

MILLENNIUM CHALLENGE CORPORATION THRESHOLD PROGRAM

GRANT AGREEMENT

BETWEEN

**THE UNITED STATES OF AMERICA,
ACTING THROUGH THE MILLENNIUM CHALLENGE CORPORATION,**

AND

**SOLOMON ISLANDS,
ACTING THROUGH THE MINISTRY OF NATIONAL PLANNING AND
DEVELOPMENT COORDINATION**

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THRESHOLD PROGRAM GRANT AGREEMENT

This THRESHOLD PROGRAM GRANT AGREEMENT (this “*Agreement*”) is made between the United States of America, acting through the Millennium Challenge Corporation (“*MCC*”), and Solomon Islands, acting through the Ministry of National Planning and Development Coordination (the “*Government*,” and collectively with MCC, the “*Parties*,” and each individually, a “*Party*”).

RECITALS

WHEREAS MCC has authorized a program to provide assistance under Section 616 of the Millennium Challenge Act of 2003, as amended, to selected candidate countries that have demonstrated a commitment to strengthening good governance, economic freedom, and investments in people in order to assist such countries to become eligible for a Millennium Challenge Compact (the “*Threshold Program*”);

WHEREAS MCC has selected Solomon Islands as eligible for the Threshold Program; and

WHEREAS the Parties wish to implement the program described herein to achieve the goals and objectives described herein (as such program description and objectives may be amended from time to time in accordance with the terms hereof, the “*Program*”).

NOW, THEREFORE, the Parties agree as follows:

ARTICLE 1.

GOAL AND OBJECTIVES

Section 1.1 Program Goal. The overall goal of this Agreement is to assist Solomon Islands to become eligible for a Millennium Challenge Compact by supporting the implementation of critical policy and institutional reforms that address binding constraints to economic growth in Solomon Islands (the “*Program Goal*”). MCC’s assistance provided under this Agreement seeks to strengthen good governance, economic freedom, and investments in the people of Solomon Islands.

Section 1.2 Projects and Objectives. The Program consists of the projects described in Annex I (each a “*Project*” and collectively, the “*Projects*”). The objective of each of the Projects (each, a “*Project Objective*” and collectively, the “*Project Objectives*”) is as follows:

(a) The objective of the Accessing Land for Tourism Investment Facilitation (“*ALTIF*”) Project is to address the land access and investment facilitation issues that have prevented Solomon Islands from realizing its potential in tourism, one of the country’s main growth opportunities. The project seeks to achieve this objective by building government capacity to identify investable land and facilitate investment in the sector.

(b) The objective of the Forest Value Enhancement Project (“*FoVEP*”) is to generate more reliable, sustainable benefits from Solomon Islands’ forest resources by (i) attenuating

negative environmental impacts, (ii) increasing and more equitably sharing the community and national revenues from forest resources, and (iii) achieving a more balanced regulatory and enforcement regime between logging and non-logging uses of forests.

ARTICLE 2.

GRANT FUNDING

Section 2.1 Grant Funding.

(a) MCC agrees to grant to the Government, subject to the terms of this Agreement, an amount not to exceed twenty million United States Dollars (US\$20,000,000) (the “*Grant*”) to support implementation of the Program, as such Program is described in greater detail in Annex I.

(b) The Grant shall be disbursed from time to time (each, a “*Disbursement*”) in accordance with the terms of this Agreement, including any conditions to disbursement contained in this Agreement.

(c) Annex II, attached hereto, sets forth the allocation of Grant funding for the Program. Annex II may be modified from time to time by agreement of the Parties in accordance with the terms of this Agreement.

Section 2.2 Government Resources; Budget.

(a) The Government agrees to provide all funds and other resources, and shall take all other actions, that are necessary to carry out the Government’s responsibilities and obligations under this Agreement.

(b) The Government shall use its best efforts to ensure that the amount of the Grant that it receives or is projected to receive in each of its fiscal years is fully accounted for and identified in its annual budgets for the duration of the Program.

(c) The Government shall not reduce the normal and expected resources that it would otherwise receive or budget from sources other than MCC for the activities contemplated under this Agreement and the Program.

(d) Unless the Government discloses otherwise to MCC in writing, the Grant shall be in addition to the resources that the Government would otherwise receive or budget for the activities implemented under the Program.

Section 2.3 Use of the Grant.

(a) The Parties agree to ensure that the Grant and any Program Assets or services funded by the Grant, in whole or in part, are used solely in furtherance of this Agreement and the Program unless MCC agrees otherwise in writing.

(b) The Parties also agree to ensure that no Grant funding is used for any purpose that would violate United States law or policy, as specified in this Agreement or as further notified to the Government in writing by MCC, including but not limited to the following purposes:

(i) for assistance to, or training of, the military, police, militia, national guard or other quasi-military organization or unit;

(ii) for any activity that is likely to cause a substantial loss of United States jobs or a substantial displacement of United States production;

(iii) to undertake, fund or otherwise support any activity that is likely to cause a significant environmental, health or safety hazard, as further described in MCC's *Environmental Guidelines* provided by MCC or posted at www.mcc.gov (the "**MCC Website**") and any guidance documents issued in connection with such guidelines (collectively, the "**MCC Environmental Guidelines**"); or

(iv) to pay for the performance of abortions as a method of family planning or to motivate or coerce any person to practice abortions, to pay for the performance of involuntary sterilizations as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations or to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning.

Section 2.4 Taxes.

(a) Unless the Parties specifically agree otherwise in writing, the Government shall ensure that the Grant is free from any and all existing or future taxes, duties, levies, contributions, or other similar charges (but not fees or charges for services that are generally applicable in Solomon Islands, reasonable in amount and imposed on a non-discriminatory basis) ("**Taxes**") of or in Solomon Islands (including any such Taxes imposed by a national, regional, local or other governmental or taxing authority of or in Solomon Islands). Specifically, and without limiting the generality of the foregoing, the Government agrees that the general exemption of the previous sentence applies to (i) any tariffs, customs duties, import taxes, export taxes, and other similar charges on any goods, works or services introduced into Solomon Islands in connection with the Program; (ii) sales tax, goods and services tax, value-added tax, excise tax, property transfer tax, and other similar charges on any transactions involving goods, works, or services in connection with the Program; (iii) taxes and other similar charges on ownership, possession or use of any property in connection with the Program; and (iv) taxes and other similar charges on income, profits or gross receipts attributable to work performed in connection with the Program and related social security taxes and other similar charges on all natural or legal persons performing work in connection with the Program except, in the case of this clause

(iv), (A) natural persons who are citizens or permanent residents of Solomon Islands; and (B) legal persons formed under the laws of Solomon Islands.

(b) The Government agrees to use the mechanisms set forth in Annex V to implement the Tax exemption required by Section 2.4(a). If necessary, the Government and MCC may enter into one or more additional agreements to further define and detail the mechanisms to implement and ensure the benefits of the exemption from Taxes contemplated by Section 2.4(a). Such mechanisms may include exemptions that have been granted in accordance with applicable law, refund, or reimbursement of Taxes by the Government to MCC, or to the taxpayer, or payment by the Government to MCC, for the benefit of the Program, of an agreed amount representing any collectible Taxes on the items described in this Section 2.4.

(c) If a Tax has been paid contrary to the requirements of this Section 2.4, the Government shall refund promptly to MCC (or to another party as designated by MCC) the amount of such Tax in United States dollars or the currency of Solomon Islands within 60 days (or such other period as may be agreed in writing by the Parties) after the Government is notified in writing that such Tax has been paid. Failure to refund such amount within the specified time shall result in interest accruing on the unpaid amount in accordance with Section 6.3.

(d) The Government may not apply any portion of the Grant, including any proceeds thereof, or Program Assets, to satisfy its obligations under this Section 2.4.

ARTICLE 3.

GOVERNMENT ASSURANCES AND RESPONSIBILITIES

Section 3.1 Government Assurances. The Government hereby assures MCC that the information provided to MCC by or on behalf of the Government in the course of reaching this Agreement is true, correct, and complete in all material respects.

Section 3.2 Government Responsibilities.

(a) Policy Performance. In addition to undertaking the specific policy, legal, and regulatory reform commitments identified in this Agreement (if any), the Government agrees to seek to maintain and to improve its level of performance under the policy criteria identified in Section 607 of the Millennium Challenge Act of 2003, as amended, and the selection criteria and methodology used by MCC.

(b) Achievement of Project Objectives. The Government agrees to take all necessary and/or appropriate steps to achieve each of the Project Objectives prior to the Completion Date (including, without limitation, funding all costs that exceed the Grant and are required to carry out the terms hereof and achieve such objectives, unless MCC agrees otherwise in writing).

(c) Intellectual Property. The Government shall retain title to Intellectual Property developed under the Program. The Government hereby grants to MCC a perpetual, irrevocable, royalty-free, worldwide, fully paid, assignable right and license to practice or have practiced on its behalf (including the right to produce, reproduce, publish, repurpose, use, store, modify or

make available) any portion or portions of Intellectual Property as MCC sees fit in any medium, now known or hereafter developed, for any purpose whatsoever.

(d) Impoundment; Liens or Encumbrances. The Government agrees to ensure that (A) no Program Assets are subject to any impoundment, rescission, sequestration, liquidation, or to any provision of law now or hereafter in effect in Solomon Islands that would have the effect of allowing any such impoundment, rescission, sequestration, or liquidation and (B) no Program Asset is subject to any lien, attachment, enforcement of judgment, pledge, or encumbrance of any kind (each a “*Lien*”), except with MCC’s written approval. In the event any Lien not so approved is imposed, the Government agrees to promptly seek the release of such Lien and, if such Lien is imposed by a final non-appealable court order, agrees to pay any amounts due in order to obtain such release; *provided, however*, that the Government may not apply any portion of the Grant, including any proceeds thereof or Program Assets, to satisfy any of its obligations under this Section 3.2(d).

(e) Publicity. As a program to which the United States of America, through MCC, has contributed, this Agreement shall be given appropriate publicity, including by posting this Agreement, in English, on an agreed website, identifying the Grant activity sites, and marking assets acquired with the Grant, all in accordance with MCC’s *Standards for Global Marking* provided by MCC or posted on the MCC Website (the “*MCC Marking Standards*”); *provided, however*, that any press release or announcement regarding MCC or the fact that MCC is making the Grant or any other publicity materials referencing MCC shall be subject to MCC’s prior written approval. MCC may post this Agreement on the MCC Website. MCC may also freely use any information it receives in any report or document provided to it with respect to the Program, the Grant, or this Agreement.

(f) Further Assurances. The Government agrees to promptly do and perform such other and further acts, and take all necessary and appropriate actions, including using its best efforts to obtain all necessary approvals and consents to otherwise effectively carry out the obligations of the Government set forth in this Agreement.

(g) Other Government Obligations. The Government shall cooperate with MCC and the MCC Service Providers in facilitating the implementation of all MCC Service Provider Contracts in accordance with this Agreement and shall comply with each of the obligations and responsibilities set forth in Annex III.

ARTICLE 4.

