ii) “Settlement Agreement” means the agreement dated June 26, 2009 between the Recipient and Solomon Telekom relating, among other things, to the termination of Solomon Telekom’s 2003 exclusive license to provide telecommunication services in Solomon Islands, and including an obligation to compensate Solomon Telekom for defined losses incurred in providing telecommunication services to Solomon Telekom’s fixed line users outside of Honiara;
- (iii) “Solomon Telekom” means Solomon Telekom Company Limited, a company formed under the Recipient’s Companies Act (Cap 175);
- (iv) “Service Audit” means an annual audit, satisfactory to the World Bank by an independent auditor acceptable to World Bank of the quality and costs to the subscribers, of telecommunication services by Solomon Telekom, to fixed line users outside of the Honiara area (where the customer pays a regular line rental or the line connects to a public telephone);
- (v) “Rural Fixed Lines Special Fund” means the special fund established by the Minister of Finance of the Recipient on December 3, 2009 pursuant to Section 134 (1) of the Telecom Act and administered by the Telecommunications Commission under Section 17 of the Telecom Act;
- (vi) “Telecom Act” means the Recipient’s Telecommunications Act No. 20 of 2009;
- (vii) “Telecommunications Commission” means the Recipient’s telecommunications regulator established under section 6 of the Telecom Act.

Article II Project Execution

2.01. ***Project Objectives and Description.*** The objective of the Project is to facilitate increased access to a wide variety of reliable and affordable telecommunications services for the majority of the Solomon Islands population, through efficient and well-regulated competition. The Project consists of the provision of telecommunication services to fixed line users outside of the Honiara area (where the customer pays a regular line rental or the line connects to a public telephone) at substantially the same quality of service and at no greater cost to the subscriber than at the date of the Settlement Agreement.

2.02. ***Project Execution Generally.*** The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall cause the Telecommunications Commission (“Project Implementing Entity”) to carry out the Project in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 (“Anti-Corruption Guidelines”); and (c) this Article II.

2.03. Institutional and Other Arrangements

(a) To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Grant available to the Project Implementing Entity through the Rural Fixed Lines Special Fund on a non-refundable grant basis;

(b) The Recipient shall cause the Project Implementing Entity to establish, and maintain thereafter until completion of the Project, a team of dedicated staff responsible for the overall coordination, implementation, monitoring and evaluation of the Project, including: a Project coordinator, and a financial management specialist, all under terms of reference and with qualifications and experience satisfactory to the World Bank;

(c) The Recipient shall periodically provide the World Bank with a Service Audit covering the preceding twelve month period.

(d) In the event that any portion of the proceeds of the Grant provided to the Project Implementing Entity is not used for Eligible Expenditures or is otherwise used in breach of this Agreement, the Recipient, upon notice from the World Bank, shall refund the notified amount to the account provided in such notice.

(e) If, in the opinion of the Bank, the Telecommunications Act and/or Settlement Agreement is amended, suspended, abrogated, repealed, or waived during the term of the Grant Agreement so as to materially and adversely affect the ability of the Recipient to perform any of its obligations under this Agreement, such event shall be considered an additional suspension event pursuant to Section 4.02 (k) of the Standard Conditions, and the Bank reserves the right to suspend in whole or in part, the right of the Recipient to make withdrawals of the proceeds of the Grant.

2.04. **Project Monitoring, Reporting and Evaluation.** (a) The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six months after the Closing Date.

2.05. **Financial Management.** (a) The Recipient shall cause the Project Implementing Entity to ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six months after the end of such period.

Article III Withdrawal of Grant Proceeds

3.01. **Eligible Expenditures.** The Recipient may withdraw the proceeds of the Grant 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 “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance 100% of Eligible Expenditures consisting of Incremental Operating Cost, exclusive of Taxes.

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

(a) for payments made prior to the date of countersignature of this Agreement by the Recipient.

(b) unless the annual Service Audit confirms that Solomon Telekom has provided in the preceding twelve months period, telecommunication services to fixed line users outside of the Honiara area (where the customer pays a regular line rental or the line connects to a public telephone) at substantially the same quality of service and at no greater cost to the subscriber than at the date of the Settlement Agreement.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is June 30, 2013.

Article IV
Recipient's Representative; Addresses

4.01. **Recipient's Representative.** The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is the Minister of Finance and Treasury.

4.02. **Recipient's Address.** The Recipient's Address referred to in Section 7.01 of the Standard Conditions is:

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

4.03. **World Bank's Address.** The World Bank's Address referred to in Section 7.01 of the Standard Conditions is:

International Bank for Reconstruction and Development/
International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

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