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**GRANT NUMBER H360-SB**

# **Financing Agreement**

**(Health Sector Support Program Technical Assistance Project)**

**between**

**SOLOMON ISLANDS**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated April 14, 2008**

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**GRANT NUMBER H360-SB**

**FINANCING AGREEMENT**

AGREEMENT dated April 14, 2008, entered into between SOLOMON ISLANDS (the "Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION (the "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 one million Special Drawing Rights (SDR 1,000,000) (the "Grant") to assist in financing the project described in Schedule 1 to this Agreement (the "Project").
- 2.02. The Recipient may withdraw the proceeds of the Grant 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 and the Program. To this end, the Recipient shall carry out the Project through MHMS in accordance with the provisions of Article IV of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

**ARTICLE IV — REMEDIES OF THE ASSOCIATION**

- 4.01. The Additional Event of Suspension is that a situation has arisen which shall make it improbable that the Program, or a significant part of the Program, will be carried out.

**ARTICLE V — EFFECTIVENESS; TERMINATION**

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

**ARTICLE VI — REPRESENTATIVE; ADDRESSES**

- 6.01. The Recipient's Representative is the Minister of Finance and Treasury.
- 6.02. The Recipient's Address is:

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

Facsimile:

+ 677 27855

- 6.03. The Association's Address is:

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

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

AGREED at Washington, District of Columbia, as of the day and year first above written.

SOLOMON ISLANDS

By: /s/ Collin D. Beck

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 in improving the institutional capacity of MHMS in public expenditure management and sector performance monitoring so as to contribute to the overall success of the Program.

The Project consists of the following parts:

#### Part 1: Public Expenditure Management

Strengthening of the national and provincial health planning and budgeting systems and procedures of MHMS through, *inter alia*,: (i) completing and annually updating the Health Sector MTEF; (ii) strengthening planning and budgeting procedures in the provinces including expenditure monitoring to provide feedback for subsequent planning; (iii) designing and implementing a health facility efficiency study, and analyzing the results thereof, to assist in improving understanding of the costs and efficiency of health facility performance and the effectiveness of the deployment of human and other resources to health facilities; and (iv) developing operational models for effective engagement of communities and households in an effort to positively modify health seeking behaviors.

#### Part 2: Sector Performance Monitoring

Development of a monitoring and evaluation framework to enable MHMS to track programmatic and financial performance in the achievement of Program objectives and, accordingly, to inform the annual budget planning and review process.

#### Part 3: Training and Capacity Building

Strengthening the management capacity of MHMS senior managers and provincial health directors so as to make them more effective in strategic planning and implementation through, *inter alia*, providing management education, carrying out of selected training activities identified within the health sector's strategic training plan, and supporting learning events identified during the implementation of the Program.

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

1. The Recipient shall carry out the Project through MHMS.
2. MHMS shall maintain throughout the period of implementation of the Project, its Policy and Planning Division with terms of reference, staffing and other resources acceptable to the Association, to be responsible for, *inter alia*: (i) coordinating the implementation of the Project at the national and provincial levels, and with the MHMS Executive on the implementation of the Project within the context of the Program; (ii) overseeing the carrying out of financial management and disbursement arrangements for the Project; (iii) carrying out procurement for the Project with the support of the MHMS procurement unit; and (iv) preparation and submission of quarterly progress reports for discussion by the MHMS Executive.
3. The Recipient shall vest responsibility for the strategic guidance and management oversight of the Project in the MHMS Executive. The MHMS Executive shall provide guidance to the MHMS Policy and Planning Division on Project implementation and Project and Program strategy.

**B. Program Implementation Plan.**

1. The Recipient shall carry out the Project in accordance with the Program Implementation Plan, as approved by the Association, covering the administrative, implementation, financial management, procurement and disbursement arrangements for the Program and the Project, and includes a financial management manual and a procurement manual.
2. The Recipient shall furnish to the Association for its prior approval, any proposed amendment to the provisions of the Program Implementation Plan and, thereafter, put into effect such amendment as shall have been agreed with the Association.

