

**Document of
The World Bank Group**

FOR OFFICIAL USE ONLY

Report No. 122600-SB

**INTERNATIONAL DEVELOPMENT ASSOCIATION
INTERNATIONAL FINANCE CORPORATION
AND MULTILATERAL INVESTMENT GUARANTEE AGENCY**

COUNTRY PARTNERSHIP FRAMEWORK

FOR

SOLOMON ISLANDS

FOR THE PERIOD FY2018–FY2023

June 26, 2018

**Papua New Guinea and Pacific Islands Country Management Unit
East Asia and Pacific Region**

**The International Finance Corporation
East Asia and Pacific Region**

The Multilateral Investment Guarantee Agency

This document has a restricted distribution and may be used by recipients only in the performance of their official duties. Its contents may not otherwise be disclosed without World Bank Group authorization.

The date of the last Country Partnership Framework was May 15, 2013 (Report No. 76349-SB discussed on June 13, 2013) and the date of the Country Framework Strategy Performance and Learning Review was August 5, 2016 (Report No.105699-SB).

CURRENCY EQUIVALENTS

Exchange Rate Effective as of June 26, 2018
Currency Unit: Solomon Islands Dollars (SBD)
US\$ 1.00 = SBD 7.92

FISCAL YEAR

January 1-December 31

ABBREVIATIONS AND ACRONYMS

ADB	Asian Development Fund	ICT	Information and Communication Technology
ASA	Analytics and Advisory Services	IDA	International Development Association
CAUSE	Community Access and Urban Enhancement Project	IFC	International Finance Corporation
CDD	Community-driven Development	IMF	International Monetary Fund
CDF	Constituency Development Fund	IRCCNH	Increasing Resilience to Climate Change and Natural Hazards Project
CEWG	Core Economic Working Group	JICA	Japan International Cooperation Agency
CGAP	Country Gender Action Plan	JSDF	Japan Social Development Fund
CGGM	Community Governance and Grievance Management	kWh	Kilowatt-hour
CLR	Completion and Learning Review	MDTF	Multi-Donor Trust Fund
CPF	Country Partnership Framework	MFAT	New Zealand Ministry of Foreign Affairs and Trade
CPI	Consumer Price Index	MIGA	Multilateral Investment Guarantee Agency
CPS	Country Partnership Strategy	MMERE	Ministry of Mines, Energy, and Rural Electrification
CRISP	Community Resilience to Climate and Disaster Risk in Solomon Islands Project	MP	Member of Parliament
DFAT	Australian Department of Foreign Affairs and Trade	MPA	Multiphase Programmatic Approach
DPO	Development Policy Operation	MTDP	Medium-Term Development Plan
EGPS	Extractives Global Programmatic Support	MoFT	Ministry of Finance and Treasury
EU	European Union	NDS	National Development Strategy
FY	Fiscal Year	NMP	National Minerals Policy
GDP	Gross Domestic Product	PLR	Performance and Learning Review
GPOBA	Global Partnership on Output-Based Aid	PNG	Papua New Guinea
HIES	Household Income and Expenditure Survey	PPA	Project Preparation Advance
		PPP	Public-Private Partnership

PROP	Pacific Islands Regional Oceanscape Program	SIRAP	Solomon Islands Roads and Aviation Project
RAMSI	Regional Assistance Mission to Solomon Islands	SIWA	Solomon Islands Water Authority
RDP	Rural Development Program	SISEP	Solomon Islands Sustainable Energy Project
REP	Rapid Employment Project	TRHDP	Tina River Hydropower Development Project
SCD	Systematic Country Diagnostic	WBG	World Bank Group
SDGs	Sustainable Development Goals	WSS	Water Supply and Sanitation
SIEAREEP	Solomon Islands Electricity Access and Renewable Energy Expansion Project		
SIG	Solomon Islands Government		
SIPNET	Solomon Islands Professional Women Network		

	World Bank	IFC	MIGA
Vice President:	Victoria Kwakwa	Stephanie von Friedeburg	Keiko Honda
Director:	Michel Kerf	Vivek Pathak	Merli Baroudi
Task Team Leader:	Guido Rurangwa	Vsevolod Payevskiy, Daniel Street	Sandro Diez-Amigo Gero Verheyen

**FY2018–FY2023 COUNTRY PARTNERSHIP FRAMEWORK FOR
SOLOMON ISLANDS**

TABLE OF CONTENTS

I. INTRODUCTION	1
II. COUNTRY CONTEXT AND DEVELOPMENT AGENDA	2
II.1. Socioeconomic and Political Context	2
II.2. Recent Economic Developments	4
II.3. Poverty and Shared Prosperity	9
II.4. Development Challenges	11
Provision of basic services has limitations, exacerbated by economic geography	11
Economic growth is dependent on a few localized extractive industries	14
Benefits from uneven development need to be spread.....	15
III. WORLD BANK GROUP PARTNERSHIP FRAMEWORK.....	15
III.1. Government Program and Medium-term Strategy	15
III.2. Proposed WBG Country Partnership Framework	16
A. Lessons from CPS Completion and Learning Review and Stakeholder Consultations	16
B. Overview of the World Bank Group Strategy	18
C. CPF Objectives.....	20
III.3. Implementing the FY2018-FY2023 Country Partnership Framework.....	32
IV. MANAGING RISKS TO THE CPF PROGRAM	39
Annex 1. CPF Results Framework.....	42
Annex 2. Solomon Islands FY13-FY17 Country Partnership Strategy Completion and Learning Review ...	53
Annex 3. Selected Indicators of Bank Portfolio Performance and Management	78
Annex 4. Operations Portfolio (IBRD/IDA and Grants)	79
Annex 5. Statement of IFC’s Held and Disbursed Portfolio	80
Annex 6. Summary of the CPF consultations	81
Annex 7. The 2016-2035 NDS and MTDP for 2016-2020.....	88
Annex 8. Solomon Islands: Summary of SCD Priorities.....	89
Annex 9. Solomon Islands: Applying selectivity filters to SCD priorities to design the CPF Program.....	90
Annex 10. IDA18 Special Themes in Solomon Islands.....	92
Annex 11. Summary of development partners activities in Solomon Islands	94
Map of Solomon Islands.....	98

Boxes

Box 1. High transport costs undermine trade benefits in remote small economies	3
Box 2. Solomon Islands remains a fragile country	4
Box 3. Selected issues in the business regulatory framework.....	8
Box 4. Maximizing Finance for Development through the TRHDP	23
Box 5. IFC and gender economic empowerment.....	34
Box 6. Tackling the drivers of fragility.....	35
Box 7. Pacific Country Management Unit Agile Initiatives Implemented under IDA18	36

Figures

Figure 1. Solomon Islands: Real GDP per Capita	5
Figure 2. Possible Trajectories of Public Debt.....	6
Figure 3. Average Household Income Composition in Rural and Urban areas.....	10
Figure 4: Analytical Framework for the Solomon Islands SCD.....	11
Figure 5: Public Expenditure on Police and Justice, Health, and Education, 2006-2015.....	12
Figure 6. Filtering Process to Define the CPF Objectives	18
Figure 7. SCD Priorities and CPF Focus Areas.....	20

Tables

Table 1. Selected Macroeconomic Indicators.....	5
Table 2. CPF Focus Areas and Objectives.....	21
Table 3. Indicative World Bank Lending Program, FY2018–FY2023	37
Table 4. Indicative ASA Program, FY2018–FY2023	37
Table 5. Risks to Solomon Islands CPF Objectives	41

FY2018–FY2023 COUNTRY PARTNERSHIP FRAMEWORK FOR SOLOMON ISLANDS

I. INTRODUCTION

1. ***The proposed Country Partnership Framework (CPF) for Solomon Islands spans the period from July 1, 2017, to June 30, 2023 (FY2018–FY2023).*** It presents the World Bank Group’s (WBG) program of engagements over this period and a results framework against which anticipated outcomes will be evaluated. It builds on the results and lessons of Solomon Islands’ previous Country Partnership Strategy (CPS), which covered the period between FY2013 and FY2017. This CPF is well aligned with the Solomon Islands Government’s (SIG’s) long-term development vision, the *National Development Strategy 2016 to 2035: Improving the Social and Economic Livelihoods of all Solomon Islanders* (NDS), and the thematic priorities emerging from the WBG’s Solomon Islands Systematic Country Diagnostic (SCD), completed in June 2017.

2. ***The main purpose of the CPF is to support Solomon Islands in enhancing its economic resilience through inclusive growth, while considering economic geography and state fragility.*** The CPF will selectively support Solomon Islands’ *Medium-Term Development Plan: 2016 to 2020* (MTDP) and incorporates key priorities of the SCD. The MTDP, a five-year rolling plan, translates the broader objectives of the NDS into an actionable implementation plan for the period 2016–2020. The MTDP sets out fifteen operational priority programs to achieve progress against the five key objectives of the NDS, namely: (i) sustained and inclusive economic growth; (ii) poverty alleviated across the whole of the Solomon Islands, basic needs addressed, and food security improved, with the benefits of development more equitably distributed; (iii) access for all Solomon Islanders to good-quality social services, including education and health; (iv) resilient and environmentally sustainable development with effective disaster risk management; and (v) a unified nation with stable and effective governance and public order. The CPF also responds to priorities for support expressed by the SIG and leverages the WBG’s comparative advantage.

3. ***The CPF is organized around three focus areas: (i) strengthening the foundations of well-being, (ii) promoting inclusive and sustainable growth, and (iii) managing uneven development.*** To support these focus areas, the CPF envisages bringing to bear the full resources of the WBG. This will encompass the implementation of a World Bank program that could reach up to US\$ 25 million annually, on average, in new grants/loans in FY2018–FY2020, and a comparable amount in FY2021–FY2023, subject to the IDA19 country allocation and continued government interest in financing from the International Development Association (IDA), as well as possible investments by the International Finance Corporation (IFC) to crowd in the private sector, build on IFC’s existing investment and advisory services. The Multilateral Investment Guarantee Agency (MIGA) will actively seek opportunities to support the identified focus areas via its political risk insurance products. The CPF will also be supported by nonlending instruments, notably advisory services and analytics (ASA), trust fund resources, and regional initiatives. Where feasible, the CPF will leverage the IDA18 IFC–MIGA Private Sector Window.

4. ***The scale-up in the IDA18 allocation for small states, including Solomon Islands, offers the opportunity to deepen support to existing engagements as well as to broaden support to a few key additional development priorities for the country.*** Support to fiscal management, energy, fisheries, mining, and community-driven development (CDD) will continue. In addition, in the context of the WBG’s increased focus on small states and the IDA18 scale-up, this CPF will support three new priority areas: support for the tourism sector, led by IFC; expanded access to improved water and sanitation in urban

centers; and the transport sector. Furthermore, an enhanced focus will be placed on addressing drivers of fragility in the Solomon Islands through, among other interventions, stepping up capacity building efforts, promoting climate resilience, piloting demonstration projects that address land as well as youth and urbanization issues, and improving gender outcomes (see Paragraphs 84 and 85, Box 5, Box 6, and Annex 10 for a detailed explanation of how these issues will be tackled under this CPF).

5. ***Design of the CPF has benefitted from extensive consultations conducted with a broad spectrum of stakeholders.*** During these consultations, stakeholders provided feedback on key development challenges in Solomon Islands and on priorities for WBG support to the SIG over the coming five years. Several face-to-face events were held, including both large public meetings and smaller gatherings, targeting representatives of central and provincial governments, the private sector, development partners, implementing agencies of IDA-funded projects, and civil society organizations—including women’s groups, academia, the media, and an economists’ association. The priorities discussed centered on the three focus areas of the CPF. Details of the consultations are presented in Annex 6.

II. COUNTRY CONTEXT AND DEVELOPMENT AGENDA

II.1. Socioeconomic and Political Context

6. ***The political environment in Solomon Islands remains fluid.*** The electoral system is based on a Westminster parliamentary system. The National Parliament consists of 50 members (MPs) elected from single-member constituencies. In a country of very small constituencies (between 2,000 and approximately 20,000 people in size) and great ethno-linguistic diversity, the electoral system usually leads to narrow margins of victory, and elected members do not necessarily represent an aggregate of public interests in their home areas. The lack of established political parties has led to regular floor crossings, votes of no confidence, and a high degree of uncertainty, which in turn have a substantial impact on the reform context and on the implementation of development programs. Only one government and prime minister have ever served a full term—notably during the period known locally as “the tensions” (see Paragraph 9). Since independence in 1978, only two women have served in the National Parliament.

7. ***The economic geography of Solomon Islands poses a unique challenge.*** An archipelago of 997 islands, Solomon Islands has a total land area of about 28,400 square kilometers spread over 1.34 million square kilometers of ocean—an area larger than France, Germany, and Poland combined. The population of 584,000¹ is dispersed across 90 inhabited islands and has one of the lowest population densities (20.8 persons/km²) and urbanization rates (about 17 percent) in the world. Distances between islands are significant: the northwestern Choiseul group is approximately 1,500 kilometers from the southeastern Santa Cruz Islands—a distance equivalent to that between London and Rome. Distances to major export markets are even greater, with the capital, Honiara, being over 2,000 kilometers from urban centers in Australia. The population is divided not only by the ocean between islands, but also by mountainous terrain within most islands. Owing to a combination of steep topography, poor soil, and high average rainfall levels in many places, agricultural land represents only 3.9 percent of the total land area. More than 83 percent of the population resides in rural areas, with rural villages often comprising fewer than 20 households.

¹ This estimate is the latest reported in the World Development Indicators for 2015. The Solomon Islands National Statistics Office projects the population at 653,000 for 2017.

8. ***Solomon Islands faces formidable and, in some cases, immutable challenges to service delivery, infrastructure, and economic integration.*** There is only 1 kilometer of roads per 20 square kilometers, the lowest ratio in the Pacific, and in many areas travel is only possible by motorboat. Land and food security, combined with kinship obligations, provide an essential social safety net. Small and widely dispersed populations have given rise to significant cultural diversity, with about 70 distinct languages and numerous local dialects. The costs of governing and extending services across such a vast space are high. Small states that are near to large markets can still benefit through specialization and trade, but high transport costs undermine the extent to which openness can offset the disadvantages of smallness for states that are remote from large markets (Box 1).

Box 1. High transport costs undermine trade benefits in remote small economies

High transport costs for all traded inputs and products, together with a lack of economies of scale in the provision of the basic infrastructure required for private sector activity, push up the total cost of goods and services in small, remote states. This limits their export industries to those that can secure premium prices in global markets, such as natural resource-based industries or industries catering to niche markets. It also reduces the extent to which these states are likely to be able to realize agglomeration effects, including the productivity benefits of knowledge spillovers between firms and workers. Internal dispersion and division exacerbate these disadvantages by fracturing the already small domestic market, further increasing the already high costs of basic infrastructure provision and militating against the global appeal of locating production in such states. The combination of small size, remoteness, and internal dispersion and division can also prevent the realization of economies of scale in the provision of many types of infrastructure (such as energy services and international ports) and public services (such as regulatory frameworks and general policy making), leading their provision to be disproportionately costly.

Source: Solomon Islands SCD, 2017.

9. ***Solomon Islands has made significant progress in restoring stability following a period of conflict from 1998 to 2003.*** The conflict, known locally as “the tensions,” emerged as a result of grievances between the local Guadalcanal landowners and migrants, predominantly from the most populous island of Malaita, drawn by economic opportunities. Violent clashes involving rival militant groups led to two hundred deaths, displacement of thousands, and the widespread destruction of property. While often characterized as an ethnic conflict, “the tensions” had multiple political and economic causes, including the disproportionate concentration of economic development in and around Honiara compared to the rest of the country. Rapid social change associated with increasing urbanization also contributed to stresses, including the erosion of customary authority, disenchantment among young people, and a loss of social cohesion. In the decade since “the tensions,” however, elections were held successfully in 2006, 2010, and 2014, and the country has been largely peaceful, except for one bout of unrest when parts of Honiara’s Chinatown were destroyed following the 2006 general elections. The Regional Assistance Mission to Solomon Islands (RAMSI), a partnership between Solomon Islands and fifteen Pacific countries that was in place between July 2003 and June 2017, played a key role in helping Solomon Islands lay the foundations for long-term stability, security, and prosperity. While institutions have been rebuilt, the SCD notes that they are for the most part extremely limited in reach and some core institutions remain ineffective. Solomon Islands remains a fragile country, as most of the factors that have contributed to the country’s fragility persist (Box 2). Beyond the government, the private sector, civil society, and international actors have an important and complementary role to play in taking the country forward.

Box 2. Solomon Islands remains a fragile country

The conflict known as “the tensions” was driven mainly by contested state legitimacy, uneven development, poorly managed urbanization, and disputed control over land and natural resources. The conflict ended in 2003 following an intervention by the Australian-led RAMSI, which helped restore law and order, stabilize government finances, rebuild the central state, and reestablish public institutions. RAMSI withdrew on June 30, 2017.

RAMSI was a joint peacekeeping and nation-rebuilding mission. Alongside investment in security operations, RAMSI focused on reviving the economy, building inclusive civic institutions, establishing financial infrastructure, developing the justice system, and restoring public health and education services. Early successes included stabilizing government finances and normalizing debt, as well as helping the Solomon Islands government carry out economic reforms, including a Public Financial Management Act, debt management framework, and a Central Bank Act. The focus later shifted to capacity building, though progress has been slow due to enduring skills gaps. Land rights grievances, an underlying cause of “the tensions,” have yet to be fully resolved.

Solomon Islands remains a fragile country, however. Deep development challenges persist, and some of the stresses that contributed to “the tensions” two decades ago could potentially resurface without sustained effort on the part of the government and its partners to address them. Youth unemployment, thin public sector capacity, enclave developments, perceived spatial inequalities, a fluid political environment, and rapid social change all present challenges to the resilience of Solomon Islands’ young governance institutions. In addition, Solomon Islands faces significant challenges of diversity, geographic dispersion with a largely rural population, and vulnerability to external shocks, including terms of trade, natural disasters, and climate change.

Source: SCD and IMF, Solomon Islands Staff Report for the 2017 Article IV Consultations, January 2018.

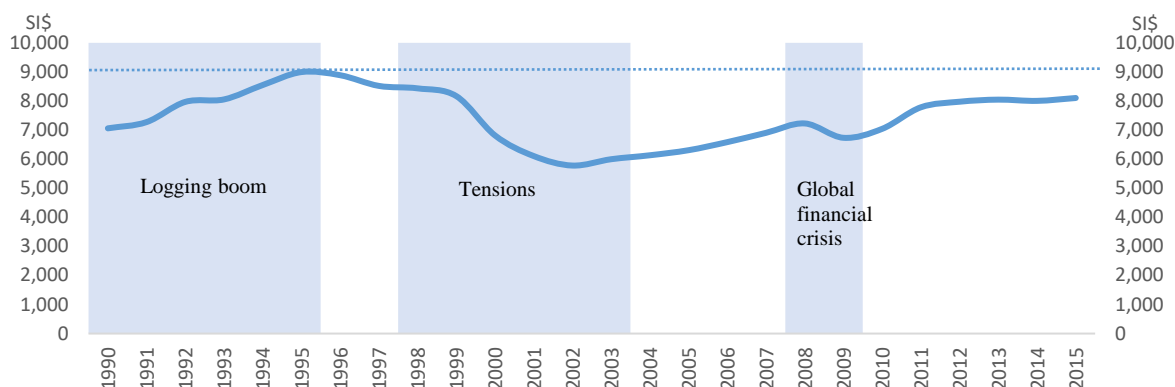
10. ***A peaceful outcome of the promised referendum in Papua New Guinea’s Autonomous Region of Bougainville would also benefit Solomon Islands.*** As per the 2001 Bougainville Peace Agreement,² a referendum on Bougainville’s independence is expected to take place by 2020. Given Bougainville’s proximity to the Western Province of Solomon Islands and their strong cultural ties, any new development in the Bougainville crisis will have an impact on Solomon Islands. During the Bougainville conflict, Solomon Islands hosted refugees from Bougainville.

II.2. Recent Economic Developments

11. ***In the period since the end of “the tensions,” Solomon Islands has made substantial, but uneven, progress in fostering economic development.*** Economic growth has been driven mainly by logging (with rates of extraction significantly exceeding the estimated sustainable yield), services (driven by expanded public sector and international community spending in the post-conflict context), and agriculture (including the post-conflict resumption of copra and palm oil production). Although real gross domestic product (GDP) surpassed its pre-conflict peak in 2007, real GDP per capita has not (Figure 1). This striking circumstance results from two factors, namely the low base of GDP per capita at the end of the conflict—about one-third lower than its level prior to the conflict—and relatively rapid population growth. According to the 2009 census, the population grew at an average of 2.3 percent annually between 1999 and 2009. Most concerning is the fact that, between 2012 and 2016, GDP growth has averaged only 2.9 percent, with estimated population growth of about 2 percent per year. At this rate, it might be another decade before real GDP per capita surpasses its pre-conflict peak.