IMPLEMENTATION FRAMEWORK

Section 4.1 MCC Service Provider Contracts. Consistent with the Activities in Annex I, MCC may procure and manage the services of one or more providers of goods, works, or services to implement each of the Activities (“*MCC Contracted Activities*”). MCC shall enter into cooperative agreements or procure and manage the services of one or more providers of goods, works, or services for each of the MCC Contracted Activities (each a “*MCC Service Provider*”) in accordance with the U.S. Government’s Federal Acquisition Regulation. MCC shall enter into one or more cooperative agreements or contracts with the MCC Service Providers implementing

the MCC Contracted Activities (“**MCC Service Provider Contracts**”). MCC shall be the primary point of contact for each MCC Service Provider throughout the term of each MCC Service Provider Contract. All instructions to the MCC Service Provider shall be made by and through MCC, unless otherwise provided in such MCC Service Provider Contract.

Section 4.2 Monitoring and Evaluation. Through one or more MCC Service Providers, the Parties agree to develop, adopt, and implement one or more monitoring and evaluation plans (collectively the “**M&E Plan**”) in accordance with MCC’s *Policy for Monitoring and Evaluation of Compacts and Threshold Programs* provided by MCC or posted on the MCC Website (the “**M&E Policy**”). The M&E Plan shall serve as the primary governing document for monitoring and evaluation activities for the Program.

Section 4.3 Environmental, Gender, and other Program Guidelines.

(a) Unless MCC agrees otherwise, activities undertaken, funded, or otherwise supported in whole or in part (directly or indirectly) by Grant funding shall comply with the MCC Environmental Guidelines, including IFC Performance Standards on Environmental and Social Sustainability of the International Finance Corporation (as in effect from time to time, the “**IFC Performance Standards**”) that have been incorporated by reference into the MCC Environmental Guidelines. In addition, the Program shall comply with all Solomon Islands environmental laws and regulations, licenses, and permits. Where there is a difference between such Solomon Islands environmental laws and regulations, licenses, and permits and the standards required by this Agreement, the MCC Environmental Guidelines, and the IFC Performance Standards, the Program shall follow the stricter standard.

(b) Unless MCC agrees otherwise all activities undertaken, funded, or otherwise supported in whole or in part (directly or indirectly) by Grant funding shall comply with the MCC Gender Policy and MCC’s Counter-Trafficking in Persons Policy, and other gender and social integration operational milestones which are made available on the MCC Website or otherwise made available to the Government. In addition, the Program shall comply with all Solomon Islands laws, regulations, and policies related to gender and social inclusion. Where there is a difference between such Solomon Islands laws, regulations, or policies and the standards required by this Agreement, the MCC Gender Policy, MCC’s Counter-Trafficking in Persons Policy, and/or other gender and social integration operational milestones, the Program shall follow the stricter standard.

(c) Unless MCC agrees otherwise, activities undertaken, funded, or otherwise supported in whole or in part (directly or indirectly) by Grant funding shall comply with applicable Program Guidelines, which, if not directly applicable, shall apply, *mutatis mutandis*, to the Program and this Agreement as if references in such guidelines to a “compact” were references to this Agreement.

Section 4.4 Reports. If at any time prior to the Completion Date, the Government materially reallocates or reduces the allocation in its national budget (or any other governmental authority of Solomon Islands at a departmental, municipal, regional or other jurisdictional level materially reallocates or reduces the allocation in its budget), of the normal and expected resources that the Government (or such governmental authority, as applicable) would have otherwise received or

budgeted, from external or domestic sources, or fails to timely distribute an allocation budgeted for the activities contemplated under this Agreement or the Program, the Government must notify MCC in writing within 30 days of such reallocation, reduction, or failure to distribute, and such notification must contain information regarding the amount of the reallocation, reduction, or failure to distribute, the affected activities, and an explanation for the reallocation or reduction.

Section 4.5 Access. Upon MCC's request, the Government, at all reasonable times, agrees to permit, or cause to be permitted, authorized representatives of MCC, the Inspector General of MCC ("*Inspector General*"), the United States Government Accountability Office, any auditor responsible for an audit contemplated herein or otherwise conducted in furtherance of this Agreement, and any agents or representatives engaged by MCC or the Government to conduct any assessment, review, or evaluation of the Program, the opportunity to audit, review, evaluate or inspect facilities, assets, and activities funded in whole or in part by the Grant funding.

Section 4.6 Implementation Letters. From time to time, MCC may provide guidance to the Government in writing on any matters relating to this Agreement, the Grant, or implementation of the Program. The Parties may also issue jointly agreed-upon writings to confirm and record their mutual understanding on aspects related to the implementation of this Agreement or other related agreements. Both types of writings are referred to herein as "Implementation Letters."

ARTICLE 5.

DISBURSEMENT OF GRANT FUNDING

Section 5.1 Disbursement Process for MCC Contracted Activities.

(a) MCC Service Provider Disbursements. Prior to the initial Disbursement of the Grant for the MCC Contracted Activities, the Government shall have (i) delivered to MCC a signed legal opinion in form and substance satisfactory to MCC, by the Solomon Islands Solicitor General or other legal counsel of the Government acceptable to MCC, and (ii) entered into a tax exemption agreement or such other mechanism acceptable to MCC to establish or give effect to Section 2.4, and such mechanism shall be in full force and effect.

(b) Subject to Section 5.1(a) and except as otherwise agreed in writing by the Parties, MCC shall make Disbursements of the Grant from time to time for the MCC Contracted Activities, directly to each MCC Service Provider that has entered into an MCC Service Provider Contract with MCC (each, an "*MCC Service Provider Disbursement*"). The Government hereby consents to the MCC Contracted Activities and any related MCC Service Provider Disbursement.

ARTICLE 6.

COMPLETION DATE; TERMINATION AND SUSPENSION

Section 6.1 Completion Date. Unless the Parties agree otherwise, the date four years after this Agreement enters into force in accordance with Article 8 is the date by which the Parties estimate that all of the activities related to the implementation of the Program and the achievement of the Project Objectives are expected to be completed (the "*Completion Date*").

Unless MCC agrees otherwise, Grant funding may not be used for expenditures incurred after the Completion Date.

Section 6.2 Termination and Suspension; Expiration.

(a) Either Party may terminate this Agreement without cause in its entirety by giving the other Party 30 days' written notice. MCC may also terminate this Agreement or Grant funding without cause in part by giving the Government 30 days' prior written notice.

(b) MCC may, immediately, upon written notice to the Government, suspend or terminate this Agreement or the Grant, in whole or in part, and any obligation related thereto, if MCC determines that any circumstance identified by MCC, as a basis for suspension or termination (whether in writing to the Government or by posting on the MCC Website) has occurred, which circumstances include but are not limited to the following:

(i) the Government fails to comply with its commitments under this Agreement or any other agreement or arrangement entered into by the Government in connection with this Agreement or the Program;

(ii) any statement, affirmation, or assurance of the Government made in this Agreement, any supplemental agreement, or in any certificate or other document delivered in connection with this Agreement proves to have been willfully false or misleading as of the date when made;

(iii) an event or series of events has occurred that MCC determines makes it improbable that the Program can be performed, that any of the Project Objectives can be achieved before the Completion Date or that the Government can perform its obligations under this Agreement;

(iv) a use of the Grant or continued implementation of this Agreement would violate applicable law or United States Government policy, whether now or hereafter in effect;

(v) the Government or any other person or entity receiving Grant funding or using assets acquired in whole or in part with Grant funding is engaged in activities that are contrary to the national security interests of the United States of America;

(vi) an act has been committed or an omission or an event has occurred that would render Solomon Islands ineligible to receive United States economic assistance under Part I of the Foreign Assistance Act of 1961, as amended (22 U.S.C. 2151 *et seq.*), by reason of the application of any provision of the Foreign Assistance Act of 1961 or any other provision of law;

(vii) the Government has engaged in a pattern of actions inconsistent with the criteria used to determine the eligibility of Solomon Islands for assistance under the MCA Act; and

(viii) a person or entity receiving Grant funding or using assets acquired in whole or in part with Grant funding is found to have been convicted of a narcotics offense or to have been engaged in drug trafficking.

(c) Grant funding may be used, in compliance with this Agreement, to pay for: (i) reasonable expenditures for goods, works or services that are properly incurred under or in furtherance of this Agreement before expiration, suspension or termination of this Agreement; and *provided, further*, that the request for such expenditures is submitted within 90 days after such expiration, suspension or termination; and (ii) reasonable expenditures (including administrative expenses) properly incurred in connection with the winding up of the Program within 120 days after the expiration, suspension or termination of this Agreement.

(d) Subject to Section 6.2(c), upon the expiration, suspension, or termination of this Agreement: (i) any amounts of the Grant not disbursed by MCC shall be automatically released from any obligation in connection with this Agreement without any action from the Government or MCC.

(e) MCC and the Government expect the effects of the Program to be long-ranging and its impact may not be measurable for several years after the Completion Date. Accordingly, MCC and the Government agree to cooperatively monitor the results and evaluate the impacts of the Program in Solomon Islands after the termination or expiration of this Agreement.

(f) MCC may reinstate any suspended or terminated portion of the Grant under this Agreement if MCC determines that the Government, or other relevant person or entity, has committed to correct each condition for which the Grant was suspended or terminated.

Section 6.3 Refunds.

(a) If any Grant funding, any interest or earnings thereon, or any asset acquired in whole or in part with Grant funding is used for any purpose in violation of the terms of this Agreement, then MCC may require the Government to repay to MCC in United States dollars the value of the misused portion of the Grant, interest, earnings, or asset, plus interest within 30 days after the Government's receipt of MCC's request for repayment. Interest shall accrue on such amount at a rate equal to the then-current United States Treasury Current Value of Funds Rate, calculated on a daily basis and a 360-day year from the due date of such payment until such amount is paid in full. The Government shall not use Grant funding, proceeds thereof or any other funds received from MCC (assets acquired with Grant funding or with any such other funds) to make such payment.

(b) Notwithstanding any other provision in this Agreement or any other existing agreement to the contrary, MCC's right under this Section 6.3 to obtain a refund shall continue during the term of this Agreement and for a period of (i) five years thereafter or (ii) one year after MCC receives actual knowledge of such violation, whichever is later.

ARTICLE 7.

GOVERNING LAW; AMENDMENTS; GENERAL

Section 7.1 Governing Law. This Agreement is an international agreement and as such shall be governed by international law.

Section 7.2 Consultations. Either Party may, at any time, request consultations relating to the interpretation or implementation of this Agreement. Such consultations shall begin at the earliest possible date.

Section 7.3 Representatives. For all purposes relevant to implementation of this Agreement, the Government is represented by the individual holding the position of, or acting as, the Minister of National Planning and Development Coordination, and MCC is represented by the individual holding the position of, or acting as, the Vice President of the Department of Policy and Evaluation (each of the foregoing, a “*Principal Representative*”). Each Party, by written notice to the other Party, may designate one or more additional representatives (each, an “*Additional Representative*”) for all purposes of this Agreement except for purposes of Section 7.7(a). MCC hereby designates the Deputy Vice President of the Department of Policy and Evaluation as an Additional Representative for MCC. The Government hereby designates the Permanent Secretary of the Ministry of National Planning and Development Coordination as an Additional Representative. A Party may change its Principal Representative to a new representative that holds a position of equal or higher authority upon written notice to the other Party.

Section 7.4 Communications. Any document or communication required or submitted by either Party to the other under this Agreement must be submitted in writing and, except as otherwise agreed with MCC, in English. All such documents or communication must be submitted to the address of each Party set forth below or to such other address as may be designated by any Party in a written notice to the other Party.

