January 3, 2014

Honorable Rick N Houenipwela
Minister of Finance and Treasury
Ministry of Finance and Treasury
P.O. Box 26
Honiara, Solomon Islands

Dear Honorable Minister:

Solomon Islands: Extractive Industries Transparency Initiative in Solomon Islands (Grant No. TF015549)

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 Bank for Reconstruction and Development and International Development Association (collectively the "World Bank"), acting as administrator of grant funds provided by various donors ("Donors") under the Extractive Industries Transparency Initiative Multi-donor Trust Fund, proposes to extend to the Recipient a grant in an amount not to exceed three hundred fifty thousand United States Dollars (U.S.$350,000) ("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 from the Donors. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Donors under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is 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. Upon receipt by the World Bank of this countersigned copy, this Agreement
shall become effective as of the date of the countersignature.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

By
Juan Carlos Mendoza
Acting Country Director
Timor-Leste, Papua New Guinea
& Pacific Islands
East Asia and Pacific Region

AGREED:
SOLOMON ISLANDS

By
Authorized Representative

Name Hon Pecu Houni Puelta
Title Minister of Finance, Treasury
Date 14.01.2014

Enclosures:

(2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006
ANNEX

Article I
Standard Conditions; Definitions


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.

(a) “EITI” means the Extractive Industries Transparency Initiative.

(b) “EITI National Secretariat” means a secretariat to be established pursuant to Part 1 of the Project and to operate in accordance with Section 2.03(c) of this Annex.

(c) “EITI Stakeholders” means stakeholders from the Solomon Islands government; oil, gas, minerals and coal producing companies; and the Solomon Islands public.

(d) “National Coordinator” means the coordinator appointed by Ministry of Finance and Treasury to head the EITI National Secretariat, in accordance with Section 2.03(c) of this Annex.

(e) “National Stakeholder Group” means the group established in January 2012 to oversee the EITI National Secretariat, in accordance with Section 2.03(b) of this Annex.

(f) “Operating Cost” means reasonable costs arising under the Project on account of local contractual support staff salaries; travel and other travel-related expenditures; bank charges; equipment rental and maintenance; vehicle operation, maintenance and repair; office maintenance; materials and supplies; advertising expenses; and utilities and communications expenses, but excluding salaries and honoraria of officials and staff of the Recipient.

(g) “Training and Workshops” means training activities attributable to workshops, conferences, national and international study tours, including purchase and publication of materials, rental of facilities, course fees, and travel and subsistence of trainees, all associated with training activities.
Article II
Project Execution

2.01. Project Objectives and Description. The objective of the Project is to support efforts to strengthen the capacity of Solomon Islands EITI Stakeholders to improve transparency and reduce the risk of corruption in the emergent mining sector.

The Project consists of the following parts:

Part 1. Institutional Formation

(a) Establishing office and securing staff for Solomon Islands EITI National Secretariat.

(b) Proposing changes to relevant laws and regulations.

(c) Designing Solomon Islands EITI National Secretariat website.

Part 2. Consultations and Capacity Building

(a) Provision of support, including travel for selected number of EITI Stakeholders to undertake study tours to an EITI implementing nation.

(b) Provision of training and awareness workshops for local governments, mining, oil and gas companies, and civil society organizations (“CSOs”), all operating in selected resource-rich provinces, to promote greater transparency and accountability in the operations of the extractive industries.

Part 3. Reporting and Reconciliation

(a) Appointing template designer and establishing reporting template.

(b) Preparation of EITI reports by the Solomon Islands EITI National Secretariat.

Part 4. Communication and Outreach

(a) Provision of awareness workshops for citizens in selected resource-rich provinces to promote transparency in the operations of the extractive industries.

(b) Coverage of Solomon Islands EITI in media sources such as TV, radio, magazines, and newspapers; advertising Solomon Islands EITI on billboards and through publication of pamphlets on EITI.

(c) Organization of EITI national conference.
2.02. **Project Execution Generally.** The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through its Ministry of Finance and Treasury, 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 and revised in January 2011 (“Anti-Corruption Guidelines”); and (c) this Article II.

2.03. **Institutional and Other Arrangements.**

(a) The Recipient, through the Ministry of Finance and Treasury, shall be responsible for providing oversight and policy direction of the Project.

(b) The Recipient shall maintain, throughout Project implementation, a National Stakeholder Group, with composition and terms of reference acceptable to the World Bank, to be responsible for oversight of the EITI Secretariat.

(c) The Recipient shall establish, by not later than April 30, 2014, and thereafter maintain, throughout Project implementation, the EITI National Secretariat, to be responsible for day to day management, implementation, monitoring, evaluation, and coordinating the activities under the Project. To this end, the Recipient shall ensure that the EITI National Secretariat shall be headed by the National Coordinator and staffed at all times during the Project implementation period with qualified and experienced staff.

2.04. **Donor Visibility and Visit.**

(a) The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donors’ support for the Project.

(b) For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank’s request, enable the representatives of the Donors to visit any part of the Recipient’s territory for purposes related to the Project.

2.05. **Project Monitoring, Reporting and Evaluation.**

(a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the indicators set forth below in paragraph (b) of this Section. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the World Bank not later than one month after the end of the period covered by such report.

(b) The performance indicators referred to above in paragraph (a) consist of the following:
(i) EITI National Secretariat established.

(ii) EITI reports published, disseminated, reviewed, and discussed at a national level.

(iii) Outcomes of the National EITI Conference publicized.

(iv) Recommendations from EITI Reports and outcomes from National EITI Conference Addressed.

(c) 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 (6) months after the Closing Date.

2.06. Financial Management.

(a) The Recipient shall 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 ensure that interim unaudited financial reports for the Project 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 Section 2.07 (b) of the Standard Conditions. The audit of the Financial Statements shall cover the entire period of the Project. The audited Financial Statements shall be furnished to the World Bank not later than nine (9) months after the Closing Date.

2.07 Procurement

(a) General. 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:

(i) Sections I and IV of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Consultant Guidelines”) in the case of consultants’ services; and

(ii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).
(b) **Definitions.** The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

(c) **Particular Methods of Procurement of Consultants' Services**

(i) Except as otherwise provided in item (ii) below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods, other than Quality- and Cost-based Selection, may be used for the procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (a) Selection Based on the Consultants’ Qualifications; (b) Single Source Selection of consulting firms; (c) Selection of Individual Consultants; and (d) Single Source Selection of individual consultants.

(d) **Review by the World Bank of Procurement Decisions.** The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All other contracts shall be subject to Post Review by the World Bank.

**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 Eligible Expenditures as set forth in the following table. The table specifies the category of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to the Category, and the percentage of expenditures to be financed for Eligible Expenditures in the Category:
### Category

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consultants' services, Training and Workshops, and Operating Costs,</td>
<td>350,000</td>
<td>100%</td>
</tr>
<tr>
<td>excluding Part 4(a) and 4(b) in the project.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td>350,000</td>
<td></td>
</tr>
</tbody>
</table>

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is September 30, 2015.

### 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.

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

- Cable: 
- Telex: 
- Facsimile:
INTBAFRAD
INDEVAS 248423 (MCI) or 1-202-477-6391
Washington, D.C. 64145 (MCI)