² The Bougainville Peace Agreement was signed on August 30, 2001, by the government of Papua New Guinea (PNG) and the leaders representing the people of Bougainville to end the 1988–1998 secession conflict between PNG and Bougainville, and between different groups in Bougainville.

Figure 1. Solomon Islands: Real GDP per Capita



Source: SCD.

Table 1. Selected Macroeconomic Indicators

	2015	2016 ^e	2017 ^e	2018 ^f	2019 ^f	2020 ^f	2021 ^f	2022 ^f	2023 ^f
Real Economy (annual percentage change, unless otherwise indicated)									
Real GDP	2.5	3.5	3.2	3.0	2.9	2.8	2.8	2.8	2.9
Per-capita real GDP	0.3	1.0	0.8	0.8	0.6	0.5	0.5	0.6	0.7
GDP deflator	3.1	3.6	1.6	2.7	3.2	3.5	3.8	3.7	3.8
CPI (end-of-period)	-0.6	0.5	1.0	1.2	2.0	2.7	3.0	4.0	4.3
Fiscal Accounts (percent of GDP, unless otherwise indicated)									
Expenditures	48.2	44.4	45.5	41.6	40.4	39.8	39.2	39.6	40.5
Revenues	47.9	41.3	41.3	41.6	40.5	40.1	39.4	39.7	40.8
General government balance	-0.2	-3.1	-4.3	0.0	0.1	0.3	0.3	0.2	0.3
Balance of Payments (percent of GDP, unless otherwise indicated)									
Current account balance	-3.0	-3.9	-4.4	-5.0	-6.4	-6.8	-5.9	-6.2	-5.9
Imports (goods and services)	53.5	50.7	50.8	51.2	52.5	52.2	51.5	50.4	50.6
Exports (goods and services)	45.5	44.9	44.2	42.8	42.4	41.7	39.8	38.1	38.5
Foreign direct investment	2.8	3.0	4.5	2.5	3.6	3.7	3.8	3.7	3.6
Gross reserves (in US\$ millions, end-of-period)	520	514	500	520	517	519	540	557	593
Gross reserves (in months of next year's imports)	10.0	9.5	8.5	8.1	7.6	7.3	7.3	6.9	6.5
External debt	9.7	7.5	8.2	11.9	13.9	16.2	18.2	19.9	21.3
Exchange rate to US\$ (average)	7.9	8.0	8.1						
Nominal GDP (US\$ millions)	1,158.4	1,235.0	1,277.0	1,376.8	1,462.8	1,555.6	1,659.3	1,772.5	1,905.9

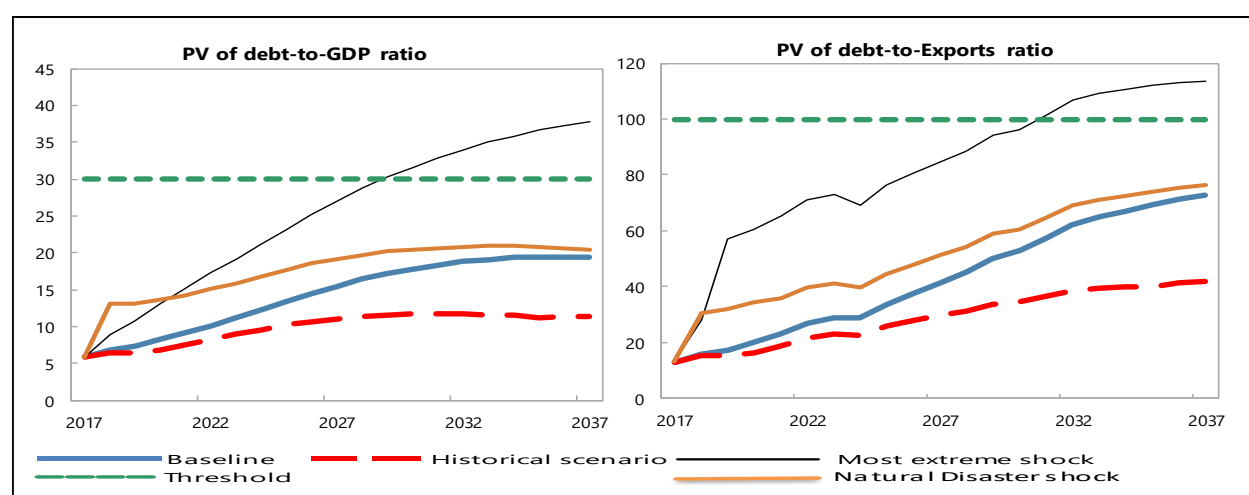
^e/ = estimate, ^f/ = forecast

Sources: SIG; World Bank; International Monetary Fund.

12. **The government's fiscal buffers have seriously eroded.** Both expenditures and revenues have declined since 2015, but the latter has been much sharper. Expenditures declined from 48.2 percent of GDP in 2015 to 45.5 percent in 2017, whereas revenues and grants fell more sharply from 47.9 percent of GDP in 2015 to 41.3 percent in 2017. Fiscal buffers have consequently eroded, as lower revenues and grants were not matched by restraint in spending. As a result, the fiscal deficit has increased (Table 1), financed through a draw-down of the SIG's cash reserves. Overall, the increased deficits have caused cash reserves to decline from SI\$ 880 million (or 3.6 months of forward recurrent spending) at the end of 2015 to SI\$ 177 million (or 0.8 months of forward recurrent spending) in 2017. As such, the SIG's ability to absorb shocks has eroded significantly and its fiscal situation remains fragile, underlining the importance of improving the quality of public spending and rebuilding fiscal buffers.

13. **External public and publicly guaranteed debt stood at 7.5 percent of GDP at end-2016 and is estimated at 8.2 percent of GDP in 2017, while private sector external debt amounted to just 0.2 percent of GDP.** Solomon Islands continues to enjoy one of the lowest debt-to-GDP ratios in the region, and globally. The most recent debt sustainability analysis, undertaken in 2017, suggests that Solomon Islands' risk of external debt distress remains moderate, consistent with the previous year's debt sustainability analysis. The baseline scenario considers the long-term effects of natural disasters and climate change³ by adjusting real GDP growth, current account balance, and fiscal balance from 2023 on. Although there is no breach of thresholds under the baseline, the stress test with a shock to financing terms on new borrowing indicates that the present value of the external debt-to-GDP ratio and the present value of the external debt-to-exports ratio breach the respective policy-dependent indicative debt thresholds in 2029 for the former, and in 2031 for the latter (Figure 2). Overall, the analysis illustrates the vulnerability of debt sustainability to external financing, fiscal, and growth shocks, and the important contribution of aid flows and foreign direct investment to supporting debt sustainability. This highlights the importance of being cautious on expenditures, prioritizing investment projects that build resilience to natural disasters and other investments that can help boost potential growth and broaden the export base or reduce reliance on imports. To keep the debt burden contained, external borrowing should be contracted on concessional terms as much as possible.

Figure 2. Possible Trajectories of Public Debt



³ The baseline scenario includes the average long-term effects of natural disasters; the “natural disaster line” represents a shock test for a single natural disaster happening in 2018; and the “severe disaster” line represents a shock assuming a single severe natural disaster occurring in 2018—of similar scale to the largest shock in the country's history.

14. ***International reserves stood at US\$ 514 million at end-2016 and an estimated US\$ 500 million at end-2017, equivalent to 9.5 and 8.5 months of imports, respectively.*** The current account deficit is projected to have widened from 3.0 percent of GDP in 2015 to 3.9 percent in 2016 and 4.4 percent in 2017, to support imports related to large infrastructure projects. Inflation fell throughout 2016 from 2.9 percent in January to 0.5 percent in December, driven by declines in prices of food, transport, and communications. Inflation was estimated at 1.0 percent at the end of 2017.

15. ***Economic growth is projected to average 3.0 percent per year over the medium term.*** Growth is expected to be driven by infrastructure investments in the road transport, telecommunications, and energy sectors. This baseline scenario also assumes resumed gold-mining activity, the exploitation of large nickel deposits, and sustained levels of foreign direct investment averaging 3.3 percent of GDP. As such, the current account deficit is projected to remain above 5.0 percent of GDP over the medium term, reflecting an increase in imports related to much-needed infrastructure and energy projects, and the underlying long-term decline in logging exports. The end-of-year consumer price index (CPI) for Honiara is expected to remain at around 3 percent over the medium term.

16. ***Solomon Islands' ability to secure sustained economic growth will rest on the private sector, and on new and expanded developments in mining, fisheries, and tourism.*** Reaping the gains of investment in new mining developments will require that Solomon Islands ensure effective governance in the sector to: (i) avoid and mitigate the substantial risks associated with environmental degradation; and (ii) ensure that the benefits generated are maximized and spread as widely as possible through public investments in health and education, and through linkages to agriculture, fisheries, transport, and other services. Solomon Islands has been successful in extracting substantial benefits from its tuna fisheries. In 2016, the price it obtained for purse seine vessel days was the highest among the Parties to the Nauru Agreement.⁴ The fisheries sector offers strong potential to contribute to growth and increase government export earnings over the medium term, if managed sustainably. For example, annual public revenues from the purse seine tuna fishery are projected to increase to at least US\$ 40 million by 2020 in Solomon Islands as management is further strengthened. Similarly, long-line fisheries present enormous potential to provide increased benefits through improved management, as Solomon Islands is the largest player in the region's long-line industry, targeting albacore, yellowfin, and bigeye tuna. Important challenges remain in the sector, however, including licensing, monitoring, compliance enforcement, and the need for improved oversight and greater transparency. Finally, the tourism sector could make a more sizable contribution to broad-based, inclusive, and sustainable growth, although the industry is still at an embryonic stage. Challenges in this sector include limited market exposure, lack of domestic transport infrastructure and services, and low access to finance for small and medium enterprises operating in the sector.

17. ***Sustainably managing its environment and natural resource base will be essential for the Solomon Islands to successfully capitalize on the growth opportunities offered in the fisheries, mining, and tourism sectors.*** Since the cessation of "the tensions," economic growth has depended heavily on logging, yet this industry is now on a sunset path due to overexploitation of timber resources and significant forest degradation. While agriculture and fisheries, together with planned infrastructure, may support growth in the near term, none will substitute for logging in terms of growth, government revenues, or foreign exchange. The Solomon Islands must balance the economic, social, and

⁴ The Nauru Agreement Concerning Cooperation in the Management of Fisheries of Common Interest is an agreement among the Federated States of Micronesia, Kiribati, the Marshall Islands, Nauru, Palau, PNG, Solomon Islands, and Tuvalu.

environmental dimensions of its forest industry to halt deforestation and address the underlying causes of degradation. Equally important will be the sustainable management of Solomon Islands' water, land, coastal ecosystems, fisheries, and other marine resources, as well as the underlying environmental base upon which these resources rely. Fundamental to Solomon Islands' economic growth trajectory and poverty reduction goals is the sustainable management of its environment and natural resources base.

Box 3. Selected issues in the business regulatory framework

- Solomon Islands' economy is dominated by the informal sector, and the SIG has limited regulatory reach.
- Regulations affecting entry, exit, and competition are rated 3.5 in *Doing Business 2017*, and the country ranked 94th out of 190 countries on the ease of starting a business. Business licenses are issued upon proof of compliance with company and tax registration requirements and are relatively straightforward, although license fees are relatively high. Closing a business through insolvency takes one year, compared to the Organisation for Economic Co-operation and Development country average of 1.7 years. The cost of insolvency proceedings remains high (38 percent of the estate) and recovery is relatively poor (24.5 US cents). Solomon Islands ranks 143rd of 190 countries in *Doing Business 2018* on resolving insolvency. Foreign investment controls are light, and there is a relatively short list of sectors that are prohibited to foreign investors.
- Utilities are state-owned, but there are few other government enterprises. The Consumer Protection Act puts in place basic competition laws, but the ability to enforce these is limited. State-owned utility prices are regulated. There is price control legislation and a price control unit, but little enforcement.
- For ongoing business operations, markets are relatively free, except for state-owned utilities such as water and electricity. Private sector competition has been introduced in the mobile phone sector. Minority shareholder protections are strong in the Companies Law, although enforcement through the court system is difficult. Requirements for financial reporting and disclosure by companies are limited, and enforcement is poor. Regarding tax administration, Solomon Islands ranks relatively well on the paying taxes criterion in *Doing Business 2018* (37th of 190 countries).
- Regulation of factor markets (land and labor) is poor and is rated 2.5 in *Doing Business 2017*. About 90 percent of land is under customary ownership, which is usually undocumented, making it difficult to lease or purchase land for business or use land as collateral. For alienated, freehold land (mainly around Honiara), there have been significant improvements in administration of real property transfers, but the time taken to transfer property in the Solomon Islands remains above the regional average. Minimum wage laws, redundancy payment rules, and other regulations are in place, but are a source of complaints among businesses.
- The current mining legislation needs to be modernized, and governance structures need to be created to deal with the imperatives of modern commercially driven activities such logging and mining. Mining legislation needs to be aligned with other statutory processes relating to land registration and titling, and to regulate engagement by government and miners with landowners, communities, and vulnerable groups (including women) to tackle matters such as community benefit sharing and local development.
- At present, there are few opportunities for public-private partnerships (PPPs) in the transport sector in Solomon Islands. The potential exists, however, for provincial governments to lease their shipping operations to private operators.

18. ***The private sector will need to play a greater role in helping Solomon Islands diversify its economy, but it is constrained by the absence of an appropriate regulatory framework and a competitive environment (Box 3).*** Private sector investment opportunities have been limited due to the lack of qualified sponsors, together with the challenges of remoteness and smallness, making economies of scale difficult to capture. Dispersed and small in number, the medium to large private sector entities in Solomon Islands are owned or managed predominantly by foreign citizens. The SIG's approach to private sector issues is perceived by businesses to be ad hoc, in the absence of a guiding strategy to facilitate private sector development or a mechanism for dialogue. Businesses in Honiara report that a relatively

high tax burden on compliant businesses, a scarcity of urban land for business expansion, and the high cost of providing housing to professional and technical staff are major constraints to doing business in Solomon Islands. These issues are not easily addressed through further changes to formal rules and systems and reflect underlying political economy constraints to effective governance.

II.3. Poverty and Shared Prosperity

19. ***The SCD indicated that, in the years since “the tensions,” aggregate poverty rates appear to have declined.*** Based on its construction of a consistent consumption aggregate and basic needs poverty line for the 2005/06 Household and Income Expenditure Survey (HIES) and the 2013/14 HIES—which provided noncomparable poverty rates—the SCD concludes that aggregate poverty appears to have declined by 8 percentage points between 2005/06 and 2012/13, from 22 percent to 14 percent. This implies that some 45,000 people were lifted out of poverty over that period. While the differences in methodology mean that this comparison is not robust, a considerable decline in poverty over this period is consistent with rising per-capita GDP during this period and the contribution to growth that has come from relatively inclusive sources, such as nonlogging agriculture and perhaps also the urban service economy.

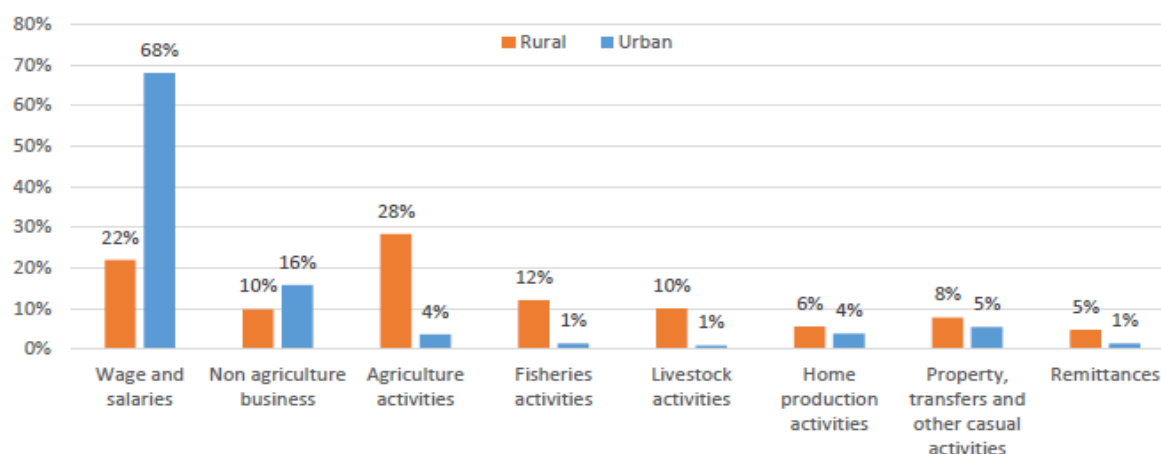
20. ***Based on the 2012/13 HIES, 12.7 percent of the population was below the national basic needs poverty line (13.6 percent in rural areas and 9.1 percent in urban areas).*** In rural areas, 5.3 percent of the population was below the national food poverty line, whereas food poverty was virtually nonexistent in urban areas. In addition to the differences in magnitude, poverty also differs in nature in rural and urban areas. In rural areas, 64 percent of the value of rural households’ consumption baskets goes toward food, and households produce 60 percent of the food they consume, on average (although processed foods are now widely available). Some 63 percent of working-age adults in rural areas are engaged primarily in subsistence activities (including producing goods for their own consumption and other unpaid domestic work) compared to 31 percent in urban areas—with significantly higher rates among women than among men. Opportunities for paid work are greater in urban areas, with 41 percent of working-age adults employed in urban areas versus 13 percent in rural areas—with significantly lower rates among women than among men. In urban areas, 68 percent of household income comes from wages and salaries, on average, compared to 22 percent in rural areas (Figure 3). On average, 42 percent of the value of urban households’ consumption baskets goes toward food. Only 10–15 percent of the food consumed by urban households is produced locally, with diets relying heavily on processed foods (mainly instant noodles, flour, rice, canned fish, and biscuits).

21. ***While vulnerabilities are more pronounced overall in rural areas, economic vulnerability is greater in urban or peri-urban areas and among female-headed households.*** Compared to the national average poverty level of 7–10 percent, peri-urban households around Honiara suffer from disproportionate levels of poverty, about 15 percent higher than the national average, followed by Guadalcanal, at about 10 percent higher than the national average. Basic needs cost twice as much in Honiara and Guadalcanal than in other locations, such as Temotu. Solomon Islands’ urban areas are characterized by a persistent scarcity of job opportunities; a lack of basic services, particularly in informal settlements; marked inequities between formal and informal areas; and further urban expansion onto customary land. As a result, urbanization is a key area of risk that is likely to fuel disputes and grievances.

22. ***The risk of falling into poverty is high.*** The SCD highlights that, owing both to the nature of economic activities and to the absence of mechanisms to mitigate risks—apart from traditional social safety nets and retreat into subsistence agriculture and fisheries—the well-being of Solomon Islanders is

subject to considerable volatility and highly vulnerable to shocks. Therefore, in addition to those living in poverty, a high proportion of Solomon Islanders are vulnerable to falling into poverty.

Figure 3. Average Household Income Composition in Rural and Urban areas



Source: World Bank staff estimates based on annual income data from the 2012/13 HIES

23. ***There is little clear evidence of inequality dynamics in the years since “the tensions.”*** The limited comparability of consumption aggregates between the 2005/06 and 2012/13 HIES means that robust conclusions cannot be drawn on trends in inequality. The Gini coefficient on real consumption per adult equivalent calculated from the 2012/13 HIES is a very moderate 0.33.⁵ The top quintile consumes just over five times the level of the lowest quintile, and the bottom two quintiles account for 20 percent of total consumption. Post-conflict growth in the relatively inclusive nonlogging agriculture sector could be expected to have reduced inequality, as should the expansion of public service delivery, but post-conflict growth from logging could be expected to have increased it. Other than these broad expectations, there is little to go on.

24. ***While the multifaceted nature of gender inequality makes it difficult to draw conclusions about overall trends, its pronounced extent is clear and has adverse consequences.*** The SCD indicates that progress has been made in the post-conflict period on increasing gender equity in school enrollment, legislating on domestic violence, providing gender-based violence support services (in urban areas), supporting women’s advocacy (particularly in Honiara), and increasing entrepreneurship among women. Unfortunately, other dynamics associated with development processes risk systematically intensifying gender inequity. When customary land is commercialized, women are typically marginalized with respect to legal registration, decision making, and rent or royalty payments—particularly in areas of matrilineal landholding.⁶ Paid employment is rising in importance, yet opportunities for women are particularly scarce. These processes tend to raise the status and power of men relative to women, and thus continually change the ground on which efforts to empower women and increase their voice in social, economic, and political decision making are operating.