To MCC:

Millennium Challenge Corporation

Attention: Vice President, Department of Policy and Evaluation
(with a copy to the Vice President and General Counsel)
1099 Fourteenth Street NW, Suite 700
Washington DC 20005
United States of America

Facsimile: +1 (202) 521-3700

Telephone: +1 (202) 521-3600

Email: VPPolicyEvaluation@mcc.gov (Vice President, Department of Policy and
Evaluation)
VPGeneralCounsel@mcc.gov (Vice President and General Counsel)

To the Government:

Ministry of National Planning and Development Coordination

Attention: Minister of National Planning and Development Coordination
(with a copy to the Permanent Secretary)
P. O. Box G30, Honiara, Solomon Islands

Facsimile: +677 30490

Telephone: +677 38336/38256/55

Email: SSulu@mpdc.gov.sb

Section 7.5 MCC Status. MCC is a United States government corporation acting on behalf of the United States Government in the implementation of this Agreement and the Program. MCC and the United States Government assume no liability for any claims or loss arising out of activities or omissions under this Agreement. The Government waives any and all claims against MCC or the United States Government or any current or former officer or employee of MCC or the United States Government for all loss, damage, injury, or death arising out of activities or omissions under this Agreement, and agrees that it shall not bring any claim or legal proceeding of any kind against any of the above entities or persons for any such loss, damage, injury, or death. The Government agrees that MCC and the United States Government or any current or former officer or employee of MCC or the United States Government shall be immune from the jurisdiction of all courts and tribunals of Solomon Islands for any claim or loss arising out of activities or omissions under this Agreement.

Section 7.6 No Assurance of Future Assistance. Nothing contained in this Agreement creates an obligation on the part of MCC to provide any further funding or assistance, other than the Grant, in relation to any other project or program in Solomon Islands.

Section 7.7 Amendment.

(a) The Parties may amend this Agreement only by a written agreement. Such agreement shall specify how it enters into force.

(b) Notwithstanding subsection (a), the Parties agree that the Government and MCC may by written agreement, which shall enter into force upon signature (i) modify any annex to this Agreement to, in particular, but without limitation, (A) suspend, terminate or modify any project or activity described in Annex I or create a new project or activity, (B) add, change or delete any indicator, baseline or target or other information set forth in Annex I in accordance with the MCC M&E Policy, or (C) modify the allocation of funds among the activities identified in Annex II; (D) modify the mechanisms for exempting MCC Funding from Taxes as set forth in Annex V; or (ii) extend the Completion Date; provided that, in each case, any such modification (A) is consistent in all material respects with the Project Objectives, (B) does not cause the amount of the Grant to exceed the aggregate amount specified in Section 2.1(a), and (C) does not cause the Government's responsibilities or contribution of resources to be less than as specified in this Agreement. Any such modification pursuant to this subsection (b) shall not be deemed an amendment of this Agreement pursuant to subsection (a).

Section 7.8 Survival. The Government's obligations under Sections 2.3 (Use of the Grant), 2.4 (Taxes), 3.2 (Government Responsibilities), 4.5 (Access), 6.2 (Termination and Suspension; Expiration), 6.3 (Refunds), 7.1 (Governing Law), and this Section 7.8 (Survival) shall survive the expiration, suspension, or termination of this Agreement.

Section 7.9 Definitions; Interpretation.

(a) Except as otherwise expressly provided herein, capitalized terms used in this Agreement shall have the respective meanings provided in Annex IV.

(b) Unless expressly provided otherwise: (i) each definition of or reference to any agreement, instrument, law, regulation, policy, guideline, or similar document in this Agreement (or any other agreement entered into in connection with this Agreement), unless otherwise expressly set forth herein, shall be construed as a reference to such agreement, instrument, law, regulation, policy, guideline, or similar document as it may, from time to time, be amended, revised, replaced, or extended, and shall include any agreement, instrument, law, regulation, policy, guideline, or similar document issued under or otherwise applicable or related to such agreement, instrument, law, regulation, policy, guideline, or similar document; (ii) all references herein to Articles, Sections, and Annexes shall be construed to refer to the Articles and Sections of, and Annexes to, this Agreement, all of which form an integral part of this Agreement; (iii) any reference to the phrases "Unless MCC agrees otherwise" or "Unless the Parties agree otherwise" in this Agreement shall be deemed to be followed by "in writing;" (iv) any approval right granted to MCC herein shall only be satisfied upon the prior written approval of MCC.

Section 7.10 References to MCC Website. Each reference in this Agreement, or any other agreement entered into in connection with this Agreement, to a document or information available on, or notified by posting on, the MCC Website shall be deemed a reference to such document or information as updated or substituted on the MCC Website by MCC from time to time.

Section 7.11 Signatures. Signatures to this Agreement and to any amendment to this Agreement (and to any other legally binding international agreement related to this Agreement) shall be original signatures appearing on the same page or in an exchange of letters or diplomatic notes.

ARTICLE 8.

ENTRY INTO FORCE

This Agreement shall enter into force on the last date of signature by the Parties.

SIGNATURE PAGE FOLLOWS ON NEXT PAGE

IN WITNESS WHEREOF, each Party, through its duly authorized representative, has signed this Agreement.

FOR THE UNITED STATES OF
AMERICA, acting through THE
MILLENNIUM CHALLENGE
CORPORATION

FOR SOLOMON ISLANDS, acting through
THE MINISTRY OF NATIONAL
PLANNING AND DEVELOPMENT
COORDINATION

/s/

/s/

Name: Alexia Latortue
Title: Deputy Chief Executive Officer

Name: Honourable Raxon Ramofafia
Title: Minister of National Planning and
Development Coordination

Place: Washington, DC, United States of
America

Place: Honiara, Solomon Islands

Date: November 24, 2021

Date: January 22, 2022

ANNEX I

PROGRAM DESCRIPTION

Unless the Parties agree otherwise, the Government agrees to utilize the assistance provided under this Agreement to support the following Program.

A. SUMMARY OF PROGRAM

The Program consists of the following Projects and their activities (each, an “*Activity*” and collectively, the “*Activities*”). Each of the Projects is an MCC Contracted Activity:

1. Accessing Land for Tourism Investment Facilitation

The ALTIF Project consists of a single Activity—the ALTIF Activity. The sub-activities under the ALTIF Activity are:

(a) Improve Access to Land and Establish Social License to Operate for the Tourism Investor (“*Land Sub-Activity*”).

The objective of the Land Sub-Activity is to identify registered land parcels that have a high potential to attract outside tourism investment to Solomon Islands and to support the process by which an investor obtains access to that land via a long-term lease and establishes Social License to operate with the neighboring community, which is necessary for long term land tenure security. Grant funding shall support: (i) identifying land with high potential for tourism investment by employing a tourism investment viability screening process; (ii) educating and supporting investors and communities on Social License issues; (iii) facilitating and assisting investors, landowners, and communities to establish and maintain Social License; and (iv) as needed, assisting communities to formalize rights to land near targeted investment sites.

An MCC Service Provider shall support and build the capacity of the Ministry of Culture and Tourism (“*MCT*”) to survey registered land parcels to determine their suitability for tourism investment by applying criteria that include: consideration of natural beauty and desirable physical characteristics, proximity to transport infrastructure and tourism attractions, clear legal title to land, lack of active or latent disputes over title to land, and a strong possibility that Social License can be established and maintained such that the investor may realize the investment and continue operating into the future.

MCC Service Providers shall support investors and the communities (i) in understanding the importance of Social License as a means to ensure land tenure security and good relations between an investor and the relevant community and (ii) by supporting the process of agreeing on access to land and the sharing of benefits and economic opportunities that may come from the tourism investment. To promote long-term stability of their relationship, investors and communities must focus on making inclusive community decisions and providing economic opportunity for women and youth with the tourism operation.

MCC Service Providers also shall support the documentation of agreements related to Social License between investors and the relevant community. Finally, to promote the establishment of Social License, in some cases a MCC Service Provider may assist the community to formalize rights in customary land, especially if the investor has plans for use of community land as part of future expansion of the tourism operation.

The availability of Grant funding for land identification work outside of Western Province as part of this Activity shall be contingent on the Government, with support from a MCC Service Provider, preparing a business case which demonstrates that increases in tourism investment in another geographic area or individual site will stimulate economic growth and job creation. The business case shall consider the likelihood of tourist arrivals in the newly proposed geographic area(s), provide reasonable projections for positive economic impact and jobs in the tourism and related sectors, and state key conditions on which the business case is dependent (e.g., establishment of transportation infrastructure). MCC shall consider and approve the business case for a new geographic area(s) prior to making funding available for land identification activities in such geographic area(s).

(b) Increasing Tourism Investment through Investment Facilitation (“***Investment Facilitation Sub-Activity***”).

The objective of the Investment Facilitation Sub-Activity is simplifying the investment process to facilitate tourism investment through InvestSolomons, a division of the Ministry of Commerce, Industries, Labour and Immigration (“***MCILI***”). This approach shall provide investors definitive information about land parcels available for tourism investment and assistance in navigating the investment process. InvestSolomons shall facilitate and coordinate the completion of all Government tasks and decisions required for the investor to realize the investment in a timely manner.

Grant funding shall support investment facilitation for sites identified through the tourism investment viability screening process utilized in the Land Sub-Activity by building the capacity of InvestSolomons and MCT to prepare marketing materials for the selected land parcels; conducting outreach to investors on investment opportunities; responding in a timely manner to investor inquiries and requests; evaluating interested investors based on their commitment to social and environmental responsibility; assessing risk for each potential investment transaction and, as necessary, determining and utilizing the most appropriate blended finance instruments (such as credit enhancements, interest rate buy-downs, closing costs, and viability gap funding targeted to infrastructure associated with sites identified through the tourism investment viability screening process utilized in the Land Sub-Activity), and mitigating identified risks; and taking other actions necessary to improve the investor experience and attract new tourism investment to Solomon Islands.

Grant funding shall also support building the Government’s capacity for investment facilitation by supporting the establishment of a task force (the “***Tourism Investment Task Force.***”) This task force shall improve coordination and decision making among disparate government institutions and provide appropriate responses on investment, tax, and licensing issues required to realize an investment and smooth investor interactions with the Government.

The Government shall ensure that registered land parcels identified as part of this Sub-Activity are marketed to investors solely through the agreed upon investment facilitation process.

Further, the inclusion of individual registered land parcels located outside of Western Province in the Investment Facilitation Sub-Activity is dependent on the presentation of an investment case by an MCC Service Provider and the Government which presents a positive economic justification for a tourism investment on that parcel.

(c) Facilitated Governance Reform (“*ALTIF FGR Sub-Activity*”).

The objective of the ALTIF FGR Sub-Activity is to provide a governance structure for the ALTIF Project that facilitates building capabilities and implementing the reforms that are identified by the Land Sub-Activity and Investment Facilitation Sub-Activity. Using a facilitated governance reform (“*FGR*”) methodology, such as problem driven iterative adaptation (“*PDIA*”) or similar approach, this Sub-Activity aims to build local ownership and identify and solve problems. Grant funding shall support a task force (the “*Tourism Investment Task Force*”) to oversee implementation of the ALTIF Project; establish working level teams to advance initiatives and problem solving; and provide coaching to the Tourism Investment Task Force and the working level reform teams.