**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 (1) one calendar quarter, and shall be furnished to the Association not later than fourteen (14) days after the end of the period covered by such report.
- (b) The performance monitoring indicators referred to above in sub-paragraph (a) consist of the following:
  - (i) completion of the first rolling medium term sector expenditure program linking resources with priorities;
  - (ii) increase in the proportion of health sector budget expended at provincial level and on primary health care services;
  - (iii) completion of a health facility survey and use of the results to improve health sector planning; and
  - (iv) quality, participatory annual joint sector reviews conducted on schedule.
2. For purposes of Section 4.08(c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than six (6) months after the Closing 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 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.** All goods required for the Project and to be financed out of the proceeds of the Grant 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 Grant 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.**

**Shopping.** Goods shall be procured under contracts awarded on the basis of Shopping.

**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.

<b>Procurement Method</b>
(a) Selection Based on Consultants' Qualifications
(b) 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, including, except as the Association shall otherwise determine by notice to the Recipient: (a) the first three (3) contracts for goods procured on the basis of Shopping; (b) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$100,000 or more; (c) each contract for consultants' services provided by an individual selected on a sole-source basis regardless of value. All other contracts shall be subject to Post Review by the Association.

**Section IV. Withdrawal of the Proceeds of the Grant****A. General.**

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

<b>Category</b>	<b>Amount of the Grant Allocated (expressed in SDR)</b>	<b>Percentage of Expenditures to be Financed (inclusive of taxes)</b>
(1) Goods, consultants' services, training and Incremental Operating Costs* for the Project	1,000,000	100%
<b>TOTAL AMOUNT</b>	<u>1,000,000</u>	

\*For purposes of this paragraph, the term “Incremental Operating Costs” means incremental expenses incurred on account of Project implementation, support and management and reasonably related thereto, including communications, utilities, stationary, and transportation costs, but excluding salaries of the Recipient’s civil servants.

**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 March 31, 2011.

**Section V. Other Undertakings**

1. The Recipient shall no later than December 31, 2009 complete its first Health Sector MTEF, which shall provide the overall outlook of health sector financing and will be the basis for medium-term budget allocations and planning in the health sector.
2. The Recipient shall no later than December 31 of each year during Project implementation, carry out annual joint health sector reviews satisfactory to the Association.
3. The Recipient shall no later than June 30 of each year during Project implementation, prepare a strategic training plan that includes training activities to be financed under the Project.
4. The Recipient shall throughout the implementation of the Project, maintain a procurement officer within MHMS on terms and conditions acceptable to the Association.

**APPENDIX****Definitions**

1. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
2. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004.
3. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005.
4. “MHMS” means the Recipient’s Ministry of Health and Medical Services or any successor thereto.
5. “MHMS Executive” means the senior management team in MHMS headed by the permanent secretary for health, referred to in Section I.A(3) of Schedule 2 to this Agreement.
6. “Health Sector MTEF” means the Medium Term Expenditure Framework for the health sector to be prepared by the Recipient, as such framework shall be updated on an annual rolling basis.
7. “National Health Strategic Plan” means the plan formulated by MHMS dated August 16, 2006, which lays out the Government’s priority areas and actions for the health sector over the period 2006-2010.
8. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004.
9. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated February 12, 2008 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.
10. “Program” means the Recipient’s Health Sector Support Program (HSSP) designed to improve priority health outcomes through effective, efficient and equitable health service delivery responsive to the population’s needs, and set forth in the Recipient’s National Health Strategic Plan.
11. “Program Implementation Plan” means the Recipient’s Program implementation plan dated May 28, 2007 and referred to in Section I.B of Schedule 2 to this Agreement, as such Program Implementation Plan may be amended from time to time by agreement between the Recipient and the Association.