⁵ The Gini coefficient measures the dispersion of wealth, with 0 indicating perfect equality and 1 indicating maximum inequality.

⁶ Rebecca Monson. 2010. “Women, State Law and Land in Peri-Urban Settlements on Guadalcanal, Solomon Islands.” *Justice for the Poor Briefing Note* 4(3). Washington, DC: World Bank; Rebecca Monson. 2015. “From Taovia to Trustee: Urbanisation, Land Disputes and Social Differentiation in Kakabona.” *Journal of Pacific History* 50(4): 437–449.

II.4. Development Challenges

25. *The SCD identifies challenges and opportunities for Solomon Islands to achieve inclusive and sustainable growth and to accelerate progress toward the WBG’s twin goals of reducing extreme poverty and promoting shared prosperity.* The twin goals mirror the objectives of “sustained and inclusive economic growth” and of having “poverty alleviated across the whole of the Solomon Islands,” as expressed in Solomon Islands’ NDS for 2016–2035. The SCD focuses on potential contributors to reducing extreme poverty and promoting shared prosperity in Solomon Islands across three broad and interrelated pillars: (i) strengthening the foundations of well-being; (ii) promoting inclusive and sustainable growth; and (iii) managing uneven development (Figure 4). The cross-cutting themes of economic geography and state fragility are used to organize and analyze constraints and opportunities under each of these pillars. In line with the WBG’s *World Development Report 2017: Governance and the Law*,⁷ the SCD recognizes that the extent to which drivers of fragility in Solomon Islands can be addressed is not a static consideration. Instead, it takes into account the potential for the policy area to be reshaped through the levers of contestability, elite incentives, and the ideas, preferences, and beliefs of participants in the policy arena.

Figure 4: Analytical Framework for the Solomon Islands SCD



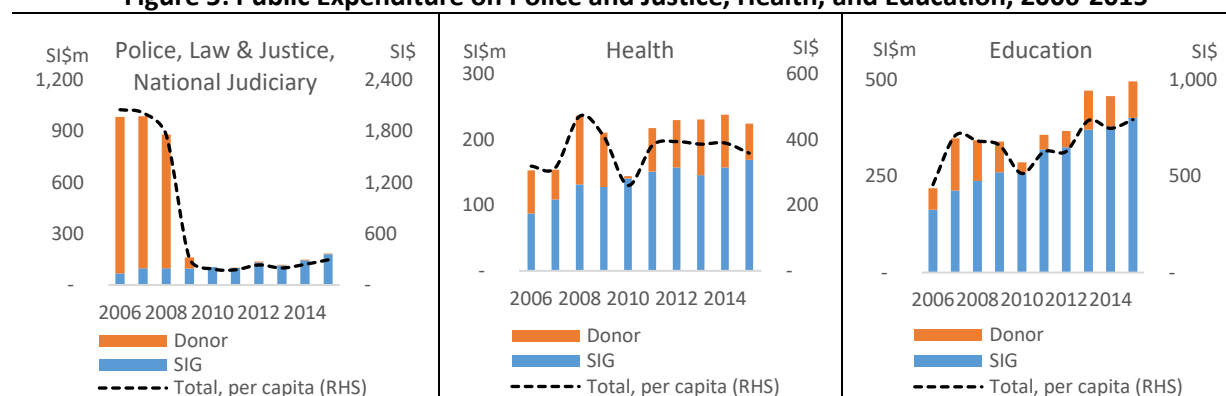
Provision of basic services has limitations, exacerbated by economic geography

26. *The SCD emphasizes that security, health, education, and access to essential services (such as water, sanitation, waste disposal, and energy) are fundamental to well-being and have a significant bearing on poverty reduction and economic development.* Needs in these areas are obvious, and more could always be achieved with additional resources; however, the SIG is already investing a large share of its national budget in these three sectors. Indeed, in 2017, together they accounted for 60 percent of the original domestic recurrent budget (or 45 percent of the total domestic budget). Furthermore, while nominal public expenditure on policing and justice has fallen (Figure 5) due to a significant reduction in donor support, nominal spending on health and education has risen. Unfortunately, this has not translated

⁷ The *World Development Report 2017: Governance and the Law* explores why some policies fail to achieve desired outcomes and what makes other policies work. One key message is that, to be effective, policies must guarantee credible commitment, support coordination, and promote cooperation, as power asymmetries can undermine policy effectiveness. Elites, citizens, and international actors can promote change by shifting incentives, reshaping preferences and beliefs, and enhancing the contestability of the decision-making process.

into commensurate increases in real GDP per capita—due mostly to ongoing high fertility rates—and the sectors continue to face a challenging environment. The quality of spending is an issue that is compounded by the challenging economic geography of the country. This reinforces the need to prioritize interventions and funding in high-return investments such as supporting the protection of high-risk or vulnerable populations, primary health care and prevention, and primary education. Addressing constraints that limit the provision of those basic services is critical to Solomon Islands’ development. These constraints include not only high service delivery costs due to the small, dispersed population, but also the inadequate ability of national and subnational governments to strategically use limited resources in an efficient, prioritized, coordinated, and transparent manner to deliver essential services. Strengthening service delivery mechanisms and capacity could help to more optimally use limited public resources to address essential service needs.

Figure 5: Public Expenditure on Police and Justice, Health, and Education, 2006-2015



Source: World Bank staff analysis.

27. **Access to the legal system is extremely difficult for many Solomon Islanders.** State institutions for peace, security, and justice are absent in many places, and numerous actors and institutions contribute to maintaining peace in post-conflict Solomon Islands.⁸ Stability and social order are maintained in part through a range of diverse local systems of “chiefly” authority—typically referred to as *kastom* systems—as well as locally accessible systems of church authority. These local systems interact in varying ways with state actors, including the Royal Solomon Islands Police Force, the different levels of the formal court system, elected representatives, and provincial authorities. The formal court system exists in urban areas, but it is perceived to be slow. In the provinces, court sittings tend to be infrequent and unreliable, and resources for making the court system more accessible to poor people are limited. Rapid urban population growth and the continued pattern of enclave-based resource extraction in rural areas lead to enormous social change, which affects local governance institutions.

28. **Like other Pacific Islands, Solomon Islands faces a “double burden of disease.”** Noncommunicable diseases accounted for 66 percent of the total disease burden in 2015, up from 42 percent in 1990. The country also faces ongoing challenges with regard to communicable diseases and maternal, neonatal, and child health. The high prevalence of stunting (36 percent in 2015, according to the 2015 Demographic Health Survey) disproportionately affects the poorest 40 percent and the rural

⁸ Following the intervention of RAMSI from July 2003 to June 2017, external support to the state justice system and security increased to unprecedented levels in urban centers, but the delivery of state security and justice services to the rural populace has remained challenging.

population. Despite significant increases in nominal total health expenditure in the last decade, real per-capita total health expenditure has decreased by 8 percent between 2007 and 2014, due mostly to continued high population growth rates.⁹ Combined with current health challenges, rapid population growth, more complex and potentially expensive chronic disease management needs, longer life expectancy, and ongoing health security risks will place further pressure on the health system. Protecting the current low levels of formal out-of-pocket payments for health is a priority for the health sector, as is improving the quality and efficiency of expenditures by targeting high disease burden and cost-effective interventions, and focusing on the principal vulnerable groups and locations—particularly the 80 percent of the population that lives in rural areas where access to facilities can be difficult and expensive.

29. ***Despite recognition in the National Education Action Plan of the weaknesses in basic education and the high dropout rates at the secondary level, public education resources continue to be skewed toward tertiary scholarships, and the capacity of technical and vocational education and training centers is limited.*** The SCD notes that a large share of the education sector budget is spent on tertiary scholarships, to the detriment of basic education, secondary education, and vocational training. The capacity of Rural Training Centers and technical and vocational education and training centers, which provide limited second-chance education opportunities, is low. This has a negative impact on second-chance opportunities for children, especially girls, who represent only 26 percent of students utilizing these services.

30. ***Addressing quality at all levels of basic education is a big challenge.*** The SCD argues that, while additional investments in schools, classrooms, and teachers are required to provide education for everyone in rapidly growing population that is scattered over the divided terrain of the country,¹⁰ improving the quality of education is another challenge. This requires increasing the proportion of certified teachers, updating curricula, and improving learning materials—steps that the Ministry of Education and Human Resources Development is already taking, with support from key donors. Building systemic support, impetus, and accountability for teacher performance and school management is much more difficult, however. This will require programs to build management and monitoring capabilities in provincial and church education authorities (whose reach is more extensive than that of the central state), in conjunction with developing community-level accountability mechanisms with the aim of improving learning quality and the quality of school grants expenditure.¹¹

31. ***The economic geography of Solomon Islands adversely affects the provision of essential services such as water, sanitation, waste disposal, and energy.*** Because the population is scattered so thinly across a divided terrain, the costs of developing collective infrastructure are often prohibitive. As a result, only 12 percent of households have grid-connected electricity, and 33 percent have only small solar panels, typically of 20 watts. Similarly, only 64 percent of the population has access to basic water services,¹² and 31 percent to basic sanitation services.¹³ Improving access to essential services would bring important benefits to women, in particular. Women tend to bear a disproportionate burden if water and

⁹ The most recent year available in the World Health Organization Global Health Expenditure database is 2014.

¹⁰ With funding from the New Zealand Ministry of Foreign Affairs and Trade (MFAT), the WBG has provided the Ministry of Education and Human Resources Development with a costing of options for achieving the National Education Action Plan.

¹¹ Some aspects of this approach are already being put in place—for instance, the establishment of school standards and inspections, and nongovernmental organization pilots supporting school boards.

¹² This includes drinking water from an improved source, provided that collection time is not more than 30 minutes for a round trip, including queuing.

¹³ This refers to the use of improved facilities that are not shared with other households.

sanitation sources are not readily available, in terms of both the time and energy spent collecting water and their safety when accessing sanitation facilities at a distance from their homes. Inadequate access to electricity similarly increases the burden of household work, as well as confining productive activity largely to daylight hours.

Economic growth is dependent on a few localized extractive industries

32. ***The sectors and areas in which Solomon Islands can potentially be globally competitive are highly constrained by its economic geography.*** The SCD identified the following areas as having significant growth potential: agriculture and fisheries, logging, and urban services that already represent significant shares of the economy and/or make significant contributions to growth. The remaining areas—namely, mining, tourism, and labor mobility—are yet to be developed to any significant extent (though in the case of mining, it has been in the past). The growth potential of all these sectors is significant, especially the mining sector in the context of an expected decline in log output.

33. ***The composition of GDP has remained largely unchanged since independence, with the economy relying heavily on logging, agriculture, fisheries, and the services sector.*** Currently, logging generates about 17 percent of GDP and accounts for 60.1 percent of exports, and duties on log exports provide an estimated 17 percent of domestically sourced revenue. The logging industry provides about 5,000 jobs, predominantly filled by males. Logging is mainly of native forests, and extraction rates are highly unsustainable (over eight times the estimated sustainable yield), with a sharp decline expected within a decade. Subsistence and small-scale agriculture and fisheries account for around 21 percent of GDP and are the primary economic activities for rural dwellers, with 51 percent of rural incomes derived from these activities. The services sector accounts for an estimated 39 percent of GDP and is largely concentrated in urban centers (particularly in Honiara). The public sector remains the largest formal sector employer, providing around 16,000 jobs. Given the limited scope for a significant expansion of government, the creation of a vibrant private sector to spur employment creation will be essential. The mining sector, which has been limited largely to the now-closed Gold Ridge mine¹⁴ on Guadalcanal Island, informal alluvial gold mining around Gold Ridge, and modest bauxite mining on Rennell Island, could be developed over the medium term due to Solomon Islands' untapped world-class nickel deposits.

34. ***The transition from logging to mining will be challenging and, therefore, needs to be well managed.*** While large-scale mining could be more amenable to the development of effective state institutions than logging has been, achieving that political economy structure will be challenging, and the risks of large-scale mining are extremely high. The SCD indicates that large-scale mining is likely to exacerbate disputes and conflict if: (i) the wealth generated from mineral resources accrues mainly to foreign mining companies, limited numbers of powerful male landowners, and a central state that does not prioritize the use of these resources to enhance the delivery of public services; and (ii) the social and environmental costs of mining accrue mainly to the people in the surrounding area and the wider province.

35. ***Migration and remittances offer a potentially important avenue for achieving sustained improvements in well-being in Solomon Islands, but the country needs to strengthen its institutional labor-sending capabilities.*** In some Pacific Islands, remittances are a significant source of consumption

¹⁴ There are plans to reopen the Gold Ridge mine in 2019.

and investment expenditure,¹⁵ but the SCD notes that, to date, this has been less true for Solomon Islands. To seize opportunities for labor mobility, Solomon Islands would need to invest in institutional strengthening for labor mobility such as revising the recruitment model that currently relies on private recruitment agents, developing an effective marketing strategy, and establishing effective governance and coordination structures to improve labor-sending capabilities. In parallel, broad-based improvements in education would be necessary to enable broader participation in temporary migration programs that target skilled or semi-skilled employment, for example in the aged care and hospitality industries, given that the relatively low levels of education and English literacy in Solomon Islands restrict the number of Solomon Islanders who can take advantage of those migration opportunities.

Benefits from uneven development need to be spread

36. ***Mechanisms to integrate lagging areas are critical.*** The SCD emphasizes that growth opportunities are confined largely to urban centers and regions with natural resource-based industries (including tourism) and that it is crucial to connect people to centers of growth, both to increase the growth effects of those centers and to enable a wider set of people to share in their benefits. This will be achieved by improving urban management—of Honiara and other urban growth centers—and enabling the population to access markets for their products and essential services through cost reductions and improvements of maritime, air, and road transport, as well as information and communication technology (ICT) services. Currently, increased attention is being paid to the maintenance of existing infrastructure and to prioritization of new investments, but the resources available are scarce relative to the extent of connectivity problems. Financing for infrastructure around growth centers is necessary to support economic growth and mitigate the risks of further uneven development. The SCD also emphasizes the importance of mechanisms to secure a reasonable share of the returns from growth centers for redistribution through public expenditure on service delivery and infrastructure development across the country. Strengthening the capacity of the public sector to play this role effectively will be critical to Solomon Islands’ growth prospects and chances of avoiding, in the future, the kind of widespread violence experienced during “the tensions.”

III. WORLD BANK GROUP PARTNERSHIP FRAMEWORK

37. ***This section presents the World Bank Group’s Country Partnership Framework for Solomon Islands.*** The section summarizes the SIG’s program as reflected in its NDS for 2016–2035, the MTDP for 2016–2020, and demand for WBG support. It also highlights lessons learned from the implementation of the WBG’s previous CPS and from stakeholder consultations. It then identifies the selectivity filters for the proposed CPF program before outlining the structure of the CPF, the proposed WBG program, and its implementation.

III.1. Government Program and Medium-term Strategy

38. ***The Solomon Islands National Development Strategy for 2016–2035 maps out a strategic direction for the country’s future development.*** The NDS presents a visionary strategy for the next 20 years, setting out a long-term vision, mission, and objectives that reflect the aspirations of all Solomon Islanders. As mentioned above, the NDS sets up five strategic long-term goals for the sustainable and prosperous development of the country, aligned with corresponding Sustainable Development Goals

¹⁵ For an overview, see Richard Curtain, Matthew Dornan, Jesse Doyle, and Stephen Howes. 2016. “Labour Mobility: The Ten Billion Dollar Prize.” *Pacific Possible*, Background Paper No. 1. Washington, DC: World Bank.

(SDGs). The NDS goals are: (i) sustained and inclusive economic growth; (ii) poverty alleviated across the whole of the Solomon Islands, basic needs addressed, and food security improved, with the benefits of development more equitably distributed; (iii) access for all Solomon Islanders to good-quality social services, including education and health; (iv) resilient and environmentally sustainable development with effective disaster risk management; and (v) a unified nation with stable and effective governance and public order. The NDS stresses the importance of good governance and public sector reforms as fundamental conditions for private sector growth. The NDS encompasses a reform program that will improve accountability and enhance the efficiency of service delivery. Given political uncertainty (see Paragraph 6), however, defining and implementing a strong reform program may be challenging, especially during the period preceding the national elections of March 2019.

39. ***To achieve the SDGs and articulate a coherent policy framework, the government developed a five-year rolling plan, the MTDP for 2016–2020.*** The MTDP maps the NDS’s long-term development objectives into operational priorities (Annex 7) and specific programs and projects, and translates them into annual budget plans for individual ministries. The NDS and the MTDP are closely aligned under the overall vision of improving the social and economic livelihoods of all Solomon Islanders.

40. ***Within the NDS framework, the SIG has asked the WBG to pursue engagements in its existing program and to focus on income-generating activities in the near future.*** The SIG confirmed the relevance of ongoing WBG-supported programs in energy, rural development, urban employment and infrastructure, fisheries management, and climate-change-resilient infrastructure. While asking the WBG to continue this ongoing program, the SIG emphasized that, for the next few years, more emphasis should be placed on financing income-generating and growth-enabling activities, notably infrastructure that would enhance connectivity, energy, water, and agriculture. The SIG has also asked the WBG to consider a development policy operation (DPO) to support selected policy reforms.¹⁶ During the CPF period, IFC will focus on projects that enable the creation of new markets, notably in the fisheries and tourism sectors, and on improving gender outcomes, as well as continued, selective support to the energy sector. Priority consideration will be given to utilizing new funding instruments, such as the Private Sector Window and the Creating Markets Advisory Window. MIGA has no predetermined envelope for guarantees over the CPF period but is actively seeking opportunities to support the identified pillars via its political risk insurance products—particularly transfer and convertibility, expropriation, and breach of contract. MIGA will seek to catalyze private sector investment in the country, including as part of the MIGA Guarantee Facility of the IFC-MIGA Private Sector Window under the IDA18 replenishment.

III.2. Proposed WBG Country Partnership Framework

A. Lessons from CPS Completion and Learning Review and Stakeholder Consultations

41. ***The Completion and Learning Review (CLR) assessed the overall performance of the previous CPS program (FY2013–FY2017) as satisfactory, and the WBG’s performance as fair.*** The FY2013–FY2017 Solomon Islands CPS program aimed at strengthening economic resilience and improving public service provision, underpinned by cross-cutting efforts on embedding institutional resilience and addressing gender inequalities. The program achieved good progress toward most expected outcomes, including increasing fish production capacity and income opportunities in the fishing communities, increasing access to affordable and reliable telecommunications services, increasing access to rural infrastructure services, improving skills and access to employment opportunities for the vulnerable urban population,

¹⁶ This focus has been confirmed with the new government sworn in in mid-November 2017.

strengthening climate and disaster risk information systems, improving the reliability of energy supply, and improving efficiency in public expenditure management in key sector agencies. However, owing to a lack of realism in the determination of expected outcomes and targets, overambitious project design, limited on-the-ground presence, complex community procurement, and thin capacity within the government, the CPS program faced implementation challenges in reaching some objectives, particularly in the areas of strengthening the mining sector regulatory framework, promoting the commercialization of agriculture, reducing energy losses, and contributing to improvements in the sustainable management of offshore and inshore fisheries (Annex 2).

42. ***Implementation of the FY2013–FY2017 CPS provides important lessons which will inform the preparation and implementation of the new CPF program.*** First, to overcome challenges that affect project preparation and implementation, the CLR recommended regular reviews of project implementation. During the CPF period, these reviews will be conducted with the involvement of line ministries and the Ministry of Finance and Treasury (MoFT). In addition, the World Bank will help the SIG adapt to changes in engagement modalities (for example, the Project Procurement Strategy for Development, Systematic Tracking of Exchanges in Procurement, Mandatory Direct Payment Pilot, and Environmental and Social Framework) and maintain some flexibility with respect to the use of technology platforms in order to mitigate the risks of disruption to WBG-funded operations and maximize the benefits of these new approaches. Moreover, as noted by the CLR, service delivery in remote rural areas and outer islands is challenging; centralization of technical support and streamlined procedures—which have contributed to the success of the Rural Development Program and the Rapid Employment Project (REP)—will be replicated in projects implemented in remote areas, especially community infrastructure projects to overcome the challenges linked to remoteness. Also, to improve administrative efficiency and reduce project overlaps, particularly in the context of the IDA18 scale-up and the government’s limited capacity to implement CDD projects, options for consolidating community-based investment activities will be explored. Finally, for potential infrastructure projects requiring complex processes such as land acquisition and/or land use, the WBG will recommend SIG the use of an identification process reducing the risk of disagreement among tribal landowners—on the model used in TRHDP, and in the case policy reforms in sensitive sectors such as mining—involving land and revenue sharing, the WBG support will require strong government leadership and intensive stakeholders’ consultations.