An MCC Service Provider shall provide facilitation, mentoring, and technical assistance support for the Tourism Investment Task Force and the working level teams. This support shall help the task force and teams to identify complex problems, prioritize tasks needed to implement reforms, decide on actions required to achieve the desired outcomes, test those actions in practice, review the outcomes and assess progress on achieving the desired outcomes, adapt the solutions to reflect the reality in Solomon Islands, and retest the adapted solutions. An MCC Service Provider shall assist the Tourism Investment Task Force and working level teams to gather data, complete analysis, reflect on progress, and implement improvements to proposed solutions until the desired outcomes are achieved.

2. **Forest Value Enhancement Project**

FoVEP consists of a single Activity—the Forest Value Enhancement Activity. The sub-activities under the Forest Value Enhancement Activity are:

(a) Forest Management through Payment for Ecosystem Services. (“*PES Sub-Activity*”)

The objective of the PES Sub-Activity is to facilitate community-based forest and land management that is supported by a market-based payment for ecosystem services (“*PES*”) program in participating project locations. PES programs seek to incentivize better management of ecosystems by providing payments derived from markets for accredited management outcomes. The PES Sub-Activity shall adhere to the Nakau Methodology Framework to facilitate improved environmental, social, and economic benefits derived from participation in forest-based PES market opportunities. The methodology framework was developed by the Nakau Programme to apply existing PES verification modalities and development partner requirements to the unique environmental and cultural context of the Pacific region.

Grant funding shall support: (i) assessing and establishing an enabling environment for PES project implementation, including project area identification, selection, and engagement; (ii) participating in forest-based PES projects; (iii) marketing and sale of PES credits, including monitoring, marketing, sales and transaction facilitation; (iv) monitoring, reporting and verifying PES program accreditation requirements; (v) developing alternative livelihood opportunities; and (vi) providing input necessary for the FoVEP FGR Sub-Activity to identify and leverage opportunities created by the PES Sub-Activity with relevance for broader forest sector reforms.

(b) Policy and Institutional Reforms for Alternative Forest Management. (***FoVEP FGR Sub-Activity***)

The objective of the FoVEP FGR Sub-Activity is to facilitate policy and institutional reforms to improve the environmental performance, equitable sharing of benefits, and regulatory enforcement of the Solomon Islands' forest sector. Using an FGR methodology, such as PDIA or similar approach, this Sub-Activity aims to facilitate a process for incremental reform in which participants iteratively identify, prioritize, diagnose, and solve constraints to effective governance in the forest sector.

The project locations identified in the PES Sub-Activity shall provide a project-specific foundation for the FGR process. This is intended to provide a link between alternative forest management solutions at the local scale identified as part of the PES Sub-Activity and opportunities to improve the scalability and institutionalization of those solutions at provincial or national level through policy and institutional reform or mobilization of political constituencies supportive of forest sector reform in the FoVEP FGR Sub-Activity. To do so, the FGR process shall operate at three levels. The first level of the process shall consist of a task force (the ***FoVEP Task Force***), which shall serve as the Government's oversight entity for FoVEP and shall be responsible for convening, authorizing, and supporting the performance of each working level team in alignment with the objectives of the overall process. The second level of the process shall consist of a national-level forest governance accountability working level team to identify and build awareness of measures to improve the application, monitoring, and enforcement of existing forest sector regulations; and support and/or implement initiatives to increase awareness, accountability, and transparency of forest-sector governance in alignment with existing regulations and national policies. The third level of the process shall consist of a sub-national forest management working level team in each participating project jurisdiction. These teams shall identify and address constraints preventing implementation of economically viable PES methods and improved enforcement of forest sector regulations in those jurisdictions.

An MCC Service Provider shall provide facilitation, mentoring, and technical assistance support to each level of the FGR process to identify problems, prioritize tasks needed to implement reforms, decide on actions required to achieve the desired outcomes, test those actions in practice, review the outcomes and assess progress on achieving the desired outcomes, adapt the solutions to reflect the reality in Solomon Islands, and retest the adapted solutions. The MCC Service Provider shall facilitate information sharing between each level of the FGR process and advise the FoVEP Task Force on opportunities to leverage solutions identified in the FGR process for broader reform objectives within the forest sector.

FoVEP will be implemented in accordance with applicable Solomon Islands laws and regulations and will adhere to all applicable requirements for line ministry involvement and approvals. All data generated through FoVEP will be made available to the FoVEP Task Force in accordance with the FoVEP methodology and managed in accordance with MCC's *Guidelines for Transparent, Reproducible, and Ethical Data and Documentation* provided by MCC or posted on the MCC Website.

B. IMPLEMENTATION ARRANGEMENTS

The roles and responsibilities of the various entities involved in implementation are set forth below.

1. MCC.

MCC agrees to take all appropriate actions to carry out its responsibilities in connection with this Agreement and the Program, including, without limitation, exercise of its approval rights. MCC's management and oversight of the Program is expected to include an MCC country director based in Honiara and an implementation support team based at MCC headquarters, who shall manage the MCC Contracted Activities. MCC shall also engage MCC-managed consultants, who work in Solomon Islands from time to time as necessary to perform their duties.

2. Government.

(a) Advisory Council.

The Government agrees to take all appropriate actions to carry out its responsibilities in connection with this Agreement and the Program. A group consisting of senior government officials from key ministries affected by the Program shall provide senior leadership and cross-governmental coordination for the Program (the "**Advisory Council**"). Through its yearly and ad hoc meetings, the Advisory Council shall actively participate in the governance and oversight of the Program by providing advice and making recommendations related to program implementation. The Advisory Council shall be responsible for reviewing material changes to this Agreement, the composition of the Advisory Council, and to any other material agreement, document, or transaction related to the Program. The Advisory Council shall operate in an accountable and transparent manner in its deliberations. The non-Government representatives shall be selected through an open and transparent process in form and substance satisfactory to MCC. In addition, MCC's country director in Solomon Islands shall serve as a non-voting observer of the Advisory Council. The Advisory Council includes the following representatives:

- (i) Ministry of Development, Planning and Aid Coordination ("**MDPAC**");
- (ii) Ministry of Culture and Tourism;
- (iii) Ministry of Lands, Housing and Survey ("**MLHS**");
- (iv) Ministry of Environment, Climate Change, Disaster Management, and Meteorology ("**MECDM**");

- (v) Ministry of Commerce, Industry, Labour, and Immigration;
- (vi) Ministry of Forest and Research (“*MFOR*”);
- (vii) Ministry of Women, Youth, Children and Family Affairs (“*MWYCF*”); and
- (viii) Ministry of Justice and Legal Affairs.

(b) FGR Task Forces.

The Advisory Council shall establish a Tourism Investment Task Force and a FoVEP Task Force to engage in the FGR activities described in the ALTIF FGR Sub-Activity and the FoVEP FGR Sub-Activity. Each task force shall be responsible for establishing, authorizing, and dissolving working level teams (including designating members of working level teams), assessing progress of working level teams, addressing impediments to working level team progress, ensuring alignment with national policies and strategies, coordinating with relevant Government entities, and promoting the adoption of policy, legal and procedural reforms, as necessary, to achieve the Project Objectives. Each task force shall coordinate with relevant MCC Service Providers.

The Tourism Investment Task Force shall be comprised of permanent secretaries from MDPAC, MCT, MLHS, MCILI, and MWYCF, as well as public officials from provincial authorities involved in ALTIF Project implementation.

The FoVEP Task Force shall be comprised of permanent secretaries from MDPAC, MECDM, MFOR, and MWYCF.

(c) Futures Circle.

A group of influential, non-governmental, individuals (the “*Futures Circle*”) shall be established to promote dialogue in support of the Program Goal with a primary focus on the two targeted sectors of the Program.

The Futures Circle shall:

- (i) Provide thoughts and advice about the Program, including strategic advice about how the Project Objectives can be achieved.
- (ii) Discuss contextual issues that might impact the implementation of the Program and MCC’s engagement in Solomon Islands and partnership with the Solomon Islands Government.
- (iii) Be thought leaders on topics of relevance to the Program.
- (iv) Coordinate with the Tourism Investment Task Force and FoVEP Task Force.

(d) Stakeholder Engagement Plan.

In an effort to sustain public consultation and engagement with the private sector and civil society organizations a stakeholder engagement plan shall be developed and adopted to allow opportunities for the private sector and civil society to provide advice and input. The stakeholder engagement plan must be consistent with the requirements of IFC Performance Standard 1 for the Assessment and Management of Environmental and Social Risks and Impacts and must include feedback and communication features that satisfy the stakeholder committee structures required by MCC's *Guidelines for Accountable Entities and Implementation Structures*. The stakeholder engagement plan shall consist of a Program level communications plan and Project specific stakeholder engagement plans.

C. MONITORING AND EVALUATION

This Part C of Annex I summarizes the M&E Plan for the Program. The actual structure and content of the M&E Plan, which may differ from that specified in this Part C shall be formulated in accordance with the M&E Policy. In addition, the M&E Plan may be modified from time to time as described in the M&E Policy without requiring an amendment to this Part C. The M&E Plan shall be posted publicly on the MCC Website and updated as necessary. The M&E Plan must be finalized no later than six months after this Agreement enters into force.

1. General.

MCC and the Government agree to formulate, adopt, and implement, an M&E Plan that specifies: (a) how progress toward the Program Goal and the Project Objectives shall be monitored ("**Monitoring Component**"); (b) a process and timeline for the monitoring of planned, ongoing or completed Activities to determine their efficiency and effectiveness; and (c) a methodology for assessment and rigorous evaluation of the outcomes and impact of the Program ("**Evaluation Component**").

