ON-LENDING EVALUATION GUIDELINES

Solomon Islands Government

Approved by Minister of Finance

10 September 2016

ON-LENDING EVALUATION GUIDELINES

Contents

ABBREVIATIONS

ABL	Annual Borrowing Limit
ABLP	Annual borrowing limit pool
ABP	Annual borrowing pool
CAPEX	Capital expenditure
DMAC	Debt Management Advisory Committee
DMS	Debt Management Strategy
DMU	Debt Management Unit
EBIT	Earnings before interest and tax
IRD	Inland Revenue Division
IRR	Internal Rate of Return
MDPAC	Ministry of Development, Planning and Aid Co-ordination
MoFT	Ministry of Finance and Treasury
NDS	National Development Strategy
NIIP	National Infrastructure Investment Plan
NPF	National Provident Fund
NPV	Net Present Value
PLA	Primary Loan Agreement
PFMA	Public Financial Management Act
SIG	Solomon Islands Government
SOE	State Owned Enterprise
SLA	Subsidiary Loan Agreement

1. INTRODUCTION

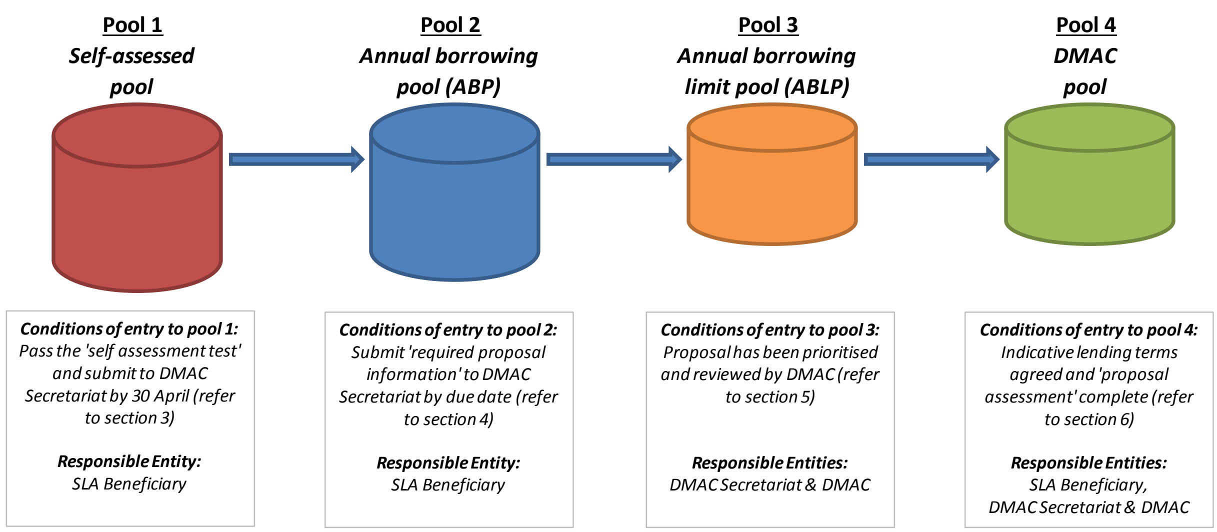
These On-lending Guidelines outline the evaluation process that should be followed by stakeholders (e.g. prospective beneficiaries, the DMAC Secretariat[1] and DMAC[2]) for on-lending proposal evaluation. This process aims to establish a fair, efficient and transparent process for assessing and prioritising proposals so as to optimise the expected broader economic and social returns to be derived from Solomon Islands' limited borrowing capacity. These Guidelines should be read in conjunction with the On-lending Policy.

Any reference to Policy in these Guidelines refers to the On-lending Policy.

2. EVALUATION PROCESS – FOUR POOL APPROACH

The Solomon Islands Government (SIG) will utilise a four pool approach to identify and evaluate projects that seek to be funded, in part or in full, through an on-lending arrangement. This approach is depicted in Figure 1 below. An indicative evaluation process timeline is shown in Appendix 2.

FIGURE 1: FOUR POOL APPROACH



Pool 1 - 'Self-assessed pool'

The onus is on the proposed Beneficiary (refer to section 1.2 of the Policy) wishing to finance, in part or in full, a project through an on-lending arrangement, to complete the **'self-assessment test'** (refer to part 3.1 of these Guidelines). If a proposal passes the self-assessment test, then it is eligible to be considered for an on-lending arrangement and therefore qualifies for inclusion in the **'self-assessed pool'**.