43. ***Results of the Country Survey are positive.*** Respondents to the 2018 Country Survey shared highly positive views of the WBG in Solomon Islands. Overall, the survey findings suggest that the WBG is appreciated for its relevance and development results. As a long-term partner in Solomon Islands, the WBG is rated highly and is considered to be straightforward and respectful. Ratings are high regarding the WBG’s collaboration with government and donor partners. Respondents identified education, governance, jobs, transport, and agriculture as the top five development priorities in Solomon Islands, and considered these sectors to be key to reducing poverty in the country. When considering where the WBG should focus its resources, however, education does not emerge as a priority area. Survey results suggest that agriculture is the top priority, followed by jobs, transport, and governance. Respondents identified public financial management as an area where the WBG would have a comparative advantage among development partners. The WBG is most valued for its financial resources, followed by support for capacity development and policy advice. The survey findings suggest that there is room for improvement in the WBG’s collaboration with civil society and the private sector, its speed and flexibility in decision making, and staff presence on the ground.

44. ***Stakeholder consultations were held during the course of CPF preparation.*** Initial consultations were conducted with the central government and key development partners prior to the preparation of

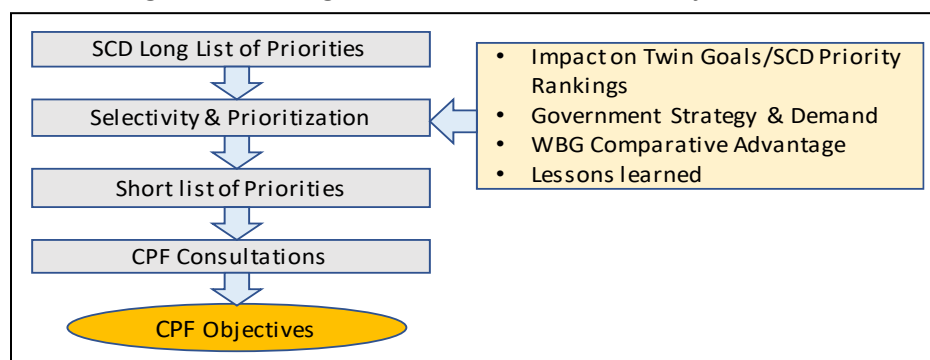
the CPF concept note. Additional consultations with the central government, provincial governments, implementing agencies for IDA projects, civil society, academia, the private sector, and development partners took place in five separate sessions in March 2018. More than 80 participants were present throughout the five days of consultations. Participants broadly agreed with the proposed CPF focus areas and objectives, particularly the focus on managing uneven development and promoting inclusive and sustainable growth, as well as with the key objectives of strengthening public expenditure and fiscal management, enhancing sustainable and inclusive growth in agriculture and fisheries, strengthening the mining sector regulatory framework, and improving connectivity and access to service delivery in underserved communities. Participants also confirmed that the CPF objectives are aligned with Solomon Islands' development needs and SIG's NDS and development priorities. There were also requests for the WBG to support land management and forestry, provided that the SIG took the lead in those areas (Annex 6).

B. Overview of the World Bank Group Strategy

45. ***This CPF for FY2018–FY2023 focuses on advancing progress towards the twin goals of reducing poverty and increasing shared prosperity.*** The CPF is aligned with the government's development strategies, namely the NDS for 2016–2035 and the MTDP for 2016–2020. It draws on findings and addresses development constraints identified in the Solomon Islands SCD (Figure 7, Annex 8). The CPF builds on a strong partnership with the SIG and incorporates lessons from past and ongoing engagements.

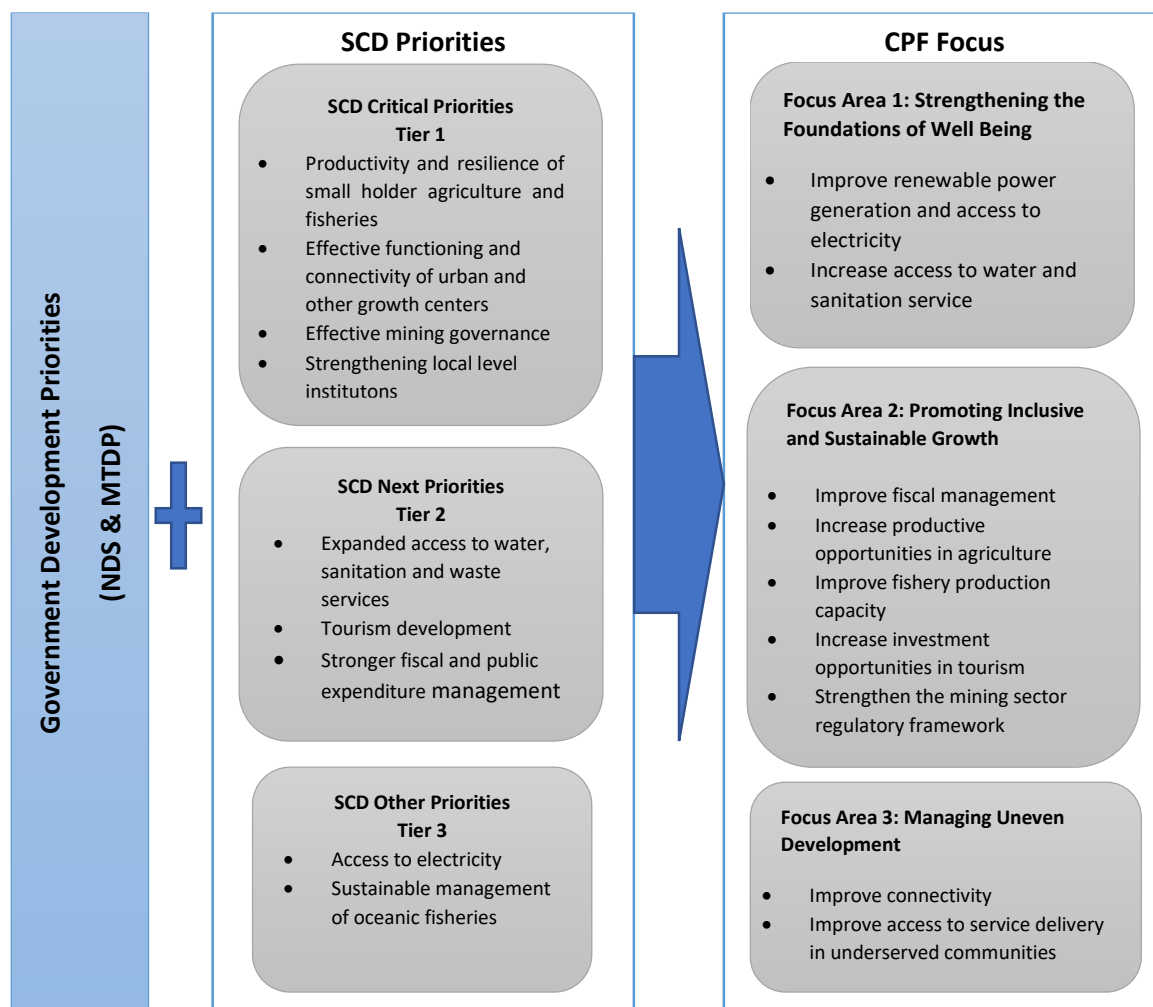
46. ***Three selectivity filters have been applied to determine the CPF program among the priority areas identified in the SCD.*** These filters include: (i) alignment with the government strategy and specific demand for WBG support, given the government's borrowing constraints; (ii) the WBG's comparative advantage based on its past record of engagement and lessons learned, global knowledge and experience, and the role of other development partners; and (iii) the SCD's ranking of priorities, reflecting their potential impact on the twin goals (Figure 6). Further selectivity was determined on the basis of Solomon Islands' small state context and associated capacity challenges, which warrant a more focused and consolidated approach that avoids dispersed interventions. As in the past, this CPF will maintain a degree of flexibility to respond rapidly to the country's changing priorities and unforeseen events such as natural disasters. Annex 9 provides details on how these filters have been applied to determine the CPF program, including the new pipeline and the current commitments that will be implemented during the new CPF period.

Figure 6. Filtering Process to Define the CPF Objectives



47. ***The CPF program, which encompasses both the existing program under implementation and new engagements, selectively addresses many of the key priority areas identified by the SCD (Figure 7).*** Although important, some topics identified in the SCD are not being addressed directly in the CPF, owing either to insufficient client demand or to avoiding duplication of other partners' strong engagements. Those topics include the provision of good-quality basic education for all and formal social protection systems (considered Tier 2 priorities by the SCD) and international labor mobility, customary land governance and public land administration, and forestry governance (Tier 3 priorities). None of these areas was subject of a SIG request for WBG lending during IDA18 programming. Education receives substantial support from Australia, the largest aid provider to Solomon Islands (AU\$142.2 million in 2017/2018), which provides about 16 percent of its total aid to the education sector and 13 percent to the health sector. New Zealand also provides significant support to the education sector. In the social protection area, the SIG's formal programs are at a small scale and cover only formal sector workers. Some development partners, in conjunction with the SIG, provide some assistance targeted at poor people. To date, this assistance has mainly taken the form of cash-for-work programs, including the World Bank-funded REP. On land and forestry governance, the SCD notes that the current political economy renders these issues "nonstarters;" indeed, the SIG has shown little interest for significant engagement in these areas. Nevertheless, this CPF will remain flexible by ensuring room for an entry point to the human development sector through ASA for possible engagement in later IDA cycles. In this regard, the Human Capital Project in the Pacific, envisioned as a program of advocacy and analytical work to raise awareness of and increase demand for interventions to build human capital in client countries, could present an opportunity to engage in the human development sector.

Figure 7. SCD Priorities and CPF Focus Areas



48. ***Most of the activities contemplated under the CPF represent a continuation and deepening of existing engagements under the previous CPS.*** In responding to critical development challenges and government priority areas, however, the WBG will support three new areas: the tourism sector, led by IFC; expanded access to improved water, sanitation, and waste disposal services in urban centers; and the transport sector.

C. CPF Objectives

49. ***The proposed WBG framework for engagement in Solomon Islands for FY2018–FY2023 has three focus areas: (i) strengthening the foundations of well-being, (ii) promoting inclusive and sustainable growth, and (iii) managing uneven development.*** The three focus areas are interrelated and critical to poverty reduction, shared prosperity, and the avoidance of further conflict. The first focus area centers on providing the basics of life, which the economic geography of Solomon Islands makes particularly challenging. The second focus area aims to improve potential sources of growth in ways that promote inclusiveness and sustainability. The third focus area addresses the overarching challenge of managing uneven development, recognizing that spreading the benefits from centers of growth as widely as possible will be critical to development. The three focus areas are closely interrelated. For example, the provision

of basic services under the first focus area is a key requirement to promoting growth (focus area 2) and to bridging the gap between better-served and underserved regions (focus area 3). Similarly, promoting inclusive and sustainable growth (focus area 2) helps generate the resources needed to provide basic services (focus area 1) and to bridge gaps between regions (focus area 3). All three focus areas are therefore jointly critical to poverty reduction, shared prosperity, and the avoidance of further conflict. Within these focus areas, the CPF aims to achieve nine objectives (Table 2).

Table 2. CPF Focus Areas and Objectives

CPF Focus Areas	CPF Objectives
1. Strengthening the Foundations of Well-being	1.1. Improve renewable power generation and access to electricity 1.2. Improve access to water and sanitation services
2. Promoting Inclusive and Sustainable Growth	2.1. Improve fiscal management 2.2. Increase productive opportunities in agriculture 2.3. Improve fishery production capacity 2.4. Increase investment opportunities in tourism 2.5. Strengthen the mining sector regulatory framework
3. Managing Uneven Development	3.1. Improve connectivity 3.2. Improve access to service delivery in underserved communities

50. ***The CPF objectives match many of the SCD priorities and reflect all three SCD focus areas.*** These in turn reflect the key strategic priorities of the country, which include providing its dispersed population with access to basic services, diversifying its economy by capitalizing on the few potential sources of sustainable growth, and reducing geographic disparities by ensuring that the benefits of growth are accessible to all by improving connectivity and meeting the needs of underserved communities. The CPF objectives reflect the areas in which the SIG has requested support from the WBG, and they build to a large extent on successful, ongoing engagements—in particular in the areas of energy, rural development, urban youth employment, community access infrastructure, fisheries management, and climate risk resilience and adaptation. As in the SCD, the CPF integrates the findings of the *World Development Report 2017* into its analysis of the drivers of fragility and the scope for successful policy interventions under each of the selected objectives (including levels of government commitment and the potential for increased contestability and accountability of decision making). The CPF results framework (Annex 1) reflects both ongoing commitments and new engagements.

Focus Area 1: Strengthening the Foundations of Well-Being

51. ***The WBG will focus on key services that contribute directly to people’s well-being by improving their livelihoods and enhancing economic development.*** WBG support will help improve climate-resilient infrastructure and services by increasing access to and quality of renewable energy and increasing access to water supply, sanitation, and drainage.

Objective 1.1. Improve renewable power generation and access to electricity

52. ***Limited access to affordable and reliable power supply in Solomon Islands constrains economic growth in urban areas and contributes to poverty in rural areas.*** Beyond stifling productivity, low access to affordable and reliable power supply deters investment in a country that wants, and needs, more of it.

Improving access to affordable and reliable power is an essential ingredient in the recipe for helping ensure not only that the future growth of Solomon Islands is sustained, but that it helps secure its lasting peace and stability. Yet only about 45 percent of households have access to electricity, mostly through small solar panels, and only 12 percent of households have access to grid-connected electricity supplied by the national power utility, Solomon Power. Similarly, business productivity is hampered by blackouts. While 64 percent of the population in Honiara is connected, only 6 percent of those in the rest of the country are connected to the electricity grid. At an average annual consumption of 125 kilowatt-hours (kWh) per capita, the country has the lowest energy consumption rate in the Pacific region. The heavy reliance on imported diesel, the high cost of generation, the high cost of expanding the grid to isolated communities, and the resulting high retail tariffs are major obstacles in expanding the use of electricity in the country. Households without electricity currently spend a significant amount on expensive alternative sources of energy, however;¹⁷ grid-supplied electricity, albeit expensive, may thus still be more economical than these alternatives in more built-up areas or in the main population centers, and solutions like distributed solar generation may become more economical for more remote areas. To mitigate the impact of high-cost diesel fuel and to enhance energy security, the SIG has adopted a policy to develop domestic sources of energy, particularly hydropower and other renewables.

53. ***The SCD identified access to electricity as a Tier 3 priority in view of the fact that the WBG already has a successful engagement in the sector.*** The WBG will continue to support this sector with the objective of improving renewable power generation and access to electricity. This support is motivated by: (i) the magnitude of the needs in the sector; (ii) the unique leading role that the WBG has already played through technical support and lending; and (iii) the strong demand for WBG support from the SIG and communities.

54. ***IDA will continue to provide support to Solomon Power to improve operational efficiency and financial sustainability through the ongoing Solomon Islands Sustainable Energy Project (SISEP).*** The SISEP has been instrumental in improving the financial performance of Solomon Power and brought significant benefits to customers through improved power system reliability and efficiency. The WBG will also continue supporting Solomon Power to implement an Electricity Expansion Project, funded by the Global Partnership on Output-Based Aid (GPOBA). This project aims to increase access to electricity by providing a targeted subsidy to low-income households to pay for service connections and in-house wiring, which are unaffordable for households with limited income.

55. ***The Bank has approved US\$ 33.6 million in financing for the TRHDP,¹⁸ a transformative project that is expected to generate 15 MW of electricity and thereby significantly reduce the country's dependence on diesel generation and improve the reliability of electricity supply.*** IFC, as transaction adviser to the SIG, has played a leading role in helping attract a private developer through an international competitive process. The TRHDP is a good example of the *maximizing finance for development* approach, as the financing package was optimized with the private sector providing the majority of the equity and the SIG, multilateral development banks, and donors providing the rest of the equity and all the debt. This structure has helped achieve the lowest-possible electric tariff considering the high cost of the project (Box 4). The SIG has also indicated that US\$ 23 million will be sought from IDA to finance the transmission line from the Tina River Dam to the Lunga Power Station (23 km) in FY2022, before completion of the

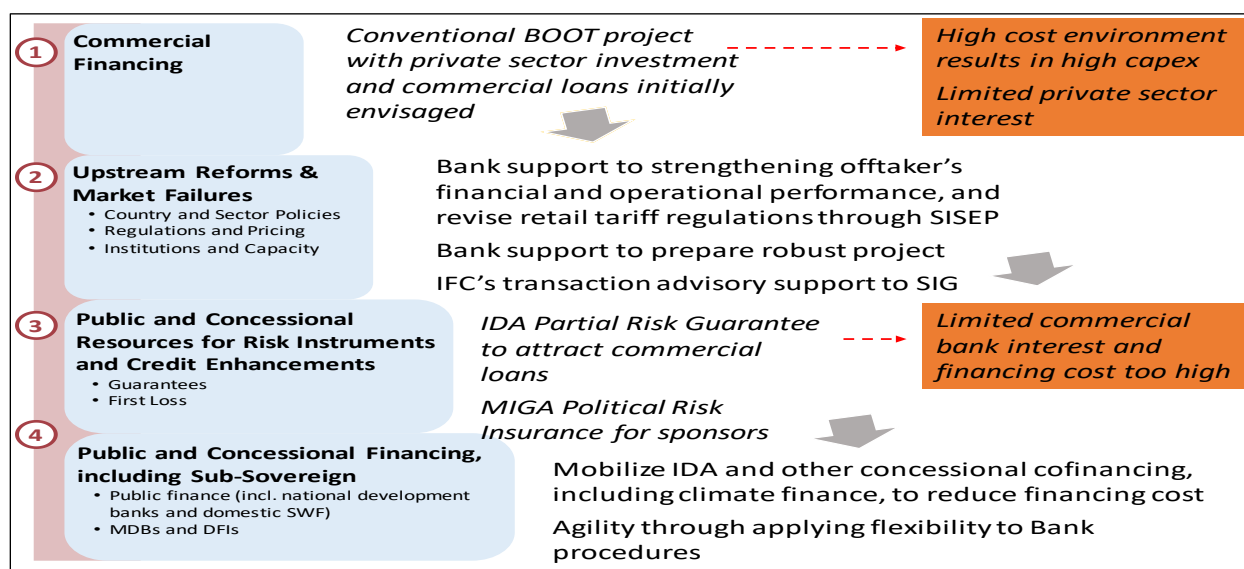
¹⁷ Alternative sources include kerosene lamps, candles, and diesel-based charging stations.

¹⁸ The project is cofinanced with Australia, Korea's Economic Development Cooperation Fund, the Green Climate Fund, the joint Abu Dhabi Fund for Development and International Renewable Energy Agency, and the Asian Development Bank.

hydropower dam. The TRHDP will increase the share of renewable energy through hydropower and increase the generation capacity of the grid. A parallel Community Benefit Sharing project, funded with a grant from the Japan Social Development Fund (JSDF), will provide support to effectively manage benefit streams from the TRHDP for communities in the project area.

56. ***The Solomon Islands Electricity Access and Renewable Energy Expansion Project (SIEAREEP) will help increase access to grid-supplied electricity and to expand renewable energy generation in the country.*** This new project is expected to generate 1.6 MW of renewable energy. Solomon Islands is also well-positioned to benefit from the risk-sharing facility that IFC is developing with a regional bank to finance small-scale renewable projects across the Pacific. The facility will leverage IDA Private Sector Window funds and support from the Government of New Zealand to provide first loss cover allowing the bank to better align its risks and returns as it enters a new market for this type of commercial infrastructure finance at scale. This will lead to a reduction in energy costs and greenhouse gas emissions, greater energy security and improvement in reliability of power from installed renewable energy capacity through new or upgraded infrastructure.