2. Program Logic.

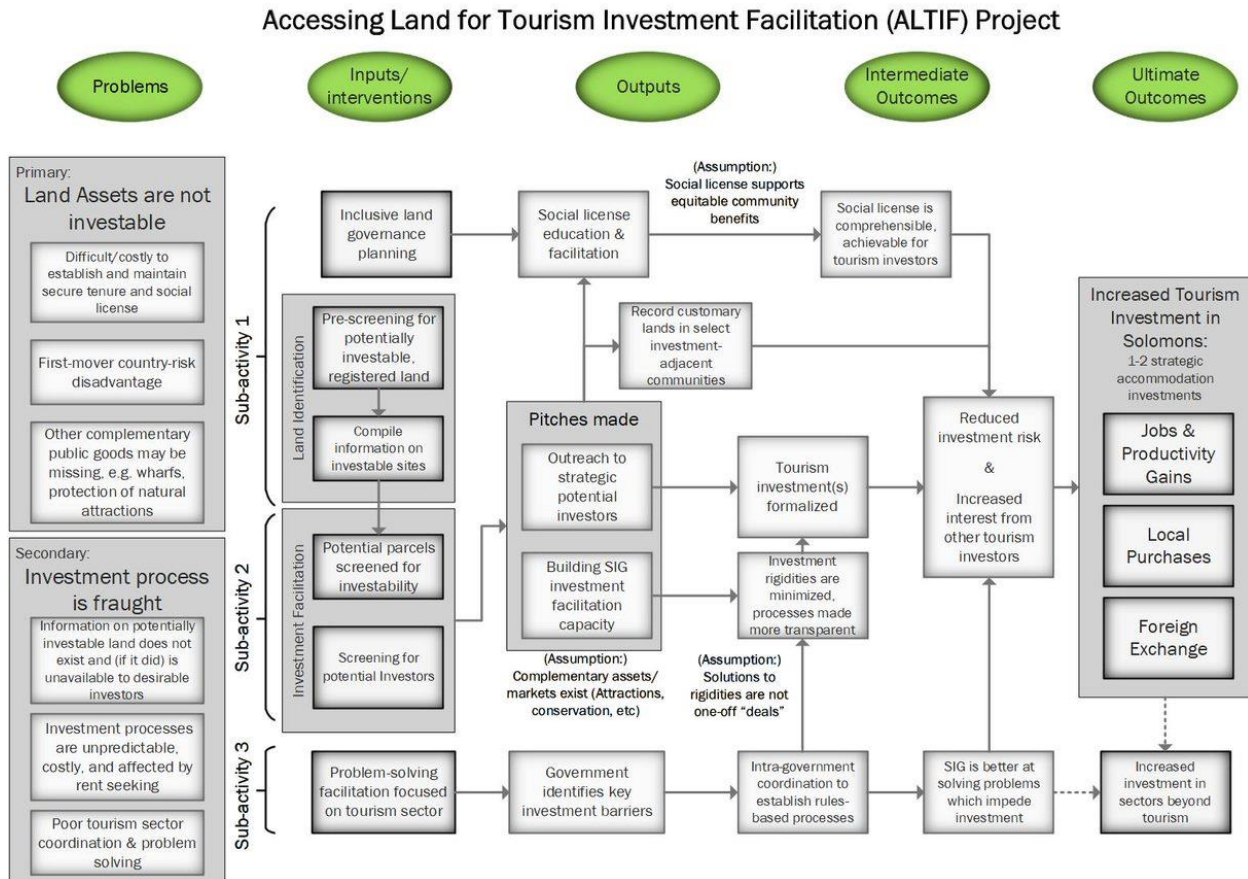
The M&E Plan shall summarize the clearly defined Project-level logic models, which for each Project illustrate how the Activities and sub-Activities (as necessary) contribute to the Project Objectives. These higher-level logic models shall be complemented by lower-level logic models at the Project, Activity, and/or sub-Activity levels (as necessary) depending on program design and implementation. All logic models shall clearly summarize the outputs, outcomes, and goal expected to result from the Program. A description of the logic underlying each Project is included below:

ALTIF Project

As depicted in the project logic below, the objective of the ALTIF Project is to address the land access and investment facilitation issues that have prevented Solomon Islands from realizing its potential in tourism, one of the country's main growth opportunities. The project seeks to achieve this objective by building government capacity to identify investable land and facilitate investment in the sector.

The ALTIF Project aims to increase tourism investment in Solomon Islands, which is expected to deliver jobs and productivity gains, increased local purchases, and foreign exchange benefits.

ALTIF Project Logic



Key Assumptions

A brief list of project assumptions are also described in the program logic. Namely, in relation to an eventual investment's Social License in surrounding communities, it is assumed that the project shall make efforts around education on Social License and establishment and maintenance of Social License to yield community benefits from a tourism investment, as previous investments have been impeded when such community benefit sharing is either not equitable or is not perceived as equitable.

Next, in relation to risk-sharing and blended finance aspects of the Investment Facilitation Sub-Activity, it is assumed that complementary assets and/or markets are either pre-existing in strategic potential investment sites or shall be developed in order to achieve an acceptable level of risk sharing for priority investors. These complementary assets and/or markets may include relevant attractions, conservation of critical resources, development and maintenance of priority infrastructure, or other site-specific aspects which drive value and/or mitigate investment risk.

Finally, in relation to the reform of land governance and investment facilitation policies and practices, it is assumed that rather than facilitating one-off “deals” to solve investment rigidities and bottlenecks, that the project shall establish transparent, rules-based systems which help ensure potential future investors are able to transparently assess potential investments without requiring elite-centric, potentially elite-captured resolutions to rigidities in the investment process.

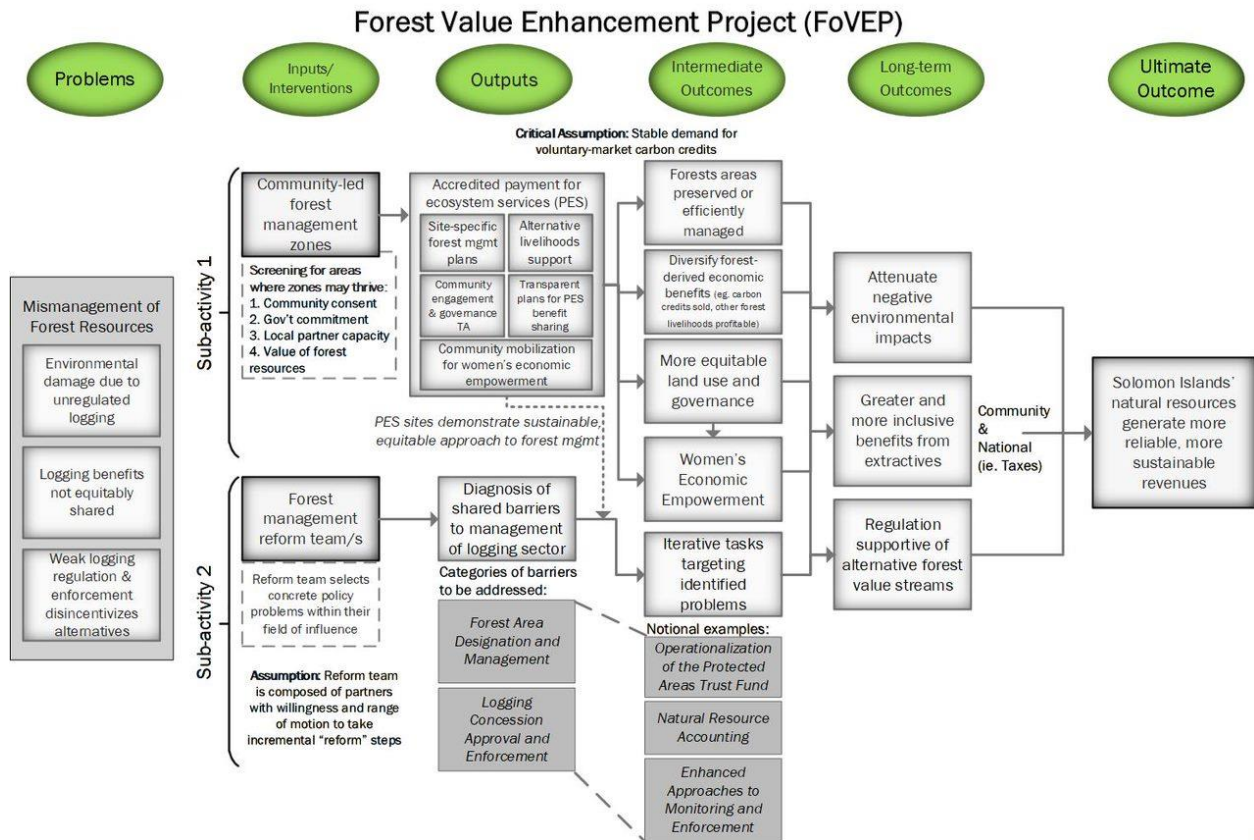
FoVEP

As depicted in the project logic below, FoVEP seeks to address three key negative outcomes of status quo mismanagement and weak regulation of forest resources. Namely, the environmental damage caused by unsustainable logging practices, the elite capture of logging benefits, and the regulatory disincentives to forest-derived economic alternatives.

The ultimate objective of the program is to generate more reliable, sustainable revenues from Solomon Islands’ natural resources by (1) attenuating negative environmental impacts, (2) increasing and more equitably sharing the community and national benefits of forest resources, and (3) achieving a more balanced regulatory and enforcement regime between logging and non-logging uses of forests. Intermediate outcomes expected to support achievement of these outcomes are (1) preservation or effective management of forests areas, (2) diversification of forest-derived economic benefits away from strict reliance on logging, and (3) more equitable land use and land governance.

Results expected prior to the end of the Program are: (1) delivery of an accredited PES program that is able to sell carbon credits and to establish alternative, non-logging livelihoods in selected communities, and (2) incremental reforms in the forestry sector’s regulatory and enforcement environment based on tangible, identifiable problems within the Government’s purview.

FoVEP Project Logic



Key Assumptions

Two key assumptions underlie FoVEP's ability to build momentum for reform in the forestry sector. In particular, the first assumption is that PES sites will be capable of demonstrating a more sustainable, equitable approach to forest management such that national and provincial government actors as well as communities will display greater willingness to reform logging norms, regulations, and practices. The second assumption, related to the FoVEP FGR Sub-Activity, is that the forest management working level teams are composed of government and civil society partners with willingness and capacity to take incremental reform steps, and that once key barriers to reform are identified, that the program will empower these actors to identify practical, achievable tasks that will begin to alleviate these barriers.

3. Monitoring Component.

To monitor progress toward the achievement of results of the Program, the Monitoring Component of the M&E Plan shall identify (a) the Indicators (as defined below), (b) the definitions of the Indicators, (c) the sources and methods for data collection, (d) the frequency for data collection, (e) the party or parties responsible for collecting and analyzing relevant data, and (f) the timeline for reporting on each Indicator to MCC. It should be noted that some indicators shall continue to be tracked after the Completion Date as necessary.

Indicators

The M&E Plan shall measure the results of the Program using quantitative, objective, and reliable data (“*Indicators*”).

The M&E Plan shall establish baselines for every Indicator (each a, “*Baseline*”). An Indicator’s Baseline should be established prior to the start of the corresponding Project, Activity, and/or sub-Activity. Baselines demonstrate that the problem can be specified in measurable terms and are thus a pre-requisite for adequate intervention design. The Government agrees to establish Baselines on the selected Indicators or verify already collected Baselines where applicable.

- (a) The M&E Plan shall establish a benchmark for each Indicator that specifies the expected value and the expected time by which the result shall be achieved (“*Target*”).
- (b) The M&E Plan shall indicate which Indicators shall be disaggregated by gender, income level, and age, and beneficiary types to the extent practical and applicable.
- (c) MCC’s Common Indicators (as described in the M&E Policy) shall also be included as relevant. These shall be denoted by the Common Indicator code.
- (d) Subject to prior written approval from MCC and in accordance with the M&E Policy, the M&E Plan may add Indicators or refine the definitions and Targets of existing Indicators.
- (e) Progress on monitoring Indicators in the M&E Plan must be reported on a quarterly basis using an Indicator Tracking Table (“*ITT*”) in the form provided by MCC. No changes to Indicators, Baselines, or Targets may be made in the ITT until the changes have been approved in the M&E Plan. Additional guidance on Indicator reporting is contained in the *MCC Guidance on Quarterly Accountable Entity Disbursement Request and Reporting Package*.

Key Indicators that can be reported on at least an annual basis shall be included in quarterly monitoring indicator reports, while Indicators that require survey data or a longer time period to track shall be tracked for evaluation purposes. The M&E Plan shall contain the monitoring Indicators listed in Schedule A to Annex I.

