

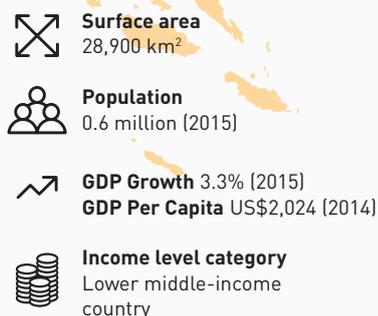


## 1. Country Context

Home to six major islands and over 900 islets, the Solomon Islands are a lower middle-income country with a GDP per capita of US\$2,024 (2014). Eighty-five percent of its population of 584,000 lives in small villages of a few hundred people. The country is situated just under the World Bank's threshold of fragile state with a Country Policy and Institutional Assessment value of 2.5 in 2014. The Solomon Islands' economy has recovered from the 2008 shock, growing 3.3% in 2015 with minimal slow-down to 3.0% predicted for 2016. Beyond the government sector, the economy is driven by the export of primary commodities including timber, copra, palm oil and fish.

With a low human development, the Solomon Islands are ranked 156th among the 188 countries reflected in the 2015 Human Development Index. According to the Asian Development Bank, 22.7% of the population lives below the national poverty line and only 23.7% is employed in 2014. An estimated 75% of adult Solomon Islanders survive on subsistence agriculture. Development co-operation reported in this year's monitoring round amounts to US\$109 million in 2015, provided by eight development partners. The most important provider is Australia with 63%, followed by New Zealand (15%) and the World Bank (10%).

### Quick Facts

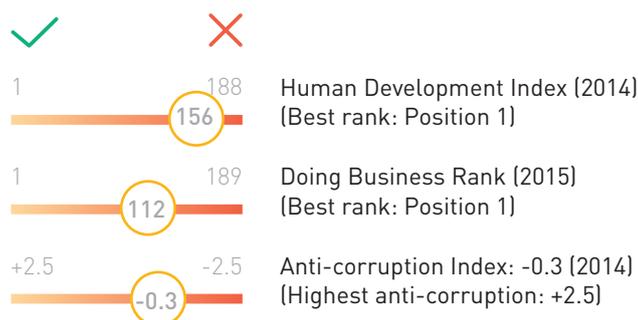


### Domains Where Country Systems Have Been Strengthened

	2009	2015
Budget Support	Strengthened	Strengthened
PEFA Assessment	Strengthened	Strengthened
PFM Roadmap	Strengthened	Strengthened
Aid/Dev. Co-op. Policy	Strengthened	Strengthened
Dialogue with Partners	Strengthened	Strengthened
Peer Reviews	Strengthened	Strengthened
Medium-Term Plans	Strengthened	Strengthened

### Key Development Indices:

ODA per Capita US\$347 (2014)



### Key Development Challenges

The Government of the Solomon Islands has expanded public investments to solidify and diversify economic activity, while also creating an enabling environment for attracting foreign direct investments. Apart from manufacturing, tourism entails substantial potential for future growth. Future sustainable development will largely depend on creating economic opportunities for all Solomon Islanders and will address the manifold pressing social issues, especially in rural areas. While expanding public expenditures, the government needs to ensure a high return in the form of private finance, for instance as foreign direct investments.

## 2. Efforts to Implement the Effectiveness Principles

### A. Policies and Tools for Partners' Alignment

The National Development Strategy (NDS) sets out the long-term development vision from 2016 to 2035, focusing on social and economic livelihoods. The NDS is operationalized in a rolling five-year Medium-Term Development Plan (MTDP) with programmes and projects

that are included in the national annual budgets, under the leadership of the Ministry of Development Planning and Aid Coordination (MDPAC). Sector plans have been developed for health, education, transport and infrastructure (the latter being an investment plan).

The NDS included an M&E framework with performance indicators at the strategic and programmatic levels. This performance framework is currently being operationalized with data sources, collection and reporting methodologies, and updated or new baselines.