Box 4. Maximizing Finance for Development through the TRHDP



Objective 1.2. Improve access to water supply and sanitation services

57. ***Solomon Islanders face adverse health problems caused by limited access to clean water and sanitation.*** According to the 2016 Ministry of Health and Medical Services Core Indicators Set, only 13 percent of communities had access to improved sanitation (defined as being free of open defecation) in 2015. In urban centers, the Solomon Islands Water Authority (SIWA) delivers water supply services to approximately 65,000 people in Auki, Honiara, Noro, and Tulagi, of which 58,000 live in the greater Honiara area. SIWA also provides sewerage services to approximately 1,000 customers in Honiara. The Honiara sewerage network comprises 13 discrete gravity collection systems, of which 11 discharge to ocean outfalls and two discharge to river outfalls, without sewage treatment prior to discharge. Low access to clean water, sanitation, and adequate sewerage drainage increases morbidity and mortality related to waterborne diseases. Expanding access to improved water and sanitation services has been identified by the SCD as a Tier 2 priority. The SCD critically points out that, while community demand for

water services is strong, community demand for sanitation services is much less strong and requires behavior change.

58. ***The WBG will support the SIG in implementing a five-year action plan in the water sector, which will focus on the extension of water supply and sewerage systems in Honiara and other urban centers.*** Beyond infrastructure development, the IDA program will seek to strengthen the capacity of SIWA and to improve sector governance. Analytical work will seek to identify viable options for service extension to peri-urban areas. Since 2013, Australia's Department of Foreign Affairs and Trade (DFAT) has contributed a significant share of SIWA's operational budget. The Asian Development Bank (ADB) is preparing, together with the European Union (EU) and possibly the Green Climate Fund, a project that will aim to improve water and sewerage services in Honiara and Gizo and to improve the performance of SIWA. The envisaged funding would not be sufficient, however, to cover SIWA's investment needs. Given the relatively strong financial standing of Solomon Water, the WBG will explore the possibility of facilitating Solomon Water's access to private commercial capital to finance limited investment that would complement IDA, ADB, and EU funding. The ongoing Community Benefit Sharing Pilot Project will help build water supply systems for targeted communities affected by the TRHDP.

Focus Area 2: Promoting Inclusive and Sustainable Growth

59. ***The WBG will support the SIG's efforts to address macroeconomic vulnerabilities and enhance sustainable and inclusive growth.*** WBG support will help strengthen public financial management and restore fiscal buffers. Work to improve the regulatory environment of the mining sector will also be supported, not least because it is considered to be a major potential source of growth. Agriculture, fisheries, and tourism are important sectors for generating income and could drive sustainable, inclusive economic growth if the constraints they face are alleviated. World Bank support will continue to be provided to the fisheries sector and, with IDA19 resources, to agriculture, to foster inclusive growth. IFC will continue working with existing clients in the commercial fishing sector to increase capacity and improve standards, with a focus on promoting greater inclusion of women, and working to develop the Western Province into a tourist destination that can create jobs and improve livelihoods in the tourism sector.

Objective 2.1. Improve fiscal management

60. ***It is important that the SIG design policies to restore fiscal buffers and strengthen public financial management.*** While the country has maintained solid macroeconomic stability and growth, the fiscal deficit has widened in recent years. The fiscal deficit widened to 3.1 percent of GDP in 2016, as lower revenues and grants were not met with expenditure restraint, and a deficit of 4.3 percent of GDP is estimated for 2017. Fiscal buffers have eroded substantially, decreasing the cash balance from 3.6 months of recurrent spending at end-2015 to just 0.8 months at end-2017. This has led to delays in government payments, causing arrears accumulation equivalent to around 1.4 percent of GDP by end-2017. Importantly, the weakened fiscal position has heightened the economy's vulnerability to shocks. Although some steps have been taken recently, fiscal adjustment will be needed in 2018—including revenue-raising measures and expenditure controls. While the government succeeded in eliminating domestic arrears in the first quarter of 2018, continued poor cash flow management poses an ongoing risk that arrears will recur. The 2018 budget provides an opportunity to align spending more closely with NDS goals. Given the prevailing political economy, however, it will be difficult to restrain spending on tertiary education

scholarships, constituency development funds (CDFs),¹⁹ and shipping grants. Greater transparency of CDFs is needed to improve accountability and to help identify remaining gaps in the provision of services to the rural population. These efforts would be in line with the welcome focus of the government on tackling corruption. On the revenue side, the SIG should aim at broadening the tax base and reducing revenue volatility. Pressing ahead with public financial management reforms will improve spending efficiency.

61. ***World Bank will support the SIG in strengthening public expenditure and fiscal management through development policy financing.*** Stronger fiscal and public expenditure management is a Tier 2 priority, but the rationale for Bank support in this area has strengthened since the formation of a new government that has signaled a strong commitment to reform and has sought general budget support from the World Bank three years after the last DPO was provided. The World Bank is discussing, jointly with a group of other budget support donors, a reform program that could provide the basis for a DPO in early FY2020 to help the SIG enhance fiscal management, strengthen the transparency of public financial management, and enable drivers of economic growth. Another DPO will be considered in FY2021/2022.

62. ***These operations will be informed by analytical work.*** A public expenditure review will evaluate the effectiveness of public finances and provide options to better align public expenditures with national policy priorities. Regular country economic updates will also be prepared. The World Bank has reengaged in policy dialogue on strategic economic and financial policy issues through the joint SIG-donor Core Economic Working Group (CEWG), a platform for high-level dialogue and a mechanism for coordination with other key donors that provide budget support. Under the CEWG framework, technical support will be provided to inform key policy reforms to be included in the SIG's Economic and Financial Reform Program policy matrix. In addition, the Bank will complete technical assistance to analyze the allowances component of public service remuneration, with policy options to address the issue of allowances over the medium term, in the context of the SIG's broader public sector reform program.²⁰ Technical assistance on health sector public financial management will continue until FY2021 and will help the Ministry of Health improve links between planning, financing, and reporting systems for more efficient and equitable and better-quality health expenditure and service results. The proposed DPOs, underpinned by the above-mentioned program of technical assistance, would help improve the quality of public spending. The World Bank will continue to support capacity strengthening to help communities collectively make demands (for example, formulating proposals to access public resources) and hold responsible parties accountable for improving service delivery at the local level. This is to be achieved through community-driven approaches, which have been a focus of WBG support for a number of years. These initiatives aim to continue to promote better access to services by underserved communities.

Objective 2.2. Increase productive opportunities in agriculture

63. ***The SCD highlights that the productivity and resilience of subsistence and semi-commercial agriculture are of immediate and direct importance to the well-being of the population.*** Almost 80 percent of Solomon Islanders live in rural areas, and the majority of households—including 76 percent of all rural women—engage in subsistence agriculture as their primary economic activity. The agriculture sector continues to face a number of challenges, including the limited availability of suitable agriculture

¹⁹ CDFs are allocated by the government to members of parliament for development projects in their respective constituencies. In the 2018 budget, CDFs represent 45 percent of the development budget.

²⁰ Over the years there has been a proliferation in allowances to compensate for low base pay across the civil service. With a view to increasing base pay over the medium term, as a first step the SIG has requested technical assistance to analyze allowances and provide policy options on how these could be rationalized and folded into base pay.

land, the depletion of soil fertility due to intensive land use for logging and mining, the impact of climate change, high internal transport costs, insufficient land tenure for small landholders, limited access to finance, and a lack of extension services. At the same time, agricultural producers are highly receptive to higher-yield or more robust varieties and practices. Facilitating smallholder agriculture to improve productivity and income-generating opportunities is crucial to accelerating progress on poverty reduction and boosting shared prosperity.

64. ***The World Bank will continue to help the SIG enhance the productivity and resilience of smallholder agriculture.*** Under the Second Rural Development Program (RDP II),²¹ the WBG has supported agricultural productivity and rural income improvements in selected crops (cocoa and copra) and has contributed to strengthening food security in vulnerable areas, for instance by helping replace livestock in areas hit by the 2015 floods. The Bank continues to support smallholder farmers through productive partnerships with commercial enterprises. These partnerships provide financing, business development services, market linkages, and policy and institutional support. The program incorporates specific measures to facilitate the inclusion of disadvantaged and vulnerable groups and addresses the need for farming households to adapt to climate variability and climate change, and to mitigate the impact of natural disasters. RDP II support will continue until 2020. The SIG has indicated that there is a possibility that this type of engagement may be renewed. If this happens, greater scope might exist to use the social capital and platform developed by RDP to support more commercially oriented agricultural productive activities. The SIG has indicated its interest in an agriculture project, which could involve investments to boost agricultural activity and improve food and nutritional security at the household level, mainstreaming climate-smart agriculture and developing livelihood opportunities, particularly in areas where nonfarm livelihood opportunities are limited. Such a project would reflect the kind of scaled-up engagement in support of rural livelihoods and nutritional security envisaged in the SCD. If the SIG's interest remains, this type of project could be developed in FY2021 and be financed with IDA19 resources.

Objective 2.3. Improve fishery production capacity

65. ***The ability of coastal fisheries to continue supporting the food needs and livelihoods of Solomon Islanders is under imminent threat by overexploitation.*** This issue has arisen as a result of the rapidly growing population's high dependence on fish to meet food needs, as well as significant demand from Asian markets. For coastal fisheries to become a sustainable source of food and livelihoods, it is critical that existing efforts to develop community-based resource management be accelerated and complementary measures put in place.

66. ***The WBG will support improvements in the management and production capacity of the fisheries subsector.*** Fisheries will be a key sector for IFC as it seeks to leverage its relationships with SolTuna (fish processing) and National Fisheries Development (fishing), both part of the Tri-Marine Group. IFC aims to continue support to these enterprises to expand the capacity to catch and process fish, improve gender outcomes, and strengthen environmental and safety standards, with support from the Global Agriculture and Food Security Program. IFC will work with the Ministry of Fisheries and Marine Resources to explore further opportunities for private sector participation in the development of onshore processing facilities—for example, in Malaita's Bina Harbor, where a prefeasibility study was completed in 2016. Developing economic opportunities in Malaita has been a top government priority since “the tensions.” Due to the complexities of intertribal dynamics in land registration and alienation, however,

²¹ RDP II is cofinanced with DFAT and the EU, with parallel financing from the International Fund for Agricultural Development.

few of these opportunities advance to the point where development partners could step in to support. The Ministry of Fisheries and Marine Resources is steering the process of building landowners' trustee committees to register an area of approximately 30 hectares to secure the land for potential commercial development in Bina, a natural deep-sea harbor 20 kilometers south of Auki, the capital of Malaita Province. IFC sees potential for private sector participation via a PPP model to build and operate onshore processing facilities,²² but such a project would require strong government support. The World Bank will continue supporting the fisheries subsector through the ongoing Pacific Islands Regional Oceanscape Program (PROP).²³ The oceanic fisheries component of PROP will continue to invest in strengthening the management of Solomon Islands tuna fisheries through its efforts with the purse seine Vessel Day Scheme, as well as the rollout of a similar system for long-line fisheries. In addition, the coastal fisheries component of the PROP will continue to enhance sustainable management of coastal fisheries, focusing on those with the greatest potential for increased benefits, such as *bêche-de-mer* (sea cucumber), that can generate export earnings for the country and/or support livelihoods, food security, and dietary health. This component of the PROP is aligned with the SCD priority on supporting the productivity and resilience of subsistence and semi-commercial fisheries.

Objective 2.4. Increase investment opportunities in tourism

67. ***The SCD emphasizes that, over the longer term, tourism offers Solomon Islands a high-potential engine of economic growth.*** Tourism potential stems from natural, cultural, and historical assets that should enable the industry to attract high-yield markets to cover the relatively high cost of doing business in this sector. These assets include its rich and unique cultural heritage and its many World War II sites, which—along with its tropical climate, coral reefs, beaches, lagoons, and surf breaks—form an attractive inventory of raw tourism assets. IFC analysis indicates that these assets are highly regarded by travel trade representatives in key source markets.²⁴ The sector remains in its infancy,²⁵ however, and has been unable to realize this potential due to a range of constraints, including: (i) inadequate domestic transport infrastructure and services; (ii) limited supply of market-ready, high-quality tourism businesses to meet current demand; (iii) insufficient human resource capacity to meet existing or future needs; (iv) the lack of suitable information on investment opportunities to attract investors; (v) limited engagement by the international private sector in Solomon Islands' tourism industry development; (vi) inadequate supply and high cost of ICT and energy supplies; and (vii) the low success rate in engaging local communities in the travel and tourism economy. In Solomon Islands there is currently a strong desire on the part of the government, private sector, and development partners to take a coordinated approach focusing both strategy and resources on a single area of the country—the Western Province.²⁶ Of the constraints above, affordable and reliable transport connectivity, accommodation availability and quality, and existing destination management concerns around water supply, energy supply, and waste management are the most urgent to address in Western Province. With direct Solomon Airlines flights between Brisbane and Munda planned to commence in mid-2018, one of these barriers will be significantly reduced. There is an imperative, therefore, to focus on infrastructure development, product development, and marketing to support this initiative. Stakeholders have united around this catalytic decision on the part of the national

²² The World Bank's project pipeline includes road infrastructure that would connect the planned Bina port to Auki.

²³ The PROP was approved in 2014 for an amount of US\$ 9.75 million.

²⁴ IFC. 2018. "Trade interviews: Western Province Tourism Prefeasibility Study."

²⁵ IFC. 2009. "Tourism Impediments Diagnostic."; IFC. 2018. "Trade interviews: Western Province Tourism Prefeasibility Study."

²⁶ The Western Province is a popular tourist destination, especially for diving, with its mix of pristine coral reefs and WWII wrecks. Locations such as Munda, Gizo, and Uepi offer some of the best diving and snorkelling.

airline, recognizing that, while Western Province is certainly not the only opportunity for tourism development in the country, it is the most viable in the near term and the most attractive to potential markets.

68. ***IFC's Solomon Islands Tourism Program works with government and private sector stakeholders to increase the value of tourism to local businesses and communities, as well as to grow the demand for Solomon Islands tourism products.*** Benefiting from high-level government support, the tourism sector is gaining momentum. A tourism development working group has been established to promote coordination at the national level.²⁷ Given its successful experience in other Pacific Island countries, IFC is conducting a Western Province tourism prefeasibility study (to be completed in FY2018) to identify key constraints and opportunities in making the region an investible proposition for the private sector, provide recommendations on priority investments and sequencing, and assess the market potential based on trade feedback and a range of growth scenarios. This study will become the initial guiding document for Western Province stakeholders, with IFC taking a coordination role to crowd in resources—whether from the public sector, development partners, or the private sector. Where binding constraints exist beyond the scope of the tourism program, IFC will draw on expertise from other areas of the WBG to pilot technologies and identify potential investment opportunities. For example, IFC may consider looking at small-scale infrastructure and power supply for Western Province. WBG investments in the aviation sector in Honiara and Munda (see Objective 3.1. below) are included in this approach, with planned upgrades for the existing international gateway in Honiara and new international-standard facilities at Munda airport, which would be critical to enhancing the overall visitor experience to the country.

69. ***Given the cross-cutting nature of the sector, there may be further opportunities for WBG intervention as the mid- to long-term development plan for Western Province emerges.*** Under the Pacific Tourism Program, IFC is providing the Ministry of Tourism and Culture ongoing support through development of both supply- and demand-driven activities. In FY2018, this includes a private sector-focused market assessment of tourism sector skills and training to identify gaps between existing in-country training offerings and employer needs. The assessment will allow sector stakeholders to identify opportunities for new or enhanced training, with the goal of increasing employability and improving service delivery and employee efficiency for tourism businesses. IFC will also support the development of tour products to attract visitors and increase the economic and participation benefits derived from cruise ship visitation. Increased tourism should also improve gender outcomes, given the sector's potential to increase female employment.

Objective 2.5. Strengthen the mining sector regulatory framework

70. ***Mining could become a key driver of growth in Solomon Islands.*** The SCD argues that, “over the medium term, mining appears to be the only industry in Solomon Islands with any prospect of filling the macroeconomic space currently occupied by logging,” which is expected to decline over the medium term. The SCD cautions, however, that, “if managed well, this transition offers significant opportunities, yet it is equally subject to significant risks.” These risks include macroeconomic, conflict, and environmental risks. If the transition to a minerals-based economy is not planned and implemented using lessons learned from experience with logging, it could be expected to mark simply a shift from one unsustainable, environmentally destructive, and socially disruptive resource-development base to another. Fundamental

²⁷ The tourism working group—initiated by the Ministry of Culture and Tourism and supported by many development partners, including DFAT, MFAT, ADB, WBG and the Japan International Cooperation Agency (JICA)—has been formed to coordinate and align development partners' programs in the sector.

to managing these risks will be ensuring effective implementation of the National Minerals Policy (NMP), adopted recently by the Cabinet. The NMP addresses significant changes in the way that communities are engaged and how mineral resources are developed.

71. ***The Bank's engagement in the mining sector will remain modest during the CPF period, playing a supporting role through technical advice on amending laws and strengthening regulatory institutions to improve sector governance in accordance with the NMP.***²⁸ This is a first step toward continued and possibly broader engagement in the future. While acknowledging the complexity of the mining sector in Solomon Islands, the WBG is of the view that mining could become a key sector in generating government revenues in the medium term. At the government's request, the WBG is providing technical assistance²⁹ to help the SIG complete the initial legislative, institutional, and community engagement steps needed to implement the NMP. If This phase is successful, further assistance will be provided to: (i) modernize the mineral tenements management system to ensure fairness and attract responsible and capable miners; (ii) improve mine inspection to better enforce compliance with mine safety and proper mining practices; (iii) generate, collate, and manage valuable geodata to make better-informed decisions about allocating mineral rights; (iv) enhance revenue administration to avert revenue leakage; and (v) define and enforce appropriate environmental and social management standards. In addition, a regional ASA on "Regulatory Responses to Deep Sea Minerals" will help inform preparedness for possible developments in collaboration with other small island states in the region. Moreover, the policy dialogue on a DPO scheduled for early FY2020 (see Paragraph 61) will support implementation of the mining policy.

Focus Area 3: Managing Uneven Development

72. ***Connecting people and their products to urban and other centers of growth and improving service delivery are key to addressing uneven development in Solomon Islands.*** The SCD emphasizes that patterns of uneven development affect the livelihood opportunities and well-being of people in different areas of Solomon Islands, and thereby also affect prospects for poverty reduction and shared prosperity. Historically, Solomon Islanders have mitigated the effects of uneven development by migrating in search of new opportunities. Mobility is constrained, however, by inadequate connective infrastructure, island-scale ethnic divisions, and land systems. The SCD notes that connecting people and their products to urban and other centers of growth increases economic growth itself, since the backward linkages increase the domestic value-added generated by the growth center. It also helps mitigate the exclusion engendered by uneven development, by enabling a larger set of people to benefit from the growth center—whether by travelling there for labor opportunities or by marketing their goods in the growth center. Similarly, improving service delivery in underserved communities contributes to improving their livelihoods. Under this focus area, the WBG will help the SIG address the challenges of managing uneven development by improving connectivity and service delivery to underserved communities.

Objective 3.1. Improve connectivity

73. ***Solomon Islands faces challenges in providing connective transport infrastructure for air, land, and maritime modes.*** Connectivity of the urban service economy of Honiara and other growth centers is vital not only to the livelihoods of urban residents, but also to livelihoods in all communities connected

²⁸ The WBG has been engaged in the mining sector since the last CPS, through a series of small grants, including to help the SIG complete the NMP.

²⁹ That assistance is funded by a US\$ 400,000 recipient-executed grant from the Extractives Global Programmatic Support Program Multi-Donor Trust Fund (EGPS MDTF). Further assistance is also expected to be funded by EGPS.

by land, air, or sea. The potential impacts on urban poor people, many of whom are unable to access essential services and have limited livelihood opportunities, and rural poor people, who similarly lack access to essential services and need market access for their products, are significant. The SCD emphasizes that the country's small size, remoteness, and internal dispersion and division drive transport costs up for all goods and services within the country. The poor-quality road network seriously constrains connectivity to nearby maritime transport points on the coast, to urban centers, and to airports. There is also limited connectivity between Honiara and other large parts of Guadalcanal, and part of Honiara is suffering from serious road congestion, complicated by the geography of the city and limited land access. Air transport plays a limited role in domestic connectivity, as its cost is too high for most Solomon Islanders and airport infrastructure is not adequate, especially in the provinces. This is especially detrimental to tourism development.

74. ***ICT sector development faces critical challenges as well.*** While voice network coverage extends to most areas of Solomon Islands, access to data services is still low and its cost high—limitations that affect rural areas the most. Affordable broadband Internet could provide a platform for the development and use of ICT applications in public service delivery. The new undersea, high-speed telecommunications cable from Australia to Solomon Islands—expected to be delivered in late 2019—will open new opportunities to develop the ICT sector. With improved connectivity, new opportunities for the private sector should emerge. IFC will collaborate with the World Bank team to explore how improvements in fixed line and broadband infrastructure in the country could be leveraged by the private sector and as entry points for IFC engagement, taking into account the expected limitations of such nascent markets.