4. Evaluation Component.

The Evaluation Component of the M&E Plan may contain three types of evaluation activities as necessary: (a) independent evaluations (impact and/or performance evaluations); (b) self-evaluation, and (c) special studies, each of which is further described in the M&E Policy. A description of the expected evaluation methodologies for each Project is described below.

(a) Independent Evaluations.

ALTIF Project

The ALTIF Project is expected to be evaluated through a performance evaluation using a pre-post methodology. Further detail on the evaluation methodology shall be determined at a later date, prior to completion of the threshold program's M&E Plan.

The questions that shall guide the design of the evaluation may include:

- Was the ALTIF Project implemented according to plan?
- Did the ALTIF Project achieve its targeted outcomes identified in the project logic, in the timeframe and magnitude expected? Why or why not?
- Do the results of the ALTIF Project justify the allocation of resources towards it?

FoVEP

FoVEP is expected to be evaluated through a performance evaluation using a pre-post methodology. Further detail on the evaluation methodology shall be determined at a later date, prior to completion of the threshold program's M&E Plan.

The questions that shall guide the design of the evaluation may include:

- Was FoVEP implemented according to plan?
- Did FoVEP achieve its targeted outcomes identified in the project logic, in the timeframe and magnitude expected? Why or why not?
- Do the results of FoVEP justify the allocation of resources towards it?

The M&E Plan shall contain the evaluation Indicators listed in Schedule A to Annex I.

(b) Special Studies. Plans for conducting special studies shall be determined as part of the approval of the M&E Plan. The M&E Plan shall identify and make provision for any special studies, *ad hoc* evaluations, and research that may be needed as part of the monitoring and evaluating of the Program.

The results of all evaluations shall be made publicly available in accordance with the M&E Policy.

5. Data Quality Reviews.

Data Quality Reviews (“**DQR**”) are a mechanism to review and analyze the utility, objectivity, and integrity of performance information. DQRs are to cover: a) quality of data, b) data collection instruments, c) survey sampling methodology, d) data collection procedures, e) data entry, storage and retrieval processes, f) data manipulation and analyses, and g) data dissemination. MCC requires that an independent entity conduct the DQR, such as a local or international specialized firm or research organization, or an individual consultant, depending on the size of the program or project in review. The frequency and timing of data quality reviews

must be set forth in the M&E Plan; however, MCC may request a DQR at any time. DQRs should be timed to occur before or early enough in the term of this Agreement that meaningful remedial measures (if any) may be taken depending on the results of the review. The methodology for the review should include a mix of document and record reviews, site visits, key informant interviews, and focus groups.

6. Other Components of the M&E Plan.

In addition to the monitoring and evaluation components, the M&E Plan shall include the following components:

(a) Data Collection and Reporting. The M&E Plan shall describe the guidelines that shall be used to collect data, store, process and deliver information to relevant stakeholders in such a way that the Program information collected and verified pursuant to the M&E Plan is at all times accessible and useful to those who wish to use it. The guidelines shall take into consideration the requirement and data needs of the components of the Program, identify responsible parties, and shall be aligned with existing MCC systems, other service providers, and ministries. The M&E Plan shall describe any interim MCC approvals for data collection, analysis, and reporting plans.

(b) Budget. A detailed cost estimate for all components of the M&E Plan.

7. Responsibility for Developing the M&E Plan.

MCC desires to “[refrain] from requesting the introduction of performance indicators that are not consistent with countries’ national development strategies.”¹ The M&E Plan must be developed in conjunction with key stakeholders, including the Government, the MCC Resident Country Mission, and other MCC staff (such as Environmental and Social Performance and Gender and Social Inclusion), as well as external stakeholders, as applicable. While the entire M&E Plan must be developed collaboratively, for this particular programmatic approach to the Threshold Program, primary responsibility for developing the M&E Plan shall lie with the M&E staff of each relevant MCC Service Provider with support and input from MCC. In particular, MCC Service Providers are expected to guide the selection of Indicators at the process and output levels that are particularly useful for management and oversight of Projects and Activities.

8. Approval and Implementation of the M&E Plan.

The approval and implementation of the M&E Plan, as amended from time to time, shall be in accordance with this Agreement, any other relevant supplemental agreements, and the M&E Policy. All M&E Plan modifications proposed by the Government or MCC Service Providers must be submitted to MCC for prior written approval. The M&E Plan may undergo peer review within MCC before the beginning of the formal approval process.

¹ Busan Partnership for Effective Development Cooperation, Busan Outcome Document, 1 December 2011, p. 5

9. Post-Program M&E Plan.

As part of the planning process for winding up the Program at the end of the term of this Agreement, MCC and MCC Service Providers shall develop one or more post-Program M&E Plans designed to observe the persistence of benefits created under this Program. Each plan should describe future monitoring and evaluation activities, identify the individuals and organizations that shall undertake these activities, and provide a budget framework for future monitoring and evaluation. The post-Program M&E Plan should build directly off each existing M&E Plan.

SCHEDULE A TO ANNEX I

INDICATORS

Indicators that shall be used for monitoring the Program and that shall be included in the M&E Plan are set forth below:

| Result from Project Logic | Indicator | Definition | Unit | Baseline | Threshold Target Year 4 |
|---------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------|--------|----------|-------------------------|
| Outcome Indicators – ALTIF PROJECT, Project-wide | | | | | |
| Increased tourism investment in Solomon Islands | New 3- or 4-star accommodation investments closed | Number of new accommodations that have reached financial close for a 3- or 4-star accommodation investment | Number | 0 | 1 |
| | Increased understanding among key ecosystem actors on the level of risk-sharing investors require for tourism projects in Solomon Islands | To be determined (“ <i>TBD</i> ”) | TBD | TBD | TBD |
| Jobs & productivity gains | Estimated number of full-time equivalent jobs hired by targeted tourism investments | Direct labor employed by the new accommodations when in operation. | Number | TBD | TBD |
| | Increased demand for human capital | Degree to which accommodation investments are determined to have increased demand for more-skilled, higher-wage labor in surrounding communities | N/A | TBD | TBD |
| Local purchases | Estimated local purchases expected by closed deals (accommodation investments) | Value of locally purchased inputs for construction and operation of new accommodations. | TBD | TBD | TBD |

| | | | | | |
|---------------------------------------------------------------------------------|-------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|-----|-----|
| Foreign exchange | Tourist arrivals from abroad | Number of arrivals to Solomon Islands ports of entry who state “Tourism” is the primary motive of their travel. <i>Note: Direct measurement of foreign exchange impacts of accommodation investments is unlikely to be feasible, though increased tourist arrivals are a decent proxy for the net positive foreign exchange effect of increased tourism</i> | Number | TBD | TBD |
| Increased investment in sectors beyond tourism | None/Evaluation only/TBD | The degree to which the Government applies the project-driven capabilities to sectors outside tourism. <i>NOTE: “Evaluation only” may refer, for example, to indicators which are not regularly trackable during the life of the Program, but may be assessed in the course of an independent evaluation</i> | TBD | TBD | TBD |
| Reduced investment risk | Reduced cost of capital for transactions conducted through the project | Implementation of blended finance tools in accommodation transaction such as viability gap funding | TBD | TBD | TBD |
| | Reduced financial risk for transactions conducted through the project | Implementation of blended finance tools in accommodation transaction such as credit guarantees and political risk insurance | TBD | TBD | TBD |
| Increased interest from other tourism investors | Number of facilitated familiarization visits | Site visits conducted by investors as a result of investment outreach | TBD | TBD | TBD |
| The Government is better at solving problems which impede investment | Improved support to investors due to more targeted and coordinated engagement | Demonstrated effectiveness of individuals and institutions to identify and resolve impediments to making strategic sectoral investments | TBD | TBD | TBD |
| Outcome Indicators – ALTIF PROJECT, Investment Facilitation Sub-Activity | | | | | |
| Tourism investment(s) formalized | New investments in high quality tourism accommodation | Number of new planned investments in high quality tourism accommodation which are publicly announced | Number | 0 | 1 |

| | | | | | |
|----------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|-----|-----|
| | which are announced | | | | |
| Investment rigidities are minimized, processes made more transparent | None/Evaluation only/TBD | NOTE: "Evaluation only" may refer, for example, to indicators which are not regularly trackable during the life of the Program, but may be assessed in the course of an independent evaluation | TBD | TBD | TBD |
| Intra-Government coordination to establish rules-based processes | Increased coordination and alignment between ministries/agencies at the national and provincial level on strategic priorities related to tourism investment facilitation | <i>Example of qualitative measurement:</i> Consistency in policies and procedures for implicated institutions and demonstrated willingness by institutions work on common purpose | N/A | N/A | N/A |
| | Reduced time for decision making within investment facilitation due to clearly defined owners of key process, clarity on the involvement of different ministries/agencies, and lower duplication of efforts | <i>Example of qualitative measurement:</i> Demonstrated ability of the Government to resolve issues as they arise in an efficient manner so they do not delay the investment process and/or discourage investment | N/A | N/A | N/A |
| Outcome Indicators – ALTIF PROJECT, ALTIF FGR Sub-Activity | | | | | |
| Intra-Government coordination to establish rules-based processes | Satisfaction of FGR working level team members on status of pilot completion/results | Proportion of FGR working level team members who report being "satisfied" or "very satisfied" with the group's ongoing pilot efforts | Percentage | N/A | N/A |

| Output Indicators – ALTIF PROJECT, Land Sub-Activity | | | | | |
|-----------------------------------------------------------|---------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|-----|-----|
| Inclusive land governance planning | TBD | TBD | TBD | TBD | TBD |
| Pre-screening for potentially investable, registered land | Registered land parcels are identified for preliminary investability assessment | Date on which MCT, implementation partner, and MCC have agreed on a list of registered land parcels for preliminary exploration of investability. <i>Note: due to sensitivities around investment facilitation processes, list of sites may not be public information.</i> | Date | N/A | TBD |
| | Registered land parcels identified for preliminary investability assessment | Number of registered land parcels deemed by MCT, implementation partner, and MCC to have met preestablished investment criteria. <i>Note: due to sensitivities around investment facilitation processes, list of sites may not be public information.</i> | Number | 0 | 10 |
| Compile information on investable sites | Site-specific information sheets produced for short-list sites | Number of completed information sheets on a site's specific characteristics driving its investment potential | Number | 0 | TBD |
| Social License education and facilitation | Trainings/workshops held with potential tourism investors | Number of trainings/workshops held with representatives for existing or potential tourism investors | Number | 0 | TBD |
| | Trainings/workshops held with the Government | Number of trainings/workshops held with representatives of the Government, provincial government, or local government | Number | 0 | TBD |
| | Community identification and community engagement planning visits conducted | Number of visits to project sites for identification of priority communities for Social License engagement or planning visits for other community engagement efforts | Number | 0 | TBD |