#### Major Development Partners of this Round (by Reported Disbursements)



**Participation in 2014 Monitoring** **No**



**Existence of a National Co-operation Policy** **Yes**

### B. Governance and Management of Development Finance and Co-operation

To support the implementation of the MTDP under the NDS, the government recently approved an Aid Management and Development Co-operation Policy and Partnership Framework for Effective Development Co-operation that aim to gradually decrease off-budget support; improve predictability; reduce overhead and transaction costs; and radically improve official development finance reporting. These objectives are monitored through performance indicators, currently being drafted. There are regular meetings with the development partner community and bilateral agreements with specific accountability arrangements. The Solomon Islands participated in the Global Partnership survey for the first time, but were part of the second monitoring round

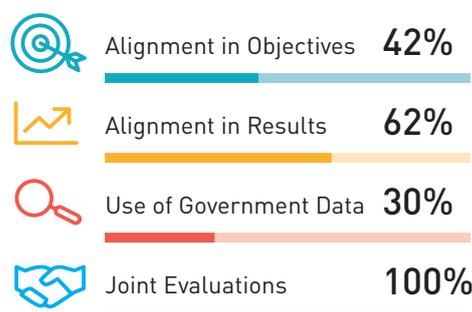
of the Paris Declaration in 2011 (ahead of the Busan High-Level Forum). In terms of institutional arrangements, the lead of coordinating development co-operation lies with the MDPAC, while overall development is overseen by the NDS Taskforce. The information system for official development finance management is currently being updated in line with the new Partnership Framework. At this stage, the Solomon Islands do not capture non-development co-operation finance such as investments or remittances. The country is part of different South-South learning programmes, particularly under the umbrella of the Pacific Island Forum Secretariat, but has not yet received South-South finance.

## 3. Country Ownership

### Indicator 1: Partners' Alignment and Use of Country-Led Results Frameworks

Alignment to the Solomon Islands' results frameworks is still incipient and fragmented, with only 42% of reported development co-operation aligned to the NDS and 30% using country monitoring systems. In 2015, 62% of development co-operation aligned to country-led results at the level of MTDP and sector plans. Where evaluations are planned, the government is fully involved, although it is only defining

the scope without contributing its own resources. The Asian Development Bank, World Bank and WHO fully rely on country results frameworks, while Australia, Japan and the Secretariat of the Pacific Community do not use these at all. Future progress will depend on the successful implementation of the evolving M&E framework for the MTDP and the use of the new Partnership Framework.

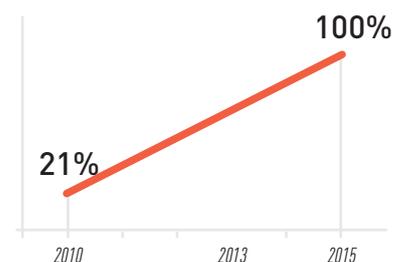


## Indicator 6. Development Co-operation is on Budget (Subject to Parliamentary Scrutiny)

One-hundred percent of development co-operation reported for 2015 was recorded in the government budget, a clear improvement over the last available figure (2010: 21%). There is, however, very substantial overscheduled finance of 1,369%. Instead of US\$58 million originally scheduled for 2015, a total

of US\$197 million was recorded in the budget. To continue adjusting the on-budget practices, the government and development co-operation partners might want to look into more effective forms of ensuring a consistent flow of information to the parliament.

### Percentage on Budget



## Indicators 9 and 10. Use of Country Systems

Around two thirds of development co-operation finance in 2015 used national Public Financial Management (PFM) systems. Sixty-five percent relied on national procedures for budget execution and 67% on financial reporting, auditing and procurement. Among the most significant development partners, Australia and New Zealand channel substantial proportions

through the Solomon Islands' country systems, while the Asian Development Bank, WHO and the World Bank only make residual use of national PFM. The government and external partners can deepen the dialogue on country systems on the basis of the new Partnership Framework, assessing the current status quo and agreeing on the next steps. The

national value of the Country Policy and Institutional Assessment (CPIA) dropped to 2.5 in 2014, converting the Solomon Islands into a fragile state, according to the definition of the World Bank. More efforts might be needed by all partners to continue building strong and sustainable public sector capacity in the Solomon Islands.

	Budget (ideal: 100%)	Financial Reporting (ideal: 100%)	Auditing (ideal: 100%)	Procurement (ideal: 100%)	CPIA* (maximum: 6)	Untying (ideal: 100%)
<b>INDICATOR 9B.</b>	<b>65%</b>	<b>67%</b>	<b>67%</b>	<b>67%</b>		
<b>INDICATORS 9A &amp; 10.</b>					<b>2.5</b> ▼	<b>89%</b> ▲

\* Country Policy and Institutional Assessment

## 4. Inclusive Partnerships for Development

### Indicators 2 and 3. Fostering Inclusive Partnerships for Development

Civil society organizations (CSOs) and private sector companies have been involved in consultations around development planning and have good access to information, but are not yet a full part of development policies and partnerships in the Solomon Islands. CSOs are gathered under the umbrella organization Development Services Exchange (DSE), which is also the National Liaison Unit for the Pacific Islands Association of Non-Government Organisations (PIANGO). An NGO bill submitted by the Ministry of Home Affairs is currently undergoing official approval

and, once in place, will create a formal and stable enabling environment for CSOs. Private companies are represented by the Solomon Islands Chamber of Commerce and Industries, which interacts with the Prime Minister's Office, the Ministry of Commerce and Industry, the Ministry of Foreign Affairs and External Trade, and the MDPAC. For capacity development, CSOs and private sector are receiving support from a Non-State Actors Grant of the European Commission, while the Asian Development Bank and the World Bank frequently consult and partner with Solomon Islands' companies.