---

[1] Refer to section 8.1 of the Debt Management Strategy (DMS)

[2] Refer to section 3.2.1.1.5 of the DMS.

Pool 2 - 'Annual borrowing pool (ABP)'

To progress a proposal from the self-assessed pool to the **'annual borrowing pool (ABP)'**, a proposed Beneficiary has to satisfy the requirements of entry into the ABP (refer to section 4 of these Guidelines for further information on the ABP).

Pool 3 – 'Annual borrowing limit pool (ABLP)'

The **'annual borrowing limit pool (ABLP)'** is a subset of the ABP (refer to section 5 of these Guidelines for further information on the ABLP). The DMAC Secretariat will prioritise and rank proposals in the ABP against a set of criteria through a 'prioritisation process' (refer to section 5.1 of these Guidelines for further information on the prioritisation process), resulting in a prioritised ABP. This prioritised ABP will then be evaluated by the DMAC, which will advise the Minister of Finance on which proposals should proceed for further consideration to the ABLP. The most highly ranked proposals that can be funded within the annual borrowing limit (ABL) will progress to the ABLP.

Pool 4 – 'DMAC pool'

To progress from the ABLP to the **'DMAC pool'**, SIG and the proposed on-lending counterparts (i.e. Primary lender and Beneficiary) must agree indicative Primary Loan Agreement (PLA) and Subsidiary Loan Agreement (SLA) terms and the DMAC Secretariat must have completed the 'proposal assessment' (refer to section 6.1 of these Guidelines for further information on the proposal assessment). Should the requirements of the proposal assessment be met, then the proposal will progress to the DMAC pool where it will be reviewed by the DMAC process and a recommendation to the Minister of Finance will be made.

2.1. Exempt proposals from the four pool approach

Only in exceptional circumstances may a proposed on-lending arrangement be exempt from being evaluated through the four pool approach. A proposal may by-pass the four pool approach if for example:

1. A primary lender has indicated that PLA funding is due to expire before a proposal can be evaluated through the four pool approach; or
2. There is a strong commercial imperative to quickly progress a proposal to take advantage of prevailing market conditions; or
3. There are key strategic project specific milestones that need to be achieved before a proposal can be evaluated through the four pool approach.

This list of examples is by no means exhaustive and the onus is on the proposed Beneficiary to make a case for a proposal to be exempt from the four pool approach.

3. POOL 1 - SELF-ASSESSED POOL

Proposals are only eligible to be included in the self-assessed pool if the Beneficiary:

1. completes and passes a 'self-assessment test' (refer to test template included as Appendix 1 to these Guidelines); and
2. Submits the completed 'self-assessment test' to the DMAC Secretariat by **30 April** of the year preceding the year in which the Beneficiary expects to commit (i.e. sign the SLA) to the on-lending arrangement (refer to the indicative evaluation process timeline at Appendix 2).

3.1. Self-assessment test

The self-assessment test enables the prospective Beneficiary to self-determine if it is eligible to implement a project that is to be funded by an on-lending arrangement.

Further information on the 'self-assessment test' is contained below in Box 1.

BOX 1: 'SELF-ASSESSMENT TEST'

The self-assessment test consists of two steps, being an 'entity test' and a 'project test'.

Step 1 (Entity test) – Determine if your ***entity*** is eligible to be a Beneficiary under part 4.2 of the Policy.

If your entity self-determines eligibility, then your entity passes the 'entity test'.

If your entity passes the 'entity test', then proceed to step 2 (Project test).

If your entity fails the 'entity test', then your proposal ***fails*** the 'self-assessment test' and is not eligible for an on-lending arrangement.

Step 2 (Project test) – Determine if your ***project*** is eligible under part 4.3 of the Policy.

If your entity self-determines that your project is eligible, then your project passes the 'project test'.

If your project passes the 'project test', then your proposal ***passes*** the 'self-assessment test'.

If your project fails the 'project test', then your proposal ***fails*** the 'self-assessment test' and is not eligible for an on-lending arrangement.