75. ***The World Bank will support climate-resilient transport infrastructure to link growth centers, contribute to tourism development, and provide access to markets.*** The World Bank will engage with the SIG in the transport sector through the Solomon Islands Roads and Aviation Project (SIRAP), which aims to enhance operation of the Honiara International Airport and Munda Airport by making them compliant with international standards, and to improve connectivity by roads. The project will finance climate-resilient infrastructure investments that will contribute to strengthening links between growth centers and provide access to markets for local economic activities. These investments include: (i) construction of an airport terminal and related investments in Munda, which will help boost tourism activities and benefit the local economy; (ii) rehabilitation and extension of the runway, as well as related investment to enhance safety at the Honiara International Airport; (iii) rehabilitation of the Auki-Bina Harbor road (29 km) and Auki Airport-Auki city center (10 km) to increase access to markets for local agriculture and fisheries production; and (iv) assistance to complete preparatory work for paving the Auki Airport runway. This will include consultations with landowners to win their support, with the objective of further increasing connectivity to the Malaita Province. This assistance could lead to additional financing for the Auki Airport runway pavement and related investments. SIRAP will pay attention to gender balance, focusing on the employment of women in routine road maintenance. Other benefits include better access to schools, health facilities, and markets through climate-resilient road infrastructure, and eventually better and safer transportation. All of these investments will enhance connectivity between Honiara, other growth centers, and other Pacific countries, and will promote safer and improved road infrastructure for increased access to services and economic opportunities.

76. ***Strengthening access to reliable and affordable ICT services should help accelerate access to the digital economy, and especially electronic financial services.*** Digital finance is a new frontier driving financial inclusion among individuals and micro, small, and medium enterprises, including in Solomon Islands, thereby offering new solutions to help end extreme poverty and boost shared prosperity. During the CPF period, the World Bank will explore the possibility of supporting the ICT sector through ASA to

take advantage of the new undersea cable. IFC will explore opportunities to boost financial access to traditionally underserved people in and micro, small, and medium enterprises in Solomon Islands, and to improve the quality and affordability of financial services. Efforts will build on IFC's previous work with local banks to implement mobile banking programs where IFC assisted the banks to extend access to mobile phone banking in remote areas. IFC has also delivered dedicated financial literacy training with a focus on women in rural communities. Given its dispersed population, mobile banking has the potential to make a critical difference in Solomon Islands, and digital financial services have already proven to be an effective means to expand access to finance.

Objective 3.2. Improve access to service delivery in underserved communities

77. ***Solomon Islands faces a range of challenges in delivering effective local governance and services to its widely dispersed population.*** The high costs and logistical challenges posed by the highly dispersed, isolated, small island provinces impede service delivery in rural areas and make the islands less attractive for private investment and job creation. Service provision is also poor in underserved communities of many peri-urban and rural areas. For most people, schools, police, and health posts of mixed quality are the only tangible evidence of the state. Within Solomon Islands, an enduring driver of conflict is a sense of inequity between various provinces, the central government, and different interest groups. This suggests the need for a focus on institutions, systems, and programs that can support the equitable delivery of basic services across the country, especially in underserved communities. World Bank's engagement at the community level will continue during this CPF period, as there is clear need for support in this area. The SIG has a strong interest in implementing projects to deliver services to communities, and the Bank has a comparative advantage in this area.

78. ***World Bank will support service delivery in rural and peri-urban communities through CDD interventions.*** The RDP II will continue to support the delivery of social services through the rural community driven development model, while the REP has been providing basic community infrastructure and services (such as pathways, footbridges, and trash collection) and short-term employment skills to vulnerable young men and women in peri-urban Honiara to improve their employment prospects and cash incomes. Building on the strong performance of the REP, the World Bank, through the Community Access and Urban Enhancement (CAUSE) Project, will help provide safe access to socioeconomic services and markets in Honiara City, peri-urban Guadalcanal, Auki (in Malaita Province), Gizo, Noro, and Munda (in Western Province).³⁰ Better pedestrian infrastructure will be built to allow year-round, weather-safe access to socioeconomic services and facilities. Community infrastructure subprojects to beautify town areas will complement the SIG's investments in tourism to improve the economy. The project will help improve solid waste management service delivery for urban and peri-urban residents, hence improving the functioning of the selected centers. The ongoing Community Resilience to Climate and Disaster Risk in Solomon Islands Project (CRISP) will continue to support the delivery of social services through the CDD model in rural areas. Finally, the Community Governance and Grievance Management (CGGM) project, which has demonstrated good results³¹ both in local-level dispute resolution and in linking people to the broader state system, particularly the police, is now expanding into the provinces of Malaita and Guadalcanal, broadly regarded as the heart of governance and fragility challenges in Solomon Islands. Social inclusion is at the forefront of the program design, and the project will implement a recently adopted Gender and Social Inclusion Strategy. The CGGM will also examine the impact of the Family

³⁰ The population of the three provinces represents about 60 percent of the total population of Solomon Islands.

³¹ The project, financed by an Australian grant of US\$ 3.1 million, has been implemented in the Rennell and Bellona, and Makira-Ulawa Provinces during the first two years.

Protection Act beyond Honiara for the reduction of gender-based violence. Depending on the project's success in the two new provinces, the SIG could decide to replicate the project in other provinces, which may require IDA financing—as IDA18 has been fully programmed, the potential project could be financed under IDA19 resources in FY2021. As the majority of poor people live in rural and peri-urban areas, implementation of these projects will support access to public services by the poor.

79. ***During the CPF period, the World Bank will explore options for consolidating community-based investment activities in the future, as recommended by the CLR.*** To improve administrative efficiency and reduce CDD project overlaps, particularly in the context of the IDA18 scale-up and the SIG's limited capacity to implement projects, a process of analysis and consultation will be initiated on the objectives and modalities of CDD engagements, with a view to recommending options going forward.

III.3. Implementing the FY2018-FY2023 Country Partnership Framework

Expected Financial Envelope and Program Summary

80. ***The indicative IDA envelope during the CPF period is assumed to be about US\$ 20–25 million per year, on average.*** The CPF period includes the entire time frame of IDA18 (FY2018–FY2020) and IDA19 (FY2021–FY2023). Under the proposed IDA18 financing framework, Solomon Islands is benefiting from the scale-up in concessional resources for small and fragile states, which enables this CPF to support new developmental priorities—tourism, transport, and water and sanitation—while continuing to build on previous engagements, addressing key drivers of fragility, and providing support for IDA18's Special Themes through stepped-up capacity building efforts; promoting climate resilience; piloting demonstration projects addressing land, youth, and urbanization issues; and improving gender outcomes (see Paragraphs 84 and 85, Box 5 and Box 6, and Annex 10). Actual IDA allocations will depend on: (i) total available IDA resources and the IDA allocation framework; (ii) the country's relative performance rating, gross national income per capita, and population; and (iii) the number of IDA-eligible countries. As a country at moderate risk of debt distress, Solomon Islands is eligible to receive 50 percent of its IDA financing as grants and the remaining 50 percent as concessional credits. The credit/grant mix will change if the country's risk of debt distress status changes, and the actual terms for each FY will be confirmed at the end of the prior FY. IDA concessional credits to Solomon Islands during IDA18 would be on small economy terms (at no interest, with a 40-year amortization and a 10-year grace period)—the most concessional lending terms that IDA offers.

81. ***There is scope to complement national IDA resources with other sources of funds.*** Solomon Islands could access additional resources from the IDA regional program to finance eligible regional investments with cross-country spillovers, such as aviation. Investments envisaged at the Honiara International Airport and Munda International Airport (see Paragraph 75) are expected to generate wider benefits in terms of improved regional connectivity and could be eligible for regional IDA financing. Under current cost estimates for the aviation component, an estimated US\$ 24 million in regional IDA could be mobilized. The WBG will also work with the SIG to fully explore the flexibility in IDA financing to support rapid response in eligible crisis and emergency situations, when needed. Finally, other financing sources such as trust funds, partnerships with other development partners, or government inputs are anticipated across the portfolio and will be firmed up during project preparation throughout the CPF period.

82. ***The WBG will explore opportunities to mobilize private sources of finance and delivery during this CPF period, applying the maximizing finance for development approach.*** The experience of the TRHDP has shown that attracting commercial financing for public infrastructure in Solomon Islands is

certainly challenging, but ultimately feasible—after almost ten years of preparation and negotiations, a first private sector investment in large infrastructure is expected to be concluded soon. Obstacles to private sector growth in agriculture, fisheries, tourism, and mining have been discussed above. The WBG will explore—through the full range of instruments, including ASA, investment project financing, and DPOs—opportunities to support the implementation of reforms aimed at addressing perceived risks, market and institutional failures, or distortions that prevent a sustainable private sector response or engagement. In addition, guided by the IFC 3.0 strategy framework, IFC will work to create competitive markets and apply *maximizing finance for development* principles to attract private sector investment in Solomon Islands. Given the limited economic opportunities in the country, IFC will focus its efforts during the CPF period where its financial and development additionality is greatest, primarily in the promotion of sustainable fisheries and tourism, gender empowerment, and sustainable energy.

83. ***This CPF is highly selective.*** There are significant financing needs in all sectors. Given the SIG’s limited implementation capacity and the WBG’s experience in a few sectors, the proposed CPF intends to focus on areas where the WBG has a solid performance record. Where possible, the CPF will provide additional financing for projects that have achieved their development objectives or finance follow-on projects to scale up impact and strengthen development effectiveness. Table 3 provides the WBG indicative lending program³² during FY2018–FY2023, while Annex 4 shows the project portfolio that is currently under implementation. Analytical work and policy dialogue will be used to gradually engage in new areas or around emerging key challenges. Such engagements could potentially lead to financial support. Table 4 provides the WBG’s indicative ASA program.

84. ***This CPF will mainstream gender in WBG operations.*** Under the ongoing Bank program, key social service delivery programs such as the REP have specifically targeted opportunities for women and girls, who make up 57 percent of all beneficiaries. IFC focuses on empowering women in the private sector, both through leadership training and networking opportunities for professional women and through advisory services aimed at companies (Box 5). Going forward, gender will continue to be mainstreamed in WBG programs. In this regard, gender-based violence prevention and grievance redress mechanisms will be introduced in the implementation of the WBG program, especially in the infrastructure projects—Solomon Islands Road and Aviation Project, CAUSE, and SIEAREEP—with the objective of preventing, mitigating, and addressing gender-based violence and violence against children in the projects. The Country Gender Action Plan (CGAP) has been prepared. This CGAP draws substantially from the Country Gender Assessment (2016), conducted by the SIG and supported by the ADB and DFAT.

³² The program beyond FY2020 is tentative. It will be finalized during the CPF mid-term review under the Performance and Learning Review.

Box 5. IFC and gender economic empowerment

During the CPF period, IFC will build on its existing efforts to promote gender equality through the fisheries sector, among other activities. Women constitute the majority of the workforce in the processing sector of the tuna fisheries supply chain and make up half of the community coastal fisheries supply chain—both in their own fisheries and aquaculture activities, and as support for men’s activities by providing food, trading, and financial backup. IFC has launched the Solomon Islands Professional Women Network (SIPNET), a networking platform for Solomon Islands professional women to share their experiences and build key business leadership skills. Jointly with the Solomon Islands Chamber of Commerce and Industries, IFC has put in place the *Waka Mere* program, a timebound challenge and peer learning platform that helps 17 of the largest Solomon Islands employers increase the share of women in leadership positions, build respectful and supportive workplaces for women and men, and promote opportunities for women in nontraditional roles. During the CPF period, IFC will continue to support SIPNET and the *Waka Mere* initiative. The program is working with the private sector to promote the business case for investing in gender equality and developing practical resources to improve the recruitment, retention, and promotion of women employees, including adopting policies and practices to address gender-based violence.

85. **This CPF will help address other key drivers of fragility, such as climate change and natural disaster risks, youth and urbanization, land, nutrition, and weak capacity.** The World Bank has supported SIG in mitigating climate change and natural disasters risks and in addressing youth and urbanization issues through various operations and will continue to do so during the CPF period. The successful management of land acquisition for the TRHDP (see Paragraph 42) can serve as an example to be replicated in the future. In the area of nutrition, the Bank will seek opportunities to help boost agricultural activity and improve food and nutritional security (see Paragraph 64). Finally, to help address weak institutional capacity, the Bank will take a series of steps including the rollout of a comprehensive capacity building program across the Pacific Island countries. Box 6 and Annex 10 provide details of how these challenges will be tackled under this CPF.

Box 6. Tackling the drivers of fragility

- **Climate change and disaster risks.** The WBG has been supporting the SIG in this area and will continue to do so during the CPF period through the ongoing CRISP, the IRCCNH project, RDP, and TRHDP.
- **Youth/urbanization.** The WBG has helped improve social inclusion of young people through short-term employment opportunities and skills training programs for unemployed residents of Honiara under the REP. The WBG will continue supporting this area through CAUSE in Honiara and five other urban centers. CAUSE will finance investments in services and infrastructure to support socioeconomic growth and improve community well-being, provide employment opportunities for women and youth, and improve the circulation of cash flow to support the broader community. It is estimated that beneficiaries would include at least 50 percent young people (aged 16 to 29 years).
- **Land.** The successful management of land acquisition for the TRHDP has demonstrated that intensive community engagement and collaboration with customary landowners can reduce the risks of disagreement on land use among the affected communities, thereby serving as a demonstration project that can be replicated for other infrastructure investments if required.
- **Nutrition.** The CPF program aims to help improve productive opportunities in agriculture. Through the RDP II, the WBG will continue supporting farming households to adapt to climate change and to mitigate the impact of natural disasters. Going forward, the WBG will look for opportunities to finance a new RDP and develop an agriculture project to boost agricultural activity and improve food and nutritional security at the household level, mainstreaming climate-smart agriculture and developing livelihood opportunities.
- **Institutional Capacity Building.** To tackle capacity building needs, the WBG will focus on continuing its engagement in areas where it has a strong, established track record. Projects will be well focused, avoiding complex designs. Implementation support will be further enhanced by a significant on-the ground presence in Honiara. Finally, an Integrated Capacity Building Program for Pacific Island countries will be implemented in Solomon Islands, with a view to improving the speed and quality of project implementation. The program will support the design, development, and pilot testing of an integrated training program for project implementation staff and consultants across the Pacific Island countries. A monitoring and evaluation framework will be established to facilitate iterative improvements as well as reporting to internal and external stakeholders.

86. During the CPF period, the WBG will continue to implement agile initiatives in Solomon Islands.

A number of agile initiatives have been implemented in the Pacific to deploy WBG resources as effectively as possible and to help increase the absorptive capacity of client countries in the context of the substantial scale-up in WBG assistance under IDA18 (Box 7). Some of those initiatives have been or are being implemented in the Solomon Islands, including limiting the number of new operations, promoting regional programs, using programmatic preparation advances (PPA), harmonizing procedures with the IFC for PPP operations, and adopting agile review processes.

Box 7. Pacific Country Management Unit Agile Initiatives Implemented under IDA18

- **Platform-based approaches and regional efforts.** The country management unit has set strict limits on the number of new operations undertaken under IDA18 and is giving priority, wherever possible, to platform-based approaches, including regional programs (such as aviation, ICT, maritime services, disaster risk reduction, and fisheries) with access to the regional IDA window. For activities that cannot access the regional IDA window, standardized and replicable forms of engagement have been developed (for example, a series of resilient transport operations combining institutional support and capacity building with climate-resilient investments).
- **Project Preparation Advances (PPAs).** Active use of the new PPA is encouraged so that countries can start preparation and hiring staff for projects. This enhances efficiency by reducing the transaction costs of accessing preparatory resources for multiple projects and strengthening critical cross-cutting functions (such as procurement, financial management, and safeguards).
- **Multiphase programmatic approach (MPA).** Applying the MPA modality allows for a more realistic timeline over which to assist government with limited capacity in successfully implementing projects.
- **Centralized project management units.** The Bank is supporting the establishment of centralized project management units within central ministries, such as the ministry of finance, to support the preparation of pipeline projects, help address capacity constraints, and ensure the most efficient deployment of scarce human resources. Work is ongoing to establish such units in Samoa, Tonga, and the Federated States of Micronesia.
- **Harmonizing procedures with the IFC for PPP operations.** When concessional financing is required to make a PPP viable, committing such financing through Board approval is often required before the private developer/operator will finalize negotiation of the PPP transaction with the government. In the context of the TRHDP, the WBG obtained, for the first time Bank-wide, the authorization to submit to the Executive Board a financing agreement for an investment operation modelled on the more flexible document used by IFC in the context of PPP operations.
- **Harmonizing procedures with development partners.** The Fiji Transport Operation (approved in March 2015) was the first operation for which the WBG adopted the ADB's procurement rules (there was a single precedent with the Inter-American Development Bank for an operation in Latin America and the Caribbean) so that the two institutions could cofinance investments in a seamless manner.
- **Innovative DPO modalities.** The first ever operation combining a DPO and a CATDDO is being prepared to support economic policy as well as climate resilience enhancing reforms in Samoa.

87. ***World Bank activities will reflect the Bank's comparative advantage and complement the work of other donors.*** The choice of activities to be supported in this CPF depends largely on the SIG's priorities, but also on the extent and nature of support being provided by other donors. Care will be taken to avoid the duplication of interventions, and emphasis will be placed on activities for which the WBG has a comparative advantage in light of other donors' involvement, expertise, and financial contributions. Cofinancing programs with other donors will be considered to leverage the Bank's limited financial contribution.

Table 3. Indicative World Bank Lending Program, FY2018–FY2023

Operation	Main Focus Area	FY	National IDA (US\$ m) ³³	Regional IDA (US\$ m)	Other ³⁴ (US\$ m)
FY2018–FY2020:					
Electricity Access and Renewable Energy Expansion Project (SIEAREEP)	1	FY2018	9.5		10.4
Community Access and Urban Services Enhancement	3	FY2018	15.0		
Community Benefit Sharing Pilot	1	FY2018			2.7
Development Policy Operation (DPO)	2	FY2020	10.0		
Solomon Islands Roads and Aviation Project (SIRAP)	3	FY2019	27.0	24.0	
Water and Sanitation Project	1	FY2019	15.0		
Subtotal FY2018–FY2020			76.5	24.0	13.1
Beyond FY2020:					
Possible DPO	2	FY2021/2022	10.0		
Possible new Rural Development Project	2	FY2021	14.0		
Possible agriculture project	2	FY2021	10.0		
Possible CGGM II	3	FY2021	10.0		
Possible Electricity Transmission Project	1	FY2022	22.0		
Possible AF to SIRAP (Auki Airport Runway Paving)	3	FY2023	10.0		

Table 4. Indicative ASA Program, FY2018–FY2023

Activities	CPF Focus Area	FY
Existing activities continuing during the CPF period:		
Public Sector Remuneration Study	2	FY2018
Health Public Financial Management	2	FY2021
Participation in CEWG	2	Continuous
New activities in FY:		
Mining Legal Review and Advisory Analysis	2	FY2018 FY2018–
Pacific Tourism Program (IFC)	2	FY2021
Western Province Tourism prefeasibility study (IFC)	2	FY2018
Market Assessment of the Tourism Sector Skills and Training Supply (IFC)	2	FY2018
Country Economic Update	2	FY2019
Public expenditure Review	2	FY2019
Analytical work on the use of undersea cable for public service delivery	3	FY2019
Climate vulnerability assessment for Malaita Road Network	3	FY2019
Possible Analytical work on water service extension	1	FY2020
Possible Advisory Services for Bina Harbor investment (IFC)	2	FY2022

³³ An exchange rate of US\$ 1.43 for SDR 1 (as of January 12, 2018) was used to convert the SDR 53.5 million national IDA allocation into US\$ 76.5 million.

³⁴ Other category includes trust fund grants (Scaling Up Renewable Energy Program, Global Environment Facility, Distributed Solar Energy Systems, and JSDF).

Brief Assessment of Country Financial Management and Procurement Systems

88. ***Public financial management in Solomon Islands has improved, but challenges remain and efforts to strengthen key areas continue.*** The main areas in which enhancements have been noted over the last few years include budget preparation, controls over budget execution, and debt management. There is greater control over government expenditure through improved cash management and public financial management systems, including payroll, commitment tracking, financial reporting, and internal audit. Some aspects require further enhancement, however. Given the uncertainty regarding future sources of growth and a challenging external outlook, fiscal space should be preserved. In particular, it is important to improve the transparency and accountability of scholarships and constituency development funds and to continue to strengthen the quality of public spending. Policy actions to be supported by the DPO and measures to strengthen the anticorruption framework are expected to help enhance transparency in the use of public resources. Financial management support is provided by the Bank at the project level and will continue during CPF implementation.