For inclusive partnerships, essential progress has been made in terms of coordination among CSOs and the private sector, respectively, government efforts to improve the enabling environment, and support provided by a number of development partners. Among the main limitations, especially the private sector expresses concerns over the benefits and the return of engaging in a time- and resource-consuming dialogue with the public sector. These voices also call for more business, investment and growth orientation in all development efforts led by the government and external partners.

### Indicator 8. Gender Empowerment

There is currently no system in the budget process to track allocations for gender

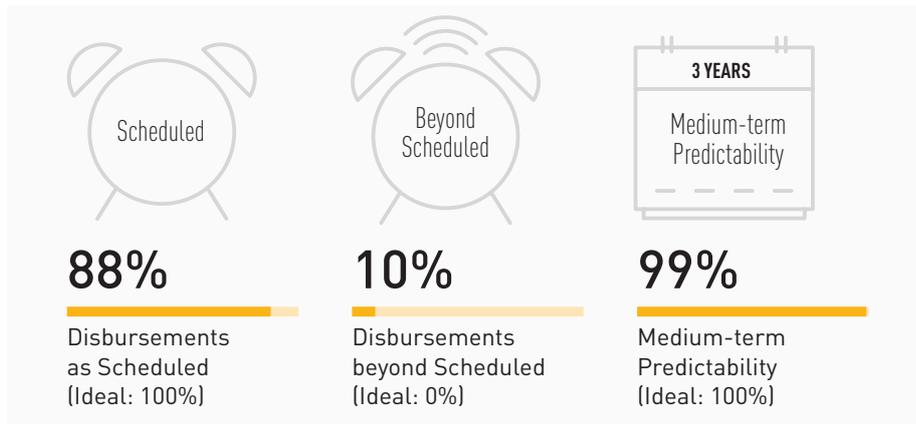
equality and women's empowerment. Permanent Secretaries include ensuring

gender equality among the indicators in their performance assessment.

## 5. Transparency and Accountability

### Indicator 5. Development Co-operation is More Predictable

Eighty-eight percent of all development co-operation reported in 2015 was scheduled as disbursed in the calendar year, reflecting a high annual predictability. Individually, Australia, the European Commission and New Zealand achieve 100% annual predictability. For its turn, medium-term predictability stands at an outstanding 99%, with all partners providing information and data on forward expenditures for the next three years. This is a very solid basis for government to further increase its PFM capacity to capture and manage external official development finance.



### Indicator 7. Mutual Accountability

Relations between the government and development co-operation partners are framed by the recently approved Aid Management and Development Cooperation Policy and Partnership Framework for Effective Development Co-operation, which take into account the Busan principles, the monitoring indicators and country-specific priorities.

Performance indicators are currently drafted and to be further vetted with development partners. Overall, as reflected in the favourable results in most Global Partnership monitoring indicators, development co-operation flowing into the Solomon Islands meets the effectiveness criteria extensively, but can certainly be improved in areas such as the use

of country systems. Particularly the government can take the lead in looking into options to accelerate the development and strengthening of national systems, capacities and procedures, primarily in the areas of public financial management and results frameworks under the NDS and MTDP.

## National Priorities Going Forward

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The Solomon Islands welcome the assistance provided by development partners to support national development. It also recognizes that development partners provide official development finance in response to a perceived overlap of their own aims and those of the Solomon Islands. Successful development based on such finance can occur where this overlap is clearly identified and agreed upon and common objectives are defined and pursued through cooperatively designed and implemented activities. Also fundamental to successful and effective development co-operation are genuine partnerships based on mutual respect and trust. The Solomon Islands Aid Management Policy and Partnership Framework for Effective Development Co-operation localize official development finance and development effectiveness principles and standards advocated internationally. Thus, they can guide national good practice in development effectiveness. Going forward, the priorities for reform include strengthening of the national engagement mechanism and the processes and systems for determining priorities, implementation, management, monitoring and reporting.

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