4. POOL 2 - ANNUAL BORROWING POOL (ABP)

A proposal in the self-assessed pool is only eligible to progress to the ABP if the prospective Beneficiary provides the 'required proposal information' (refer to section 6.1.3 of these Guidelines):

1. to the DMAC Secretariat; and
2. by the due date (refer to section 4.2 of these Guidelines).

4.1. Required proposal information

A prospective Beneficiary must submit the 'required proposal information' to the DMAC Secretariat if they would like their proposal to progress to the ABP.

4.2. Due date to provide required proposal information

The 'required proposal information' must be provided to the DMAC Secretariat by the due date. The due date will be the **'Bid due date'** that is set each year as part of the Development Budget process.

Note that key dates for the annual Development Budget process (e.g. issuance of Budget circular and Bid due date) change from year to year.

A prospective Beneficiary should maintain regular communication with the DMAC Secretariat to be aware of the due date for submitting the 'required proposal information'.

Typically, the due date (i.e. Budget bid due date) for submitting the 'required proposal information' will be around August of the year, preceding the year in which the prospective Beneficiary is considering to commit (i.e. sign the SLA) to the subsidiary loan.

4.3. Responsibility for compiling ABP

The DMAC Secretariat will be responsible for compiling the ABP. The compilation processes shall occur annually.

5. POOL 3 - ANNUAL BORROWING LIMIT POOL (ABLP)

A proposal in the ABP is only eligible to progress to the ABLP if it has been:

1. prioritised and ranked through the 'prioritisation process' (refer to section 5.1 of these Guidelines); and
2. reviewed by the DMAC.

5.1. Prioritisation process

The DMAC Secretariat, in consultation with the Ministry of Development, Planning and Aid Co-ordination (MDPAC), will undertake a preliminary assessment to prioritise and rank all Government borrowing proposals in the ABP. A prioritised ABP will result from this preliminary assessment. This prioritised ABP will be presented, with supporting evidence to justify the ranking, to the DMAC for evaluation.

5.1.1. Criteria for prioritising and ranking proposals in the ABP

Government borrowing proposals in the ABP will be prioritised and ranked by conducting a comparative evaluation of how well each proposal:

- meets the objectives of debt management in the Solomon Islands (refer to section 6 of the DMS); and
- complies with DMS Rules 18 and 19 (refer to sections 8.14 and 8.15 of the DMS).

5.1.2. Annual borrowing limit (ABL)

ABLs are to be determined annually and disclosed annually as part of the annual Budget process (refer to section 8.7 of the DMS).

5.2. Review by DMAC

DMAC will evaluate the prioritised ABP against the ABL. Each proposal in the prioritised ABP will be assigned an amount that reflects the SBD face/notional value of the Government borrowing (refer to sections 8.3 and 8.4 of the DMS).

The DMAC will effectively review the priority assigned to each proposal and then cull the prioritised ABP to a point where the cumulative assumed Government borrowing obligation of the proposals for the year is less than the ABL for the specified year. Prioritisation will be checked against the 'Criteria for prioritising and ranking proposals in the ABP' referred to above in section 5.1.1 of these Guidelines.

The culling process is demonstrated in Box 2 below. In this example, five proposals have been prioritised by the DMAC in the prioritised ABP and the ABL has been set to SBD $200 million. Only the top three prioritised proposals progress to the ABLP. Proposals prioritised 4 and 5 are culled as they do not fit within the ABL.

BOX 2: DETERMINING THE ABLP

Annual borrowing limit (SBD $m) 200

Prioritised ABP				**ABLP**			
Priority	*Type of Government borrowing*	*Amount of Government borrowing (SBD $m)*	*Cumulative Government borrowing (SBD $m)*	*Priority*	*Type of Government borrowing*	*Amount of Government borrowing (SBD $m)*	*Cumulative Government borrowing (SBD $m)*
1	On-lend to SOE	55	55	1	SOE On-lend	55	55
2	Guarantee of SOE	26	81	2	SOE Guarantee	26	81
3	SOE direct borrowing	70	151	3	SOE Borrowing	70	151
4	SIG direct borrowing	72	223				
5	On-lend to private	60	283				

If in the above example the ABLP included the proposal prioritised 4, the cumulative assumed debt obligation recognised by SIG (i.e. SBD $223 million) would exceed the ABL (SBD $200 million) and would therefore constitute a breach of the DMS.

The DMAC will determine which proposals progress to the ABLP and notify the Minister of Finance of which proposals are to be included in the ABLP.