89. ***Progress has been made in procurement, but more transparency is needed.*** Public agencies involved in buying goods and services act in accordance with the five central principles that guide the use of public resources: (i) value for money—buy good quality and at the lowest price; (ii) competitive purchasing—let the whole market compete to supply government; (iii) efficient, effective, and ethical use of resources—eliminate waste and make only the proper use of government resources; (iv) accountability and transparency—make it clear what has been done and why it has been done; and (v) financial sustainability—the underlying fiscal strategy must be sustainable so that it can be continued into the foreseeable future without substantial amendment, particularly without sharp changes in tax rates or spending required to prevent a substantial deterioration in fiscal position. Performance has improved in terms of more frequent publication of contracts awarded by the Central Tender Board, but transparency is still low with regard to the justification provided for using restricted competitive procurement methods and to the lack of an independent appeals body. Procurement support is provided by the WBG at the project level and will continue during the CPF implementation. In addition, the WBG will seek opportunities to continue supporting the SIG's efforts to strengthen the public procurement system (for example, contributing to formulating rules and regulations on public procurement) in addition to project-level support.

Partnerships and Donor Coordination

90. ***The WBG is committed to working closely with development partners in Solomon Islands.*** A partnership approach has been critical to supporting the government through the CEWG in the past, which is being revived. As a provider of budget support, the World Bank actively participates in CEWG meetings. The WBG also participates in the monthly donor's forum for information sharing and close coordination, and in the twice-yearly SIG-Donors Forum. In particular, close collaboration has been established between the WBG, Australia, and ADB to monitor joint programs in the country. Periodic meetings are held to evaluate progress in project implementation, and joint missions are organized regularly. This collaboration will continue throughout the CPF period. The IFC tourism program has a strong partnership with DFAT and MFAT in-country posts, leveraging and coordinating respective program activities, in addition to the coordinating framework of the broader tourism working group. Annex 11 provides a summary of development partners' activities in Solomon Islands.

Brief Assessment of the Monitoring and Evaluation System

91. ***Monitoring and evaluation and statistical capacity have some shortcomings, but are improving.***

Analytical work conducted to prepare the SCD highlighted the need for more data and evidence to inform policy making and implement reforms. Some key knowledge gaps were filled during the preparation of the SCD, through staff analysis of the 2012/13 HIES, preparation of a Risk and Resilience Analysis, and preparation of background papers on urbanization and informal settlements, maritime and road transport, and the aviation sector. The HIES will be used to update the composition of the consumer basket and the development of a national CPI—as the current monthly CPI reflects Honiara prices only. Monthly fiscal data for the central government are published, and disbursement information on donors' grants is being collected. Monthly public debt data are published, and the quality of debt data has improved through better coordination between the MoFT and the Central Bank of Solomon Islands. However, the MoFT does not report revenue, expenditure, balance, and composition of financing for the general government because it does not currently have the capacity to compile such statistics. Recent technical assistance from the Pacific Financial Technical Assistance Center has led to improvements in national accounts at constant and current prices. GDP estimates through 2014 on the production and expenditure side were released in January 2016, and the Pacific Financial Technical Assistance Center will now provide technical assistance for rebasing the constant price accounts to 2012. In 2018, the National Statistical Office plans to use HIES findings to rebase GDP statistics to better reflect the current structure of the economy. Over the long term, the National Statistics Development Strategy (2015–35) identifies priorities and actions to be implemented in an effort to create a robust, sustainable, and well-coordinated national statistical system.

IV. MANAGING RISKS TO THE CPF PROGRAM

92. ***The overall risk to achieving the CPF objectives during the CPF period is assessed as substantial***

(Table 5). Five main risk areas linked to the implementation and achievement of anticipated results as outlined in the CPF and closely related to the main drivers of fragility in the Solomon Islands have been identified: (i) political instability; (ii) fiscal volatility/macroeconomic instability; (iii) weak implementation capacity; (iv) fiduciary; and (v) environmental and social risks. IFC investment will be constrained by the limited size and scalability of the private sector and the lack of credible sponsors. IFC's tourism program may be disproportionately affected if risks eventuate, since tourists are highly risk-averse and the sector may struggle to overcome negative perceptions and reporting in international media. Most of these risks are not new. These risks will be monitored throughout CPF implementation and, if needed, the CPF Performance and Learning Review (PLR) will be used to adjust CPF objectives.

93. ***Political and governance risk is assessed as substantial.*** The fluid political situation in Solomon Islands could negatively affect CPF implementation. The CPF period will cover at least one national election, and experience in Solomon Islands suggests that governments can often change between elections (see Paragraph 6). To take political uncertainty into account, CPF preparation included broad consultations to ensure that the proposed WBG program enjoys widespread support. Nevertheless, as a national election is planned in March 2019, risks associated with political volatility cannot be underestimated. Those risks are especially likely to affect reforms to be underpinned by the proposed DPO and to create uncertainty and delays in the implementation of the agreed program. This risk is being managed by stepping up technical assistance to economic management (with a Public Expenditure Review and a Country Economic Update under preparation) and by retaining flexibility with regard to the timing of the proposed DPO. In addition, should significant political and governance risks materialize, the WBG

would continue its dialogue with the SIG to reconfirm the CPF focus and program and, if required, the PLR would be used to adjust the program.

94. ***Macroeconomic risk is rated as substantial.*** This CPF will be implemented in a fragile fiscal environment. As indicated above (see Paragraph 60), the fiscal deficit has deteriorated over the last two years, and fiscal buffers have eroded substantially. The weakened fiscal position has heightened the economy's vulnerability to shocks, including natural disasters. The new government will need to reimpose fiscal discipline and introduce some fiscal adjustments—including revenue-raising measures and expenditure controls. While the SIG succeeded in eliminating domestic arrears in the first quarter of 2018, continued poor cash flow management poses an ongoing risk that these will recur. As a national election is expected to take place in early 2019, this risk is assessed as substantial. If the identified risks materialize, this would prevent or delay the SIG from implementing some priorities supported by the CPF, including public financial management reforms. To mitigate this risk, the WBG will continue to provide support to the SIG through the CEWG and technical assistance to strengthen economic management, and, if required, the CPF program will be adjusted accordingly. In the case of macroeconomic risks arising from an external fiscal shock, the Bank could potentially redirect the lending mix more toward development policy financing.

95. ***Solomon Islands has weak institutional capacity for project implementation.*** The current program is performing relatively well, with four out of six investments rated at least moderately satisfactory, and two projects rated moderately unsatisfactory. However, the SIG's limited capacity to prepare projects and limited oversight by central ministries impede portfolio performance. Portfolio performance since reengagement in the mid-2000s has been similarly reasonable, due in part to the country office's stronger on-the ground presence, but also to the use of experienced consultants in projects. This risk, rated as substantial, will be mitigated at the program design level through a focus on continuing engagement in areas in which the WBG has a strong track record. At the activity level, investments will be designed with a tight focus, avoiding complexity. Implementation support will be further enhanced. The WBG's significant on-the ground presence in Honiara will allow it to strengthen its day-to-day engagement on implementation issues. Intensive supervision and training to meet WBG fiduciary and procurement standards will be undertaken, alongside policy engagement through the DPO to improve public financial management. Finally, an Integrated Capacity Building Program for Pacific Island countries, currently under preparation, will be implemented in Solomon Islands, with a view to improving the speed and quality of project implementation (Box 6).

96. ***Fiduciary risks remain substantial.*** Country financial management and procurement systems have improved (see Paragraphs 88 and 89), but more transparency is needed. In particular, financial management capacity is weak across the Bank portfolio; funds flow arrangements are fragmented; parallel systems, including accounting, payroll, and reporting are maintained outside the government system; contract management is weak; and the Auditor-General's office lacks the capacity to audit World Bank projects. Under this CPF, the World Bank, in coordination with other key development partners, is considering helping Solomon Islands strengthen its fiduciary system by supporting actions aimed at improving the SIG's capacity to strengthen expenditure controls, cash management, and transparency in the use of public funds.

97. ***Environmental and social risks are substantial and could affect the achievement of CPF objectives.*** Solomon Islands' significant exposure to natural disasters, tropical storms, floods, and—to a lesser extent—cyclones could cause damage to the national economy and affect projects under implementation, especially those involving infrastructure works. These risks can exacerbate situations of

preexisting vulnerability, especially given weak institutional capacity, and thus act as an additional factor of fragility in the country. In addition, community ownership of land in Solomon Islands can be problematic when developing infrastructure projects that require land acquisition or long-term lease because, at times, it is not clear who owns the land. Disputes among families are common, especially if there is compensation associated with any development, which causes delays in achieving community agreement for the construction of infrastructure. As the CPF program is expected to increase focus on infrastructure investments, social and environmental safeguards risks may increase, with a possible slowdown in the preparation and implementation of operations. The WBG will ensure that adequate resources are available to apply and implement safeguards procedures—assuring compliance—and to build national capacity to better manage the environmental and social aspects of investments in infrastructure. In particular, attention will be paid to help the SIG design climate-resilient infrastructure, and intensive consultations with local communities will take place to win their support for infrastructure projects. Should a major environmental shock arise, the World Bank program would be restructured to respond to the disaster, and disaster risk financing instruments such as IDA’s Crisis Response Window. In addition, with a view to supporting *ex ante* preventive action, the SIG is being sensitized about the potential benefits of the Catastrophe Deferred Drawdown Option (CAT DDO).

Table 5. Risks to Solomon Islands CPF Objectives

Risk Categories	Rating (H, S, M, L)
1. Political and governance	S
2. Macroeconomic	S
3. Sector strategies and policies	M
4. Technical design of project or program	M
5. Institutional capacity for implementation and sustainability	S
6. Fiduciary	S
7. Environment and social	S
8. Stakeholders	M
9. Other	-
Overall	S

Annex 1. CPF Results Framework

Focus Area 1: Strengthening the Foundations of Well-Being

Definition of the Focus Area: Access to essential services is fundamental to well-being and has significant bearing on poverty reduction. The WBG will focus on key services that contribute directly to Solomon Islanders' livelihoods and economic development by increasing access to reliable energy and improving access to water supply and sanitation services.

Links between the Focus Area and the WBG Corporate Goals: The SCD recognizes that the economic geography of Solomon Islands adversely affects the provision of essential services such as water, sanitation, waste disposal, and energy. Since the population is scattered so thinly across a divided terrain, the cost of developing collective infrastructure is frequently prohibitive. Improving access to water and sanitation services will bring important benefits to the beneficiaries, especially women, in terms of health benefits and safety. Improving access to electricity will improve productivity at both the household and business levels.

Country Development Goals: Infrastructure development for water and sanitation and for energy will lead to efficient, effective, and high-quality service delivery, essential for both promoting economic growth and meeting the needs of the people.

CPF Objective 1.1: Improve renewable power generation and access to electricity

Intervention Logic: The availability and sustainability of power supply is a key concern in Solomon Islands. The majority of households with electricity have access through small solar panels, and only 12 percent of households have access to grid-connected electricity. Electricity consumption in Solomon Islands is the lowest in the Pacific region, due to a heavy reliance on imported diesel, the high cost of generation, and high retail tariffs.

WBG Support: WBG engagement will contribute to improving access to electricity and increasing renewable energy generation. IDA will support Solomon Power in implementing electricity access for low-income households through targeted subsidies and by providing support for additional mini-grids in areas that are currently not covered by electricity service—through the ongoing Electricity Access Expansion Project (EAEP) and the Solomon Islands Electricity Access and Renewable Energy Expansion project (SIEAREEP). To reduce dependency on diesel generation and increase the share of renewable energy, the Tina River Hydropower Development Project (TRHDP) will increase the generation capacity of the grid through hydropower, and SIEAREEP will support additional grid-connected solar generation capacity.³⁵ A parallel Community Benefit Sharing Pilot project will manage benefit streams from the TRHDP in the host communities and enhance the prospects for sustainability.

³⁵ The mini-grids under SIEAREEP will be developed through renewable energy technology—that is, mostly solar hybrid mini-grid.

CPF Objective Indicator ³⁶	Supplementary Indicator	WBG Program
<p>Indicator 1: Number of additional people provided with new or improved electricity service: Baseline: 0 (2017) Target: 24,000³⁷ (2023)</p> <p>Indicator 2: Annual electricity output from renewable energy sources Baseline: 1% (2017) Target: 68%³⁸ (2023)</p>	<p>Indicator 1: Transmission line constructed or rehabilitated³⁹ (km) Baseline: 0 km (2018) Target: 21 km (2023)</p> <p>Indicator 2: Number of GWh generated through hydropower and renewable sources <u>Hydropower</u>: Baseline: 0 (2018); Target: 78.3⁴⁰ GWh (2023) <u>Renewable Sources</u>: Baseline: 0 (2018); Target: 5.6⁴¹ GWh (2023)</p>	<p>Lending: Ongoing</p> <ul style="list-style-type: none"> - P100311-Solomon Islands Sustainable Energy Project (SISEP) - P151618-Electricity Access Expansion Project (EAEP GPOBA) - P161319-Tina River Hydropower Development Project (TRHDP) - P153986-Community Benefit Sharing Pilot Project (CBSP, FY18) <p>Lending: Indicative</p> <ul style="list-style-type: none"> - P162902-Solomon Islands Electricity Access and Renewable Energy Expansion project (SIEAREEP, FY18) - Possible Electricity Transmission Project (FY22) <p>ASA: Ongoing/Indicative: IFC Tina River C3P Project (28681)</p>
CPF Objective 1.2: Improve access to water supply and sanitation services		
<p>Intervention Logic: Limited access to clean water and sanitation are key causes of adverse health problems among the population in Solomon Islands. Only 13% of communities in 2015 had access to improved sanitation. Low access to clean water, sanitation, and adequate sewerage drainage increases morbidity and mortality related to waterborne diseases.</p> <p>WBG Support: The CPF program will support the SIG in implementing a five-year Water Action Plan, which intends to focus on extending water supply and sewerage systems in Honiara and other urban centers. In addition to infrastructure development, the IDA program will help strengthen the capacity of the national Solomon Islands Water Authority (SIWA) and improve sector governance. The ongoing Community Benefit Sharing Pilot project will help build water supply systems for targeted communities affected by the TRHDP. Analytical work will be</p>		

³⁶ To assess the achievement of objective 1.1, the two indicators measuring electricity generation and access will have the same weight.

³⁷ Including 9,000 from SIEAREEP and 15,000 from EAEP.

³⁸ From TRHDP and SIEAREEP.

³⁹ Under TRHDP.

⁴⁰ From TRHDP.

⁴¹ From SIEAREEP.

explored to identify viable options for service extension to peri-urban areas. World Bank engagement under this objective will contribute to increasing access to water supply and increasing sewerage coverage.		
CPF Objective Indicator	Supplementary Indicator	WBG Program
<p>Indicator 1: Number of additional people using climate- and disaster-resilient water supplies in targeted areas Baseline: 44,000 people (of which 12% female) (2018) Target: 70,000 people⁴² (of which 12% female) (2023)</p> <p>Indicator 2: SIWA sewerage coverage of residential and majority of nonresidential Honiara property Baseline: 10% (2017) Target: 20% (2022)</p> <p>Indicator 3: Number of additional people provided with access to improved sanitation services in targeted community⁴³ Baseline: 0 (2018) Target: 1,300 (2023)</p>	<p>Indicator 1: Additional capacity of treated water storage constructed in urban centers Baseline: 0 million liters (2017) Target: 12 million liters (2023)</p> <p>Indicator 2: Proportion of sewage discharged from Honiara's sewerage outfalls treated to at least primary treatment standards Honiara Baseline: 0% (2018) Target: 50% (2023)</p> <p>Indicator 3: Nonrevenue water in Honiara Baseline: 62% (2018) Target: 55% (2023)</p>	<p>Lending: Ongoing</p> <ul style="list-style-type: none"> - P153986-Community Benefit Sharing Pilot Project (CBSP) <p>Lending: Indicative</p> <ul style="list-style-type: none"> - P165872-Solomon Islands Water Supply Project <p>ASA: Ongoing/Indicative</p> <ul style="list-style-type: none"> - Analytical work on water service extension
<p style="text-align: center;">Focus Area 2. Promoting Inclusive and Sustainable Growth</p> <p>Definition of the Focus Area: Solomon Islands has experienced fiscal imbalances over the last three years, due to an increase in expenditures while revenues remained flat. The SIG needs to address this problem in the short term and enhance broad-based economic development to enable the economy to grow. The WBG will support the SIG's efforts to address macroeconomic vulnerabilities and enhance sustainable and inclusive growth. These objectives will be achieved by supporting the sectors identified as sources of sustainable growth—agriculture, fisheries, and tourism—and by helping improve the mining sector regulatory environment, considered to be a major potential source of growth in the short to medium term.</p>		

⁴² Including 66,000 people from the Solomon Islands Water Supply Project and 4,000 people from the Community Benefit Sharing Pilot Project. The Water Supply project targets 12,000 households in 2023, or 66,000 people using a conversion rate of 5.5 people per household, on average.

⁴³ By the Community Benefit Sharing Pilot Project.

Links between the Focus Area and the WBG Corporate Goals: The SCD shows that: (i) supporting stronger fiscal and expenditure management is crucial for growth, equity, security, and effective service delivery; (ii) productivity and resilience of subsistence and semi-commercial agriculture and fisheries will improve livelihood opportunities in both the rural and the urban population, which has the potential to underpin growth over the short term on a sustained basis; (iii) enhancing economic and earning opportunities in the tourism sector has significant potential to tap into the global economy; and (iv) spreading the benefits of mining through backward linkages and public expenditure will be essential to mitigate fiscal risks. This focus area will contribute to poverty reduction and shared prosperity through a strong focus on inclusive growth and the delivery of services to rural communities.

Country Development Goals: The NDS underscores the importance of sustained and inclusive economic growth, which includes improving economic management, increasing investment opportunities for all Solomon islanders through private sector-led growth, and increasing value-added in the productive sectors (agriculture, fisheries, and tourism).

Objective 2.1: Improve fiscal management

Intervention Logic: Solomon Islands' weakened fiscal position has heightened the economy's vulnerability to shocks. The fiscal deficit has widened over the last three years, as lower revenues and grants have not been met with expenditure restraint. Fiscal adjustment is needed, including revenue-raising measures and expenditure controls. While the SIG succeeded in eliminating domestic arrears in the first quarter of 2018, poor cash flow management poses an ongoing risk that these will recur. Greater transparency in expenditure management is needed to improve accountability and to identify gaps in the provision of services to the rural population. The implementation of sound public financial management reforms is expected to lead to greater spending efficiency.

WBG Support: The WBG will support the SIG in strengthening public expenditure and fiscal management through development policy operations (DPOs) and analytical work. In this regard, the World Bank will provide a DPO in early FY2020 to help the SIG enhance fiscal management, strengthen the transparency of public financial management, and enable drivers of economic growth. Another development policy financing will be considered in FY2021/2022.