| | | | | | |
|--------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|-----|-----|
| | Trainings/workshops held with community members | Number of Social License-oriented or Social License-facilitating trainings/workshops held with community representatives | Number | 0 | TBD |
| | Community members participating in stakeholder engagement sessions | Number of community members participating in stakeholder engagement sessions conducted by the project | Number | 0 | TBD |
| Record customary lands in select investment-adjacent communities | Registered land parcels are identified for preliminary investability assessment | Date on which MCT, implementation partner, and MCC have agreed on a list of registered land parcels for preliminary exploration of investability. <i>Note: due to sensitivities around investment facilitation processes, list of sites may not be public information.</i> | Date | N/A | TBD |
| Output Indicators – ALTIF PROJECT, Investment Facilitation Sub-Activity | | | | | |
| Potential parcels screened for investability | Land parcels with high potential for investability are identified based on established criteria of investability | Date on which MCT, implementation partner, and MCC have agreed on a list of registered land parcels which shall be moved forward to marketing phase of investment facilitation. <i>Note: due to sensitivities around investment facilitation processes, list of sites may not be public information.</i> | Date | TBD | TBD |
| Screening for potential investors | List of vetted and interested socially responsible investors completed | Date on which implementation partner delivers a completed list of potentially attractive tourism accommodation investors | Date | TBD | TBD |
| Outreach to potential investors | TBD | TBD | TBD | TBD | TBD |
| Building Government investment facilitation capacity | Increased capacity of investment facilitation officers in engaging investors | <i>Example of qualitative measurement:</i> Demonstrated effectiveness of investment officers in InvestSolomons and MCT to efficiently move an investor through the investment process. | TBD | TBD | TBD |

| | | | | | |
|------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|-----|-----|
| | Number of investment facilitation training events conducted | TBD | Number | 0 | TBD |
| | Number of investment facilitation officers trained in relevant skills | TBD | Number | 0 | TBD |
| Output Indicators – ALTIF PROJECT, ALTIF FGR Sub-Activity | | | | | |
| Problem-solving facilitation focused on tourism sector | Initial problem identification session/s held with full ALTIF FGR working level team | TBD | Date | N/A | TBD |
| | Satisfaction of ALTIF FGR working level team members on problem identification phase | TBD | Percentage | N/A | N/A |
| Government identifies key investment barriers | Conclusions of FGR problem-diagnoses shared with MCC and the Government | TBD | Date | N/A | TBD |
| | Satisfaction of ALTIF FGR working level team members on progress towards selection of pilot programs | Proportion of FGR working level team members who report being “satisfied” or “very satisfied” with the group’s progress towards selection of actionable pilot efforts | Percentage | N/A | N/A |

| Result from Project Logic | Indicator | Definition | Unit | Baseline | Threshold Target Year 4 |
|------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|----------|-------------------------|
| Outcome Indicators – FoVEP, Project-wide | | | | | |
| Solomon Islands' natural resources generate more reliable, more sustainable revenues | None/Evaluation only/TBD | NOTE: "Evaluation only" may refer, for example, to indicators which are not regularly trackable during the life of the Program, but may be measured in the course of an independent evaluation | TBD | TBD | TBD |
| Attenuate negative environmental impacts | Forest cover in PES zones | Net change in forest cover between baseline and endline (if possible, in comparison to a matched comparison group) | Percentage | TBD | TBD |
| | Avoided deforestation (in PES zones) | Number of hectares of estimated avoided deforestation | Hectares | TBD | TBD |
| | Improved enforcement of existing concession laws | Note: This indicator is not yet precisely defined, yet the specific enforcement changes expected shall be explored during the programs ongoing design, particular in relation to the FoVEP FGR Sub-Activity | TBD | TBD | TBD |
| Greater and more inclusive benefits from extractives (community benefits & national benefits, i.e., taxes) | None/Evaluation only/TBD | NOTE: "Evaluation only" may refer, for example, to indicators which are not regularly trackable during the life of the Program, but may be measured in the course of an independent evaluation | TBD | TBD | TBD |
| Outcome Indicators – FoVEP, PES Sub-Activity | | | | | |
| Forest areas preserved or efficiently managed | Proportion of selected zones with approved forest management plans | TBD | Percentage | TBD | TBD |

| | | | | | |
|--------------------------------------------|---------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|-----|-----|
| Diversify forest-derived economic benefits | Increased proportion of non-logging economic activities in selected zones | Note: Precise measurement of this indicator is not yet known, but shall be explored prior to completion of the M&E Plan | Percentage | TBD | TBD |
| More equitable land use and governance | None/Evaluation only/TBD | NOTE: "Evaluation only" may refer, for example, to indicators which are not regularly trackable during the life of the Program, but may be measured in the course of an independent evaluation | TBD | TBD | TBD |
| Women's economic empowerment | None/Evaluation only/TBD | NOTE: "Evaluation only" may refer, for example, to indicators which are not regularly trackable during the life of the Program, but may be measured in the course of an independent evaluation | TBD | TBD | TBD |

Outcome Indicators – FoVEP, FoVEP FGR Sub-Activity

| | | | | | |
|-----------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|-----|-----|-----|-----|
| Regulation supportive of alternative forest value streams | Changes in regulation and/or enforcement are supportive of sustainable logging and non-logging uses of forests | TBD | TBD | TBD | TBD |
|-----------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|-----|-----|-----|-----|

Output Indicators, FoVEP, PES Sub-Activity

| | | | | | |
|--------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|--------|-----|-----|
| Screening for areas where zones may thrive | Legally recognized and functional forest management governance structures (e.g., project owners) in participating project areas | TBD | Number | 0 | TBD |
| Community-led forest management zones | Targets established for "Total area of PES forest management zones" | Date on which the "Total Area of PES forest management zones" indicator acquires a target in the M&E Plan | Date | N/A | TBD |

| | | | | | |
|---------------------------------------|-------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|-----|------|
| | Participation rate of women in forest governance agreements | Proportion of women signatories to signed forest management agreements | Number | 0 | TBD |
| | Signed agreements with forest management areas | Signed agreements with forest management areas for participation in PES projects. | Number | 0 | TBD |
| | Total Area of PES forest management zones | Total forest surface area identified under signed agreements for participation in PES projects. As described in the project description, land identification shall occur in a phased approach after signing of agreements with forest management areas. | Hectares | 0 | 6000 |
| Accredited PES | First PES accreditation achieved | TBD | Date | N/A | |
| | Number of PES accreditations achieved | TBD | Number | N/A | |
| | Number of hectares under PES accreditation | TBD | Hectares | 0 | 6000 |
| Site-specific forest management plans | Completed forest management plans | TBD | Number | 0 | TBD |
| Alternative livelihoods support | Number of small businesses supported | TBD | Number | 0 | TBD |
| | Number of new income generating activities launched | TBD | Number | 0 | TBD |
| | Alternative livelihood trainings conducted | TBD | Number | 0 | TBD |
| | Community members trained in relation to alternative livelihood opportunities | TBD | Number | 0 | TBD |

| | | | | | |
|-----------------------------------------------------------------------|--------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|------------|-----|-----|
| | Number of alternative livelihoods trainees | Entrepreneurs, business owners or other trainees trained with skills relevant to their existing forest-derived businesses | Number | 0 | TBD |
| Community engagement & governance technical assistance | TBD | TBD | TBD | TBD | TBD |
| Transparent plans for PES benefit sharing | TBD | TBD | TBD | TBD | TBD |
| Community mobilization for women's economic empowerment | TBD | TBD | TBD | TBD | TBD |
| PES demonstrates sustainable, equitable approach to forest management | TBD | TBD | TBD | TBD | TBD |
| Output Indicators, FoVEP, FoVEP FGR Sub-Activity | | | | | |
| Forest management working level team (established) | Forest management working level team/s established | Date on which (at least one) forest management working level team holds its first meeting with a quorum of agreed members | Date | N/A | TBD |
| | Completed project plan for the FoVEP FGR working level team | TBD | Date | | TBD |
| Diagnosis of shared barriers to management of logging sector | Initial problem identification session/s held with full FoVEP FGR working level team | TBD | Date | | TBD |
| | Satisfaction of FoVEP FGR working level team members on problem identification phase | TBD | Percentage | | N/A |

| | | | | | |
|-----------------------------------------------|---------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|-----|-----|
| | Conclusions of FGR problem-diagnoses shared with MCC and the Government | TBD | Date | N/A | TBD |
| Iterative tasks targeting identified problems | Satisfaction of FoVEP FGR working level team members on progress towards selection of tasks | Proportion of FoVEP FGR working level team members who report being “satisfied” or “very satisfied” with the group’s progress towards selection of actionable, problem-driven tasks | Percentage | N/A | N/A |
| | Satisfaction of FoVEP FGR working level team members on status of task completion/results | Proportion of FoVEP FGR working level members who report being “satisfied” or “very satisfied” with the group’s ongoing tasks | Percentage | N/A | N/A |

ANNEX II

ALLOCATION OF GRANT FUNDING²

| | Total |
|-----------------------------------|---------------------|
| ALTIF Project | \$11,562,000 |
| ALTIF Activity | \$11,562,000 |
| FoVEP | \$6,500,000 |
| Forest Value Enhancement Activity | \$6,500,000 |
| Monitoring and Evaluation | \$1,550,000 |
| Program Administration | \$388,000 |
| Program Total | \$20,000,000 |

² In accordance with Section 7.7 of this Agreement, the Parties agree that, to facilitate the implementation of MCC Contracted Activities, MCC may modify the allocation of funds among the activities identified in this annex upon notification to the Government.

ANNEX III

ROLES, RESPONSIBILITIES, AND OBLIGATIONS OF THE GOVERNMENT FOR MCC CONTRACTED ACTIVITIES

The Government shall participate in the following aspects of the implementation of the Program and shall have the following obligations and responsibilities in respect to each MCC Contracted Activity:

1. Review and comment on the terms of reference/scope of work for each MCC Service Provider within an agreed timeframe.
2. Review and comment on the progress of each Project and each MCC Service Provider's performance, including; reports, deliverables, and workplans produced by each of the MCC Service Providers.
3. Facilitate and cooperate in obtaining all permits, consents, and approvals necessary or advisable for the successful and timely performance of all aspects of each Project as may be determined by MCC.
4. To the extent available, provide such other documents, data, or information as may be requested from time to time by MCC or any MCC Service Provider, and provide a prompt response to any such request for information in a timely manner.
5. Ensure a qualified representative of the Government with the relevant technical expertise is available to assist any MCC Service Provider or any MCC technical expert in the performance of the services and, as a capacity building measure, assign qualified personnel to work with MCC Service Providers to implement the MCC Contracted Activities.
6. Inform each MCC Service Provider of, and as appropriate, facilitate access by each MCC Service Provider to, relevant development partner, industry, and technical meetings in such MCC Service Provider's field.
7. In a timely manner, respond to each MCC Service Provider's reasonable and appropriate requests for contact information and for organizing meetings with local private sector, civil society, and public agencies, as needed, to facilitate the tasks set forth in the terms of reference/scope of work.
8. Participate in regular tripartite meetings (which may be conference calls) with the MCC Service Provider and MCC every 30 days or at such intervals as may be requested by either Party, in order to review implementation progress and any issues associated with the fulfillment of the Program.
9. Ensure that any applicable ministries, agencies, or other entities of the Government required for the successful implementation of the Grant enter into such further agreements or memoranda of understanding as may be requested by MCC to specify the responsibilities of such Government entities with respect to the Project Objectives.

10. Ensure that all Government ministries which are participating in the Program shall include relevant Program activities into its annual work plan and ensure that personnel that are critical to Program implementation will have written into their annual individual work plans their participation in the Program and achievement of expected outcomes under the Program each year.