5.3. Notification process of inclusion in ABLP

Should a prospective Beneficiary's on-lending arrangement proposal be included in the ABLP, the prospective Beneficiary will be notified of the proposal's status by the DMAC Secretariat.

If the prospective Beneficiary receives notification, then they should regard this as representing SIG's 'de facto' commitment to the proposal and in-principle consent for the entity to proceed with feasibility studies or similar.

6. POOL 4 - DMAC POOL

A proposal in the ABLP is only eligible to progress to the DMAC pool if it meets the following requirements:

1. Indicative on-lending arrangement terms have been agreed between SIG, the proposed Primary Lender and the prospective Beneficiary (refer to section 6 of the Policy for 'Guidance on acceptable on-lending arrangement terms); and
2. DMAC Secretariat has completed a 'proposal assessment' (refer to section 6.1 of these Guidelines).

If a proposal meets the above requirements and is included in the DMAC pool, then the:

1. DMAC Secretariat will present the proposal to the DMAC for evaluation; and
2. DMAC will, subsequent to evaluation, make a recommendation to the Minister of Finance on whether to authorise the proposed on-lending arrangement.

6.1. Proposal assessment

The 'proposal assessment' will include:

1. an 'entity credit risk assessment', to be undertaken by the DMAC Secretariat; and
2. a 'project assessment', to be undertaken by the DMAC Secretariat.

A prospective Beneficiary must provide the DMAC Secretariat with the 'required proposal information' (refer to section 6.1.3 of these Guidelines) to facilitate the proposal assessment.

6.1.1. Entity credit risk assessment

A prospective Beneficiary's credit worthiness will be determined by the DMAC secretariat that will conduct an 'entity credit risk assessment'.

The entity credit risk assessment will be conducted by evaluating a set of entity specific:

1. financial ratios;
2. cash flow forecast; and
3. other factors.

The aim of this assessment is to determine an entity's ability to:

1. manage its finances; and
2. service the proposed subsidiary loan.

The DMAC secretariat will assign the entity with one of the following credit ratings to characterise the prospective Beneficiary's credit worthiness:

1. credit worthy; or
2. not credit worthy.

This credit rating will be used to determine the applicable SIG credit margin to be used in the calculation of the SLA fixed interest rate (refer to section 6.2.7.5 of the Policy).

6.1.1.1. *Financial ratios and cash flow forecast*

Table 1 below lists the financial ratios and cash flow forecast that will be evaluated by the DMAC Secretariat as part of the entity credit risk assessment. These ratios and forecast will be evaluated pre-project and including the project.

The DMAC secretariat will also evaluate a sensitivity analysis conducted on the financial ratios and cash flow forecast where relevant. For instance, if the entity has existing foreign currency denominated debt or proposes a foreign currency denominated SLA, then the financial ratios should be stress tested for a change in exchange rates. Other sensitivity analysis could test the impact of changes to sales revenue, driven by price and/or volume, for example. Relevant sensitivity analysis on entity financial ratios will depend on the entity being assessed.

TABLE 1: ENTITY CREDIT RISK ASSESSMENT - FINANCIAL RATIOS AND CASH FLOW FORECAST

REVENUE INDICATORS	
Rate of return on net fixed assets in service	Net operating income x 100 / Average of net fixed assets in service
Operating ratio	Total operating expenses x 100 / Total operating revenues
Self-financing ratio	Cash from internal sources / Average annual capital expenditure
Return on equity	Net profit / Owners' equity
CAPITAL STRUCTURE INDICATORS	
Debt to equity ratio	Total debt / Total Equity
Debt service coverage ratio	Net revenues (excluding interest charges) / Estimated annual debt service requirement
LIQUIDITY INDICATORS	
Quick ratio	Current assets – inventories / Current liabilities
CASH FLOW FORECAST	
5 year cash flow projection, assuming the project goes ahead	

6.1.1.2. *Other factors*

The DMAC Secretariat will also consider the following factors as part of the entity credit risk assessment:

- other significant entity financial obligations that are likely to hinder its ability to repay the Subsidiary Loan;
- the entity's history of default on financial commitments;

- any future losses that the entity is expected to incur due to an exposure to current or future exceptional/risk events;
- exceptional factors that may have contributed to good performance in recent years; and
- any credit assessment that has been undertaken by prospective Primary Lender.

