

CONFORMED COPY

GRANT NUMBER H415-SB

Project Agreement

(Sustainable Energy Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

SOLOMON ISLANDS ELECTRICITY AUTHORITY

Dated July 28, 2008

PROJECT AGREEMENT

Agreement dated July 28, 2008, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION (the “Association”) and SOLOMON ISLANDS ELECTRICITY AUTHORITY (the “Project Implementing Entity”) (the “Project Agreement”) in connection with the Financing Agreement (the “Financing Agreement”) of same date between Solomon Islands (the “Recipient”) and the Association. The Association and the Project Implementing Entity hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to the Financing 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 Financing Agreement or the General Conditions.

ARTICLE II — PROJECT

- 2.01. The Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall carry out the Project in accordance with the provisions of Article IV of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for the Project.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — TERMINATION

- 3.01. For purposes of Section 8.05(c) of the General Conditions, the date on which the provisions of this Agreement shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE IV — REPRESENTATIVE; ADDRESSES

- 4.01. The Project Implementing Entity’s Representative is the Chairman of the SIEA Board.

4.02. The Association's Address is:

International Development Association
1818 H Street, NW
Washington, DC 20433
United States of America

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

4.03. The Project Implementing Entity's Address is:

Solomon Islands Electricity Authority
P.O. Box 6
Honiara
Solomon Islands

Facsimile:

677 39472

AGREED at _____, _____ as of the day and year first
above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: /s/ Antonie De Wilde

Authorized Representative

SOLOMON ISLANDS ELECTRICITY AUTHORITY

By: /s/ Walter Naezon

Authorized Representative

SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

The Project Implementing Entity shall be responsible for implementing the Project including: (i) carrying out, with the assistance of adequately qualified consultants, the technical aspects of the Project; (ii) carrying out the fiduciary aspects (procurement, financial management, disbursement and audit functions) of the Project; (iii) preparing, and submitting to the Association, quarterly and annual progress reports; and (iv) carrying out monitoring and evaluation functions under the Project.

B. Anti-Corruption

The Project Implementing Entity shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Project Implementing Entity 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 indicators agreed with the Association. Each such Project Report shall cover the period of one (1) calendar quarter, and shall be furnished to the Recipient not later than one (1) month after the end of the period covered by such report for incorporation and forwarding by the Recipient to the Association of the overall Project Report.
2. The Project Implementing Entity shall provide to the Recipient not later than four (4) months after the Closing Date, for incorporation in the report referred to in Section 4.08(c) of the General Conditions all such information as the Recipient or the Association shall reasonably request for the purposes of such Section.

B. Financial Management, Financial Reports and Audits

1. The Project Implementing Entity shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations and financial condition of the Project Implementing Entity, including the operations, resources and expenditures related to the Project.
2. The Project Implementing Entity shall have its financial statements referred to above audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of these financial statements shall cover the period of one (1) fiscal year of the Project Implementing Entity. The audited financial statements for each period shall be furnished to the Association not later than six (6) months after the end of the period.

Section III. Procurement

All goods and services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement.

Section IV. Other Undertakings

1. The Project Implementing Entity shall no later than December 31, 2008 or such other date agreed to in writing by the Association, appoint a general manager and an external board member, each with qualifications and on terms and conditions acceptable to the Association.
2. The Project Implementing Entity shall ensure that: (i) its annual bill collection from state-owned enterprises and other government entities will be at least seventy five percent (75%) of what is due; and (ii) arrears owed to it by state-owned enterprises and other government entities will not exceed more than one hundred and twenty (120) days, or such other arrangement agreed with the Association.
3. The Project Implementing Entity shall no later than November 30 of each year during Project implementation, prepare an annual rolling business plan with financial forecasts covering at least seven (7) years, and have such plans discussed among the Project Implementing Entity's board, management and the Association.