11. Actively manage and routinely provide timely programmatic updates on social media accounts on platforms used by Solomon Islanders. Create and leverage content by other project implementing entities, actively engage with followers, and post time-sensitive social media campaigns in coordination with MCC.

ANNEX IV DEFINITIONS

Activity or Activities has the meaning provided in Section A of Annex I.

Additional Representative has the meaning provided in Section 7.3.

Advisory Council has the meaning provided in Section B.2 of Annex I.

Agreement has the meaning provided in the preamble to this Agreement.

ALTIF FGR Sub-Activity has the meaning provided in Section A.1(c) of Annex I.

ALTIF has the meaning provided in Section 1.2(a).

Baseline has the meaning provided in Section C.3 of Annex I.

Completion Date has the meaning provided in Section 6.1.

Dependent means the spouse, and dependent minor children of Project Personnel.

Disbursement has the meaning provided in Section 2.1(b).

DQR has the meaning provided in Section C.5 of Annex I.

Evaluation Component has the meaning provided in Section C.1 of Annex I.

Exempt Person means any natural persons or legal persons providing goods, works or services, directly or indirectly, in furtherance of this Agreement.

FGR has the meaning provided in Section A.1(c) of Annex I.

FoVEP has the meaning provided in Section 1.2(b).

FoVEP FGR Sub-Activity has the meaning provided in Section A.2(b) of Annex I.

FoVEP Task Force has the meaning provided in Section A.2(b) of Annex I.

Futures Circle has the meaning provided in Section B.2(c) of Annex I.

Government has the meaning provided in the preamble to this Agreement.

Grant has the meaning provided in Section 2.1(a).

IFC Performance Standards has the meaning provided in Section 4.3.

Implementation Letter has the meaning provided in Section 4.6.

Indicators has the meaning provided in Section C.3 of Annex I.

Inspector General has the meaning provided in Section 4.5.

Intellectual Property means all registered and unregistered trademarks, service marks, logos, names, trade names, and all other trademark rights; all registered and unregistered copyrights; all patents, inventions, shop rights, know how, trade secrets, designs, drawings, art work, plans, prints, manuals, computer files, computer software, hard copy files, catalogues, specifications, and other proprietary technology and similar information; and all registrations for, and applications for registration of, any of the foregoing, that are financed, in whole or in part, using the Grant; provided, however, such that for the purposes of this Agreement, the term Intellectual Property shall not cover property forming part of the cultural heritage of the state and not placed or intended to be commercially licensed or sold.

Investment Facilitation Sub-Activity has the meaning provided in Section A.1(b) of Annex I.

ITT has the meaning provided in Section C.3 of Annex I.

Land Sub-Activity has the meaning provided in Section A.1(a) of Annex I.

Lien has the meaning provided in Section 3.2(d).

M&E Plan has the meaning provided in Section 4.2.

M&E Policy has the meaning provided in Section 4.2.

MCC has the meaning provided in the preamble to this Agreement.

MCC Contracted Activities has the meaning provided in Section 4.1.

MCC Environmental Guidelines has the meaning provided in Section 2.3(b)(iii).

MCC Gender Integration Guidelines means MCC's Gender Integration Guidelines, as such may be posted on MCC's Website from time to time.

MCC Gender Policy means the MCC Gender Policy (including any guidance documents issued in connection with the guidelines) posted from time to time on the MCC Website or otherwise made available to the Government.

MCC Marking Standards has the meaning provided in Section 3.2(e).

MCC Service Provider has the meaning provided in Section 4.1.

MCC Service Provider Contracts has the meaning provided in Section 4.1.

MCC Service Provider Disbursement has the meaning provided in Section 5.1(b).

MCC Website has the meaning provided in Section 2.3(b)(iii).

MCILI has the meaning provided in Section A.1(b) of Annex I.

MCT has the meaning provided in Section A.1(a) of Annex I.

MDPAC has the meaning provided in Section B.2(a) of Annex I.

MECDM has the meaning provided in Section B.2(a) of Annex I.

MFOR has the meaning provided in Section B.2(a) of Annex I.

MLHS has the meaning provided in Section B.2(a) of Annex I.

MWYCF has the meaning provided in Section B.2(a) of Annex I.

Monitoring Component has the meaning provided in Section C.1 of Annex I.

Party or **Parties** has the meaning provided in the preamble to this Agreement.

PAYE has the meaning provided in Section C.2 of Annex V.

PDIA has the meaning provided in Section A.1(c) of Annex I.

Personal and Household Effects means equipment and other goods imported by Project Personnel for the personal use of the Project Personnel or their Dependents.

PES has the meaning provided in Section A.2(a) of Annex I.

PES Sub-Activity has the meaning provided in Section A.2(a) of Annex I.

Principal Representative has the meaning provided in Section 7.3.

Program has the meaning provided in the recitals to this Agreement.

Program Asset means any asset, good or property (real, tangible or intangible) purchased or financed, in whole or in part (directly or indirectly), by the Grant, including any Intellectual Property.

Program Goal has the meaning provided in Section 1.1.

Program Guidelines means collectively the MCC Audit Guidelines, the MCC Cost Principles, the MCC Environmental Guidelines, the MCC Gender Policy, the MCC Gender Integration Guidelines and Operational Procedures, the MCC Governance Guidelines, the MCC Marking Standards, the MCC Program Procurement Guidelines, the MCC Reporting Guidelines, the M&E Policy, (including any successor to any of the foregoing), and any other guidelines, policies or guidance papers relating to the administration of a Threshold Program, and, in each case, as from time to time published on the MCC Website.

Project or **Projects** has the meaning provided in Section 1.2.

Project Objective or Project Objectives has the meaning provided in Section 1.2.

Project Personnel means nationals or permanent residents of another country who are not nationals or permanent residents of Solomon Islands who are working in Solomon Islands on the Program and whose salaries or other costs are funded from the Grant.

Project Supplies means equipment, material, and other goods supplied for the execution of the Program, the cost of which is funded from the Grant. Project Supplies shall be available only for the purposes of the Program and shall not be withdrawn from that use without the consent of the Parties.

Social License means the acceptance by the community of an investor occupying neighboring land as legitimate. Social license typically includes sharing of benefits from the investment in land between the investor and the community.

Target has the meaning provided in Section C.3 of Annex I.

Taxes has the meaning provided in Section 2.4(a).

TBD has the meaning provided in the table in Schedule A to Annex I.

Threshold Program has the meaning provided in the recitals to this Agreement.

Tourism Investment Task Force has the meaning provided in Section A.1(b) of Annex I.

US Treasury Current Value of Funds Rate means the interest rate published by the United States Treasury's Bureau of Fiscal Services that is based on the current value of funds available to the Department of the Treasury and is the rate used for debt collection, cash discounts, and rebate evaluation of the United States Government.

ANNEX V

TAX SCHEDULE

This schedule sets forth the mechanisms that the Government shall implement to comply with the tax exemption required by Section 2.4 of this Agreement.

All persons (natural and legal) Exempt Persons entitled to the tax exemption shall be required to follow the procedures set forth below to claim the exemption.

A. Legal basis for exemption.

Section 2.4 of this Agreement and Solomon Islands Tax laws, as applicable.

B. Procedure applicable to all duties, levies, and taxes, other than income taxes, for imports of Project Supplies and/or Personal and Household Effects.

To claim exemption for any import duty, levy, or tax, (other than income taxes or taxes listed below), the Exempt Person shall apply to the Commissioner, Inland Revenue for a certificate of exemption attaching a letter stating the person is an Exempt Person and providing the reason the person is exempt, together with a copy of the relevant documentation detailing the type of tax for which an exemption is sought (e.g., the pro forma invoice in the case of goods tax, a list of the materials and/or goods being imported and the bill of lading in the case of customs duties and taxes, etc.)

C. Procedure applicable to corporate and individual income taxes for Exempt Persons.

1. Corporate Income Taxes.

The following procedures apply only to Exempt Persons not formed under the laws of Solomon Islands:

Any Exempt Person only earning corporate income related to this Agreement in Solomon Islands in any given fiscal year is exempt from paying any applicable Taxes on such corporate income. The Exempt Person is required to deduct Solomon Islands withholding tax on income earned by local contractors and employees.

2. Individual Income Taxes.

The following procedures apply only to Exempt Persons who are not citizens or permanent residents of Solomon Islands.

The Exempt Person shall apply to the Commissioner, Inland Revenue for a certificate of exemption enclosing the contract of engagement or employment together with a copy of their passport or other travel documents to prove they are not a Solomon Islands citizen or permanent resident.

MCC Service Providers shall be responsible for deducting Pay As You Earn (“*PAYE*”) employment withholding tax from Solomon Islands citizens and permanent residents engaged on the Program and for deducting withholding tax on payments to local contractors. MCC Service Providers shall pay the withholding tax deducted to the appropriate Solomon Islands government agency in accordance with Solomon Islands law.

D. Procedure applicable to sales tax and goods tax exemption for services or goods for use in connection with the Program.

1. Sales tax on fuel or for telephone calls and data for use in connection with the Program.

Each Exempt Person shall apply to the Commissioner, Inland Revenue for a certificate of exemption to purchase fuel free from sales tax from either of the two fuel suppliers in Solomon Islands for use in connection with the Program, or to purchase top-up (pre-paid) telephone calls and data free from sales tax from a telecommunications supplier for use in connection with the Program.

2. Sales tax and goods tax, where applicable, on services and goods for use in connection with the Program.

Each Exempt Person shall apply to the Commissioner, Inland Revenue for a certificate of exemption from sales tax or goods tax for use on or in connection with the Program. A list of the services to be provided or goods to be supplied shall be provided to the Commissioner.

E. Government Obligations with Respect to Project Personnel and Project Supplies

1. Project personnel. In order to facilitate the engagement of Project Personnel, the Government shall:
 - (a) Grant exemption from income tax on salaries and allowances;
 - (b) Grant exemption from customs duties, internal taxes, and other fiscal taxes on any goods imported by them for their personal use or that of their Dependents within the first six months of entry into Solomon Islands, excluding boats, firearms, liquor, tobacco, foodstuffs, or other consumables for personal use. All Project Personnel shall be subject to local indirect taxes such as goods tax and sales tax on non-project supplies and services;
 - (c) Grant exemption from customs duties, internal taxes, and other fiscal taxes on one vehicle, including motor scooters and mobility scooters imported within the first six months of arrival in Solomon Islands. Such vehicle may be re-exported free from the above charges at the conclusion of the Program. However, if the vehicle is subsequently sold in Solomon Islands it shall be subject to customs duties, internal taxes (including goods tax or equivalent tax) and other levies based on the market value of the vehicle at the time of sale.

- (d) Assist in the clearance through customs and other import or export controls of the goods mentioned in E.1(b) & (c) above;
- (e) Grant all other rights and entitlements accorded to the personnel of any other country or international organisation; and
- (f) Expedite the issue of all documentation required for the entry and exit of Project Personnel and their Dependants to and from Solomon Islands.

2. Project Supplies. In respect of Project Supplies, the Government shall:

- (a) Be responsible for all formalities of clearance including payment of import duties and other taxes;
- (b) Facilitate movement of such supplies by providing appropriate customs and wharfage facilities including any necessary storage costs at the first point of discharge of the Project Supplies in Solomon Islands; and
- (c) Provide expeditious transport from the first port of call of the particular aircraft or vessel in Solomon Islands to any Project site.