6.1.1.3. Entities not credit worthy

Typically, if an entity credit risk assessment deems the entity to not be credit worthy, then the proposal will not progress to the DMAC pool.

However, in exceptional circumstances, not credit worthy entities may progress to the DMAC pool if it can be demonstrated, by the prospective Beneficiary, that the proposed project will significantly improve the entity's:

- operating performance such that the entity is expected to earn profits in the future; and/or
- financial capacity to meet the future debt service costs associated with the SLA; and/or
- management structure through the provision of technical assistance; and/or
- operational capacity through the provision of technical assistance.

6.1.2. Project assessment

The project assessment will be conducted by evaluating the project's:

1. financial viability;
2. non-financial characteristics; and
3. net economic benefit.

6.1.2.1. Financial viability

To evaluate a project's financial viability, the DMAC secretariat will require the entity to:

1. calculate a set of project specific forecast financial ratios[3];
2. complete project capital expenditure (CAPEX) analyses; and
3. complete a sensitivity analysis on the project's financial ratios and CAPEX analyses.

The relevant project financial ratios and CAPEX analyses are listed in Table 2 below.

TABLE 2: PROJECT ASSESSMENT – FINANCIAL VIABILITY - FINANCIAL RATIOS AND CAPEX ANALYSES

FINANCIAL RATIOS	**FORMULAE**
Interest coverage ratio	$\frac{\text{Earnings before Interest and tax (EBIT)}}{\text{Interest expense}}$
Return on investment[4]	$\frac{\text{Gain from investment – cost of investment}}{\text{Cost of investment}}$
CAPEX ANALYSES	**COMMENTS**

[3]Refer to ADB (2002) *Guidelines for the Financial Governance and Management of Investment Projects*http://www.adb.org/documents/guidelines-financial-governance-and-management-investment-projects-financed-adb

[4] This can be difficult to measure and subject to manipulation so the assumptions behind this measure will need to be carefully scrutinised.

Net Present Value (NPV) analysis	NPV should be positive and a plausible discount rate should be used.
Internal Rate of Return (IRR) analysis	The DMU will form a view as part of the IRR analysis on what is an appropriate IRR for the type of project.

The sensitivity analysis should test the project's financial ratios and CAPEX analyses by:

1. shocking the key assumptions around; and
    a. Pricing structure;
    b. Exchange rates;
    c. Depreciation;
    d. Inflation; and
    e. Interest rates.

2. assuming the realisation of non-financial shocks (e.g. the provision of land for the project is thwarted because of land owner issues).

Project financial viability is important because if a project is unprofitable, then SIG's credit risk exposure to the prospective Beneficiary increases. Furthermore, a project that is not financially viable is more prone to default on a SLA when the broader economy is weak. It is at such a time, when SIG is also prone to budgetary pressures, that a call on a guarantee is likely to be most undesirable.

If the financial viability of the project is based on unsupportable or doubtful assumptions, then the project is unlikely to be viable and should not be funded through an on-lending arrangement because it will pose too high a credit risk for Government.

6.1.2.2. Non-financial characteristics

To evaluate a project's non-financial characteristics, the DMAC secretariat will require the entity to provide a business plan that includes, for example, a:

- pricing structure policy;
- statement explaining who is responsible for project management (e.g. Primary Lender or another entity);
- statement of non-financial assumptions (e.g. around land provision);
- non-financial risk assessment;
- project plan showing a timeframe for project implementation;
- statement of contingency measures to account for unexpected delays in project implementation;
- competitive neutrality statement; and
    - Should a prospective Beneficiary not be the sole provider of a good or service in the Solomon Islands, then they should provide evidence that they will not be unfairly advantaged if they become a Beneficiary through an on-lending arrangement.
- due diligence report.

The DMAC secretariat will assess the business plan for reasonableness.

6.1.2.3. Net economic return

Refer to Appendix 3 of the DMS for more information on net economic return.

The DMAC secretariat will evaluate the expected net economic return of the project and will assign the project with one of the following ratings, which will characterise the project's expected net economic return:

1. no return;
2. small;
3. moderate; or
4. large.

This rating will be used to compare the proposed project against other projects that are being evaluated in the DMAC Pool and to determine the applicable SIG interest rate subsidy to be used in the calculation of the SLA fixed interest rate.

6.1.3. Required proposal information

A prospective Beneficiary is required to provide the 'required proposal information' to the DMAC Secretariat to facilitate the 'proposal assessment' outlined above in these Guidelines.

The required proposal information should include:

1. The entity's current audited financial statements;
2. The entity's current past two years financial statements;
3. A summary of all entity financial ratios that will be assessed in the entity credit risk assessment (refer to part 6.1.1 of these Guidelines):
    a. Pre-project; and
    b. Including the project
4. A 5 year entity cash flow projection, including the project, that will be assessed in the entity credit risk assessment (refer to part 6.1.1 of these Guidelines);
5. A summary of the relevant sensitivity analysis conducted on the financial ratios and cash flow projection that will be assessed in the entity credit risk assessment (refer to part 5.1.1 of these Guidelines);
6. A summary of project specific (refer to part 6.1.2.1 of these Guidelines):
    a. Financial ratios; and
    b. CAPEX analyses.
7. A summary of the sensitivity analysis conducted on the project's financial ratios and CAPEX analyses (refer to part 6.1.2.1 of these Guidelines for appropriate sensitivity analysis);
8. Business plan (refer to part 6.1.2.2 of these Guidelines for what should be included in the business plan); and
9. Any evidence that will assist MoFT in determining the expected net economic return of a project (refer to part 6.1.2.3 of these Guidelines).

6.2. Review by DMAC

The DMAC Secretariat will only present proposed on-lending arrangements to the DMAC for evaluation if: 1) indicative borrowing terms have been agreed by all parties; and 2) the 'proposal assessment' has been completed.

6.3. DMAC recommendation to Minister

Pursuant to review, the DMAC will provide a recommendation to the Minister of Finance on whether to authorise the proposed on-lending arrangement. This is consistent with the DMS and the *Public Financial Management Act* (PFMA) that requires all Government borrowing proposals to go through the DMAC process.

6.4. Notification of Minister's decision

The prospective Beneficiary and proposed Primary Lender shall be notified, in writing, by the Minister of Finance on whether the proposed on-lending arrangement has been authorised.

APPENDIX 1 - Self-assessment test template

If you are a prospective Beneficiary seeking to finance, in part or in full, a project proposal through an on-lending arrangement, then you are required to complete the **'self-assessment test'** contained in this self-assessment test template. The self-assessment test includes an 'entity test' (step 1) and a 'project test' (step 2).

If your entity fails the self-assessment test, your proposed project will not be eligible to be financed by an on-lending arrangement.

If your entity passes the self-assessment test, then you must submit this completed self-assessment test template to the Debt Management Unit (DMAC Secretariat) by the deadline date for checking. If the DMAC Secretariat confirms your self-assessment test result, your proposed on-lending arrangement will progress to the 'self-assessed pool' of the evaluation process.

Deadline date: The deadline date to submit your self-assessment test template is **30 April** of the year preceding the year in which your entity expects to commit to an on-lending arrangement. This date roughly aligns with the annual issuance date of the Budget Circular that outlines the annual budget timetable and line agency responsibility in the budget process.

Begin filling in the self-assessment test template below:

Question Number	Question	Answer
1	In which calendar year do you expect SIG to commit to the Primary Loan?	

If you are a State Owned Enterprise (SOE), go to **Step 1 – SOE 'entity test'**

If you are a provincial Government, go to **Step 1 – Provincial Government 'entity test'**

If you are a private company, go to **Step 1 – Private company 'entity test'**

Step 1 – SOE 'entity test'

Question Number	Question	Answer
1	Has your SOE failed to submit your 'Statement of Corporate Objectives' to the Ministry of Finance and Treasury (MoFT) by the deadline date?	Yes / No
2	Is your SOE currently in default on any formal debt obligations?	Yes / No
3	Does your SOE currently have any National Provident Fund (NPF) arrears?	Yes / No
4	Does your SOE currently have any Inland Revenue Division (IRD) arrears?	Yes / No

If you answered 'Yes' to any of the above questions, then your SOE **fails** the 'self-assessment test' and is not eligible for an on-lending arrangement.

If you answered 'No' to all of the above questions, then you should proceed to **Step 2 – SOE and Provincial Government 'project test'** of this template.

Step 1 – Provincial Government ‘entity test’

Question Number	Question	Answer
1	Is your Provincial Government currently in default on any formal debt obligations?	Yes / No
2	Does your Provincial Government currently have any trade creditor arrears?	Yes / No
3	Does your Provincial Government currently have any NPF arrears?	Yes / No
4	Does your Provincial Government currently have any IRD arrears?	Yes / No

If you answered ‘Yes’ to any of the above questions, then your Provincial Government **fails** the ‘self-assessment test’ and is not eligible for an on-lending arrangement.

If you answered ‘No’ to all of the above questions, then you should proceed to **Step 2 – SOE and Provincial Government ‘project test’** of this template.

Step 1 – Private company 'entity test'

Question Number	Question	Answer
1	Is your company currently in default on any formal debt obligations?	Yes / No
2	Does your company currently have any NPF arrears?	Yes / No
3	Does your company currently have any IRD arrears?	Yes / No

If you answered 'Yes' to any of the above questions, then your company **fails** the 'self-assessment test' and is not eligible for an on-lending arrangement.

If you answered 'No' to all of the above questions, then you should proceed to **Step 2 – Private company 'project test'** of this template.

Step 2 – SOE and Provincial Government ‘project test’

Question Number	Question	Answer
1	Does your project comply with sections 8.13 and 8.14 of the Debt Management Strategy (DMS)?	Yes / No
2*	Has your intention to implement the project previously been reported in your Statement of Corporate Objectives submitted to the MoFT?	Yes / No
3	Does your project exhibit commercial like characteristics (refer to section 4.3.3 of the Policy)?	Yes / No
4	Do you expect your project to deliver a net positive broader economic benefit (including social benefits) to the Solomon Islands?	Yes / No

** This question only applies to SOEs*

If you answered ‘Yes’ to all of the above questions, then your SOE or Provincial Government project **passes** the ‘self-assessment test’. It is therefore eligible to be considered for an on-lending arrangement and will be included by the DMAC Secretariat in the ‘self-assessed pool’ of the evaluation process.

If you answered ‘No’ to any of the above questions, then your project **fails** the ‘self-assessment test’ and is not eligible for an on-lending arrangement.

Step 2 – Private company 'project test'

Question Number	Question	Answer
1	Has your project been identified in the National Development Strategy (NDS) or National Infrastructure Investment Plan (NIIP) as being of national strategic importance?	Yes / No
2	Does your project not exhibit only commercial characteristics (refer to part 4.3.3 of the Policy)?	Yes / No
3	Do you expect your project to deliver a net positive broader economic benefit (including social benefits) to the Solomon Islands?	Yes / No
4	If your company does not implement your project, do you expect that the project would not be implemented by the Solomon Islands Government (SIG), a SOE, a provincial Government or another private company?	Yes / No

If you answered 'Yes' to all of the above questions, then your company project **passes** the 'self-assessment test'. It is therefore eligible to be considered for an on-lending arrangement and will be included by the DMAC Secretariat in the 'self-assessed pool' of the evaluation process.

If you answered 'No' to any of the above questions, then your project **fails** the 'self-assessment test' and is not eligible for an on-lending arrangement.

If you have completed the self-assessment template and passed the 'self-assessment test', please sign below and submit to the DMAC Secretariat by the deadline date.

Name of person completing this template:

Title of person completing this template:

Contact details of person completing this template:

Date this template submitted to DMAC Secretariat:

APPENDIX 2 - Indicative evaluation process timeline

Timeline	SLA Beneficiary action	DMAC Secretariat and DMAC action
January February March April	Conduct 'Self-assessment test' (refer to section 3.1 of the Guidelines) Due date to submit 'Self assessment test template': **30 April**	Liaise with and field queries from Implementing Agencies and lenders (DMAC Secretariat)
May	Submit 'required proposal information' to DMAC Secretariat (Refer to sections 4.1 and 4.2 of the Guidelines) Due date: **To be confirmed annually**	Check submitted 'Self-assessment template' (DMAC Secretariat)
June July August		Compile Annual Borrowing Pool (DMAC Secretariat) Establish Annual Borrowing Limit Pool (DMAC Secretariat & DMAC)
September October November December	Liaise and collaborate with the DMAC Secretariat Negotiate terms of direct borrowing (Ongoing)	Establish DMAC Pool (DMAC Secretariat & DMAC) DMAC review and recommendation to Minister (Ongoing)