CPF Objective Indicator	Supplementary Indicator	WBG Program
<p>Indicator 1: Level of fiscal deficit in % of GDP Baseline: 4.3% (2017) Target: less than 2% (2018 and beyond)</p> <p>Indicator 2: Level of fiscal reserves built (in months of recurrent spending) Baseline: about 0.7 month of recurrent spending (2017) Target: at least 2 months (2018 and beyond)</p>	<p>Indicator 1: Regulations required under the Public Financial Management Act (PFMA), including the (i) Financial Management Principles Regulations; (ii) Public Financial Ministerial and Official Responsibility Regulations; (iii) Regulations for the Authorization to Expend Public Monies; and (iv) Regulations for the Preparation of Public Accounts, are developed and enter into force Baseline: No (2017)</p>	<p>Financing: Indicative</p> <ul style="list-style-type: none"> - Development Policy Operation (FY20) - Development Policy Operation (FY21/22) <p>ASA: Ongoing/Indicative</p> <ul style="list-style-type: none"> - Participation in CEWG (ongoing) - P155136-Health PFM (ongoing) - P158417-Solomon Islands Governance Analytics (Ongoing) - Public Expenditure Review (FY19) - Country Economic Update (biannual)

	<p>Target: Yes (2019)</p> <p>Indicator 2: Cabinet approves the CDF Act regulations to improve transparency and effectiveness of CDF expenditure Baseline: No (2017) Target: Yes (2019)</p> <p>Indicator 3: A fiscal strategy to rebuild government cash reserves to protect the fiscal position against external shocks is approved by the Cabinet Baseline: No (2017) Target: Yes (2020)</p> <p>Indicator 4: The Customs and Excise Bill and the Tax Administration Bill have been adopted by the Parliament Baseline: No (2017) Target: Yes (2021)</p> <p>Indicator 5: Withholding tax collections increase Baseline: SI\$270 m (2017) Target: SI\$281 m (2019)</p>	
CPF Objective 2.2: Increase productive opportunities in agriculture		
<p>Intervention Logic: The agriculture sector continues to face a number of challenges such as declining soil fertility, lack of access to extension services, limited knowledge of sustainable agriculture practices, high transport costs, lack of access to markets and credit, and climate change. Facilitating the agriculture sector to improve productivity and income-generating opportunities is therefore crucial to accelerate growth.</p> <p>WBG Support: The CPF program aims to help improve productive opportunities in agriculture. Through the RDP II, the WBG will continue to support farming households to adapt to climate variability and climate change and to mitigate the impact of natural disasters. If requested by the SIG, the WBG would develop a new RDP and an agriculture project would be designed to boost agricultural activity and improve food and nutritional security at the household level, mainstream climate-smart agriculture, and develop livelihood opportunities.</p>		

CPF Objective Indicator	Supplementary Indicator	WBG Program
<p>Indicator 1: Increase in volume of agriculture produce sold by households engaging in agribusiness partnerships⁴⁴ (percent) Baseline: 0% (2018) Target: 15% (2020)</p> <p>Indicator 2: Number of male and female members of farming households engaged in productive partnerships with commercial enterprises⁴⁵ Baseline: 4,447 (2017) Target: 14,000 (2020)</p>	<p>Indicator 1: Number of agri-partnership members who adopted improved farming practices⁴⁶ Baseline: 0 (2018) Target: 7000 (of which 3,500 women) (2020)</p> <p>Indicator 2: Number of Solomon Islands businesses that have adopted gender-smart policies and practices: Baseline: 0 (2017) Target: 17 (2023)</p> <p>Indicator 3: Number of employees benefiting from improved gender policies and practices Baseline: 0 (2017) Target: 6,000 (2023)</p>	<p>Financing: Ongoing</p> <ul style="list-style-type: none"> - P149282-RDP II <p>Financing: Indicative</p> <ul style="list-style-type: none"> - Possible Agriculture project (FY21)⁴⁷
CPF Objective 2.3. Improve fishery production capacity		
<p>Intervention Logic: The fisheries sector is an important source of livelihoods, revenue generation, and sustenance for the people of Solomon Islands. Fisheries are being adversely affected by degradation of essential fish habitats, logging-induced sedimentation, sewage and solid waste pollution, mangrove clearing, destructive fishing practices, and coral mining. The country's coastal fisheries are overexploited due to the high dependency on fish consumption for the rapidly growing population and to high demand from Asian markets.</p> <p>WBG Support: A combination of lending and advisory services will support this objective. IFC will expand its support to SolTuna fish processing and National Fisheries Development to increase fish-processing capacity and strengthen environment and safety standards, which will help improve income opportunities in rural fishing communities. IFC will promote improved gender outcomes by strengthening female labor force participation in the tuna fisheries supply chain. IFC will work with the Ministry of Fisheries and Marine Resources to explore opportunities for private sector participation in the development of onshore processing facilities in Malaita (Bina Harbor). This effort will be complemented by</p>		

⁴⁴ Under RDP II.

⁴⁵ Under RDP II.

⁴⁶ Under RDP II.

⁴⁷ Results indicators will be revisited at the PLR stage, when/if the new project is prepared.

the IDA-financed Pacific Islands Regional Oceanscape Program (PROP), which is engaged in strengthening the management of tuna fisheries and enhancing the implementation of sustainable management of coastal fisheries.		
CPF Objective Indicator	Supplementary Indicator	WBG Program
Indicator 1: Volume of tuna caught ⁴⁸ Baseline: 24.7 MT (2018) Target: 30.7 MT (2023)	Indicator 1. A similar system to the Vessel Day Scheme ⁴⁹ is introduced for managing access to the tropical long-line fishery Baseline: No (2018) Target: Yes (2020) Indicator 2. Direct and indirect employment ⁵⁰ Baseline: 2,200 (of which women 1,260) Target: 2,400 (of which women 1,390)	Financing: Ongoing - P151777- PROP - IFC NFD (38435, 41221) ASA: Ongoing/Indicative - Possible Advisory Services for Bina Harbor Investment (Indicative IFC)
CPF Objective 2.4. Increase investments opportunities in tourism⁵¹		
<p>Intervention Logic: The tourism sector could provide viable ways for Solomon Islands to tap into the global economy and its potential for inclusive growth. The tourism industry has significant potential as a source of growth, particularly for gender-inclusive employment and backward linkages in agriculture and fisheries. In many Pacific islands, tourism is a major employer, particularly for women, but in Solomon Islands tourism and travel constitute only 4 percent of GDP, with some 2,000 jobs in tourism business.⁵² The sector faces significant constraints such as a lack of infrastructure and services, limited supply of high-quality tourism business, lack of skilled human resources, high cost of energy, and lack of investment opportunities. These constraints need to be addressed to catalyze significant tourism development.</p> <p>WBG Support: The WBG's engagement will concentrate on promoting the value of tourism to local business and communities, as well as on creating investment opportunities for Solomon Islands' tourism products. As an entry point, IFC is preparing a prefeasibility study for Western Province to identify what investors regard as the key constraints to investment and what the market potential could be, and a private sector-focused market assessment of tourism sector skills and training supply. This assessment will allow stakeholders and businesses to improve</p>		

⁴⁸ Tuna caught by National Fisheries Development. WBG intervention: IFC NFD Project.

⁴⁹ In 2009, the eight countries that are Parties to the Nauru Agreement introduced a vessel day scheme to manage access to the fishery. Each year, the signatory countries set the total catch limit needed to maintain a healthy fish stock and translate that catch limit into individual vessel fishing days, which are allocated to countries based on an agreed formula, and then the countries sell the days. The vessel days are valuable because they limit catch to sustainable levels of production and this scarcity has value that can be traded.

⁵⁰ NFD employment number. WBG intervention: IFC NFD project.

⁵¹ Investments to be facilitated by IFC in the tourism sector are predicated on critical assumptions (upstream advisory work). Indicators suggested to monitor objective 2.4 are purely indicative, and will need to be revisited at the PLR stage.

⁵² Solomon Islands Systematic Country Diagnostic (2017).

employee efficiency and future job potential. In addition, IFC will explore opportunities for small-scale infrastructure and power supply for Western Province with InfraVentures.		
CPF Objective Indicator	CPF Objective Indicator	CPF Objective Indicator
Indicator 1: Value of tourism financing facilitated Baseline: 0 (2018) Target: US\$ 2,000,000 (2023)	Indicator 1. Number of tourism jobs supported Baseline: 0 Target: 400 (of which women 200)	ASA: Ongoing/Indicative - Western Province Tourism prefeasibility study (IFC) - Pacific Tourism Program (IFC)
CPF Objective 2.5. Strengthen the mining sector regulatory framework		
<p>Intervention Logic: Over the medium term, the mining sector has significant opportunities to spur economic growth and fill the macroeconomic space currently occupied by logging. Mining is a complex sector, however, and is subject to significant risks, including macroeconomic risks, conflict over land issues and revenue sharing, and environmental risks. For the recently SIG-adopted National Minerals Policy (NMP) to be effective, its legislation, regulations, and institutional mandates need to be enacted and implemented following consultation with all stakeholders, especially landowners.</p> <p>WBG Support: The World Bank will help the SIG complete the initial legislative, institutional, and community engagement steps needed to implement the NMP. If this phase is successful, additional support will be provided to: (i) modernize the mineral tenements management system to assure fairness and attract responsible and capable miners; (ii) improve mine inspection to better enforce compliance with mine safety and proper mining practices; (iii) generate, collate, and manage valuable geodata to make better-informed decisions about allocating mineral rights; (iv) enhance revenue administration to avert revenue leakages; and (v) define and enforce appropriate environmental and social management standards. Moreover, the DPO scheduled for early FY2020 will support implementation of the mining policy.</p>		
CPF Objective Indicator	Supplementary Indicator	WBG Program
Indicator 1: Mining sector legislation consistent with the NMP is in place Baseline: No (2017) Target: Yes (2020)	Indicator 1: Mining sector legislation consistent with the NMP ⁵³ drafted by the Attorney-General's Office Baseline: No (2017) Target: Yes (2018)	Lending: Indicative - Development Policy Operation (FY20) ASA: Ongoing/Indicative - P157935- Programmatic Support for Mining Sector Governance (FY18)
Indicator 2: Percentage of mine sites inspected by the Ministry of Mines, Energy,	Indicator 2: Agreements with landowners are reached in the identified mining areas	

⁵³ The NMP has identified changes to the mining law that would be required, and has recommended a series of amendments to be passed.

<p>and Rural Electrification (MMERE) using the revised inspection guidelines Baseline: 0% (2017) Target: 50%</p> <p>Indicator 3: EITI validation achieved Baseline: suspension status (2017) Target: validation process recognizes at least moderate progress (2019)</p>	<p>Baseline: No (2017) Target: Yes (2019)</p> <p>Indicator 3: Number of mining-affected areas in which MMERE's outreach events have taken place Baseline: 0 (2017) Target: 5 (2020)</p>	
<p style="text-align: center;">Focus Area 3: Managing Uneven Development</p> <p>Definition of the Focus Area: Connecting people and their products to urban and other centers of growth increases economic growth itself, since the backward linkages increase the domestic value-added generated by the growth center. It also helps mitigate the exclusion engendered by uneven development, by enabling a larger set of people to benefit from the growth center. Similarly, improving service delivery in underserved communities contributes to improving their livelihoods. The CPF's third focus area will concentrate on helping the SIG address the challenges of managing uneven development through improving connectivity and improving service delivery in underserved communities.</p> <p>Links between the Focus Area and WBG Corporate Goals: The SCD recognizes that spreading the benefits of growth as widely as possible is critical to poverty reduction, shared prosperity, and the avoidance of further conflict. It is important to develop mechanisms to secure an appropriate share of returns from growth centers, for redistribution through public service delivery and infrastructure provision across the country.</p> <p>Country Development Goals: One of the SIG's medium-term goals is to adequately expand and upgrade weather-resilient infrastructure and utilities focused on access to productive resources and markets and to essential services.</p>		
<p>CPF Objective 3.1: Improve connectivity</p>		
<p>Intervention Logic: Connectivity of the urban service economy of Honiara as well as other growth centers is vital not only to the livelihoods of urban residents, but also to livelihoods in all communities connected with them by land, air, or sea. Similarly, the rural poor lack access to essential services and need market access for their products. Solomon Islands faces limited connectivity on all modes of transport infrastructure. The high transport costs that result from the country's small size, geographical dispersion, and poor-quality road network seriously constrain connectivity to nearby maritime transport points on the coast, urban centers, and airports. Transport infrastructure is vulnerable to climate change. Air transport plays a limited role in domestic connectivity due to its high cost. Access to the Internet is limited and costly, but the implementation of the Undersea Cable in 2019 is an opportunity to enhance service provision through the use of ICT.</p> <p>WBG Support: The World Bank will support climate-resilient transport infrastructure to link growth centers, contribute to tourism development, and provide access to markets. The Bank will provide investment support through the Solomon Islands Roads and Aviation Project (SIRAP),</p>		

<p>which aims to enhance operations of the Honiara International Airport and Munda Airport by making them compliant with international standards, and to improve road connectivity in Malaita Island. The project will finance climate-resilient infrastructure investments that will contribute to strengthening links between growth centers and provide access to markets for local economic development. The World Bank will provide assistance to identify actions to be implemented by the SIG for an optimal use of the Undersea Cable to be built in 2019.</p>		
CPF Objective Indicator	Supplementary Indicator	WBG Program
<p>Indicator 1: Number of days Honiara Airport is closed due to flooding Baseline: 8 (2014) Target: 0 (2023)</p> <p>Indicator 2: Length of roads in Malaita under regular long-term road maintenance Baseline: 0 km (2017) Target: 260 km (2023)</p> <p>Indicator 3: Percentage of women employed in routine road maintenance works Baseline: 0 (2018) Target: 50% (2023)</p>	<p>Indicator 1: Honiara runway resurfaced Baseline: No (2018) Target: Yes (2023)</p> <p>Indicator 2: Climate-resilient designs applied for road upgrading in Malaita Baseline: 0 km (2018) Target: 17 km (2023)</p> <p>Indicator 3: Number of bridges in Malaita rehabilitated to improved standards Baseline: 0 (2018) Target: 4 (2023)</p>	<p>Lending: Indicative</p> <ul style="list-style-type: none"> - P166622-Solomon Islands Road and Aviation Project (SIRAP) <p>ASA: Ongoing/Indicative</p> <ul style="list-style-type: none"> - Analytical work on the use of undersea cable for public service delivery (FY19) - Climate vulnerability assessment for Malaita Road Network (FY19)
<p>Objective 3.2: Improve access to service delivery in underserved communities.</p>		
<p>Intervention Logic: Solomon Islands faces a range of challenges in delivering effective local governance and services to its widely dispersed population. Service provision is poor in underserved communities of many peri-urban and rural areas. For most people, schools, police, and health posts of mixed quality are the only tangible evidence of the state. Within the country, an enduring driver of conflict is a sense of inequity between different provinces, the central government, and various interest groups. This suggests the need for a focus on institutions, systems, and programs that can support the equitable delivery of basic services across the country, especially in underserved communities.</p> <p>WBG Support: World Bank will support service delivery in Honiara, other key centers, and peri-urban areas to improve their livability through CDD projects such as RDP II, REP, CAUSE, CRISP, and CGGM. This will not only provide communities with infrastructure and services, but will also empower them to make their own decisions and have access to the formal government.</p>		

CPF Objective Indicator	Supplementary Indicator	WBG Program
<p>Indicator 1: Number of households that benefit from improved access to infrastructure, services, or markets Baseline: 3,879⁵⁴ (2017) Target: 41,218⁵⁵ (2023)</p> <p>Indicator 2: Number of people benefitting from job-focused interventions⁵⁶ Baseline: 0 (0) in 2017 Target: 5,600 (of which 2,800 female) (2023)</p> <p>Indicator 3: Percentage of beneficiaries from poor communities ranked as “highest priority” in the vulnerability index⁵⁷ Baseline: 0 % (2017) Target: 60 % (2018)</p> <p>Indicator 4: Number of provinces where support for community officers is reflected in the provincial government budget Baseline: 2 (2017) Target: 6 (2023)</p>	<p>Indicator 1: Number of community access infrastructure units constructed⁵⁸ Baseline: 0 (2017) Target: 136 (2023)</p> <p>Indicator 2: Number of labor days generated⁵⁹ Baseline: 0 (2017) Target: 209,000 (2023)</p> <p>Indicator 3: Length of roads maintained⁶⁰ Baseline: 0 km (2017) Target: 82.5 km (2023)</p>	<p>Financing: Ongoing</p> <ul style="list-style-type: none"> - P147005-Community Governance and Grievance Management Project (CGGM) - P149282-RDP II - P114987-REP - P112613-CRISP - P153986-Community Benefit Sharing Pilot Project <p>Financing: Indicative</p> <ul style="list-style-type: none"> - P161320-CAUSE (FY18) - Possible CGGM II (FY21)

⁵⁴ As of 2017, the number of people that benefitted from improved access to infrastructure, service,s or markets provided by RDP II was 19,398, or 3,879 households based on an average of 5.5 members per household.

⁵⁵ The target number of households is expected to be attained through CAUSE (15,000 households), RDP II (25,455 households), and CBSP (763 households), or 140,000 RDP II beneficiaries and 4,200 CBSP beneficiaries based on an average of 5.5 members per household.

⁵⁶ The target is expected to be achieved through CAUSE (5,300 beneficiaries) and CBSP (300 beneficiaries). The adoption of this indicator is required for all IDA-financed investment projects. In the context of IDA-financed operations, a beneficiary is defined as people or groups who directly derive benefits from an intervention.

⁵⁷ From CAUSE project.

⁵⁸ By CAUSE project.

⁵⁹ Under CAUSE program.

⁶⁰ From CAUSE project.

Annex 2. Solomon Islands FY13-FY17 Country Partnership Strategy Completion and Learning Review

Date of CPS: May 15, 2013 (Report No. 76349-SB discussed on June 13, 2013)

Date of CPS Performance and Learning Review: August 5, 2016 (Report No.105699-SB)

Completion and Learning Review Prepared by: Alema Siddiky with contribution from the country team members.

I. INTRODUCTION AND SUMMARY OF KEY FINDINGS

A. Introduction

1. **This Completion and Learning Review (CLR) evaluates the performance of the World Bank Group’s (WBG) Country Partnership Strategy (CPS) for Solomon Islands for FY13-FY17.** A Performance and Learning Review (PLR) that took place in August 2016 reaffirmed the validity of the CPS strategic areas of: (i) strengthening economic resilience and (ii) improving public service provision, underpinned by two cross cutting areas—embedding institutional resilience and addressing gender inequalities. The CLR evaluates the achievements of the CPS program outcomes as laid out in the revised results matrix, assesses the WBG’s performance in designing and implementing the CPS program, and draws lessons for the preparation of the forthcoming Country Partnership Framework (CPF).

B. CPS Context

2. **The CPS was designed at a time when Solomon Islands made significant progress in restoring stability following the conflict, known locally as “The tensions” from 1998 to 2003.** Macroeconomic and fiscal stability was restored, key government functions were reestablished and Solomon Islanders were increasingly taking leadership of government programs. Against this background, the CPS was intended to support Solomon Islands in pursuing sustainable and inclusive growth, increasing social and economic opportunities, and maintaining peace and stability. These elements were essential to avoid future conflicts and reduce fragility and poverty. The CPS was built around the engagement and experience of the prior Interim Strategy Note (ISN).

3. **During the CPS period, the country remained politically stable, despite devastating floods⁶¹ in April 2014 and change in government following election in late 2014.** The Regional Assistance Mission to Solomon Islands (RAMSI), which withdrew on June 30, 2017, has helped the government restore law and order and re-establish public institutions. Real GDP growth during the CPS period averaged around 2.8 percent, driven primarily by logging and public spending on infrastructure and services, and, to a lesser extent, by fisheries and agriculture—although logging production is projected to slow down in the medium term. The country continues to be subject to natural disasters and climate and weather-related events: the impact of Cyclone Raquel and El Niño caused a reduction in agricultural output. The new Solomon Islands Government (SIG) pursued expansionary fiscal policy to stimulate growth, which eroded its fiscal reserves, as SIG decided to not engage in a new Extended Credit Facility program with the International Monetary Fund (IMF) and in the context of budget support reduction—for details on the risks associated with this policy, see paragraph 31. The fiscal deficit widened from 0.2 percent of GDP in 2015 to 3.1 percent of GDP in 2016 and 4.3 percent in 2017, as lower revenues and grants were not

⁶¹ The flash floods in April 2014 caused extensive damage and disruption to economic activity, including the premature closing of the country’s only operating gold mine, bringing GDP growth down from a projected 4 percent to approximately 2 percent for 2014.

matched by expenditure restraint. Fiscal buffers have been significantly eroded from 4.4 months of recurrent spending in 2015 to just 0.8 months in 2017. As a result, the accumulation of payment arrears was estimated at just over 1 percent of GDP in end-2017.

4. Despite the significant gains, the Solomon Islands remains fragile both economically, socially and institutionally. Some challenges are common to other small Pacific island nations in fragile situations: limited economies of scale in public service delivery; high youth unemployment, thin public-sector capacity, vulnerability to external shocks, including terms of trade, natural disasters and climate change; considerable spatial inequalities; high dependency on aid; high import dependency and transport costs; a history of social unrest; and poor and limited infrastructure connectivity.

C. Summary of Evaluation and Ratings

5. The CLR rates the achievement of results, as amended by the CPS PLR, as Satisfactory. The CPS program implementation achieved most of the expected outcomes: out of 10 outcomes, 4 are rated *achieved*, 3 *mostly achieved* and 3 *partially achieved*; and 13 of the 18 results indicators across the two strategic areas are either *achieved* or *mostly achieved*. The WBG program made positive strides in the fisheries sector by helping the government strengthen their monitoring, control and surveillance systems, facilitating development of local capacity to manage coastal fisheries and increase household income levels in rural communities, increasing access to affordable and reliable telecommunication services, increasing access to rural infrastructure services, improving skills and access to employment opportunities for the vulnerable urban population, strengthening climate and disaster risk information systems, improving the reliability of energy supply and improving efficiency in public expenditure management in key sector agencies. However, the CPS program also faced challenges in reaching some objectives, particularly in the areas of strengthening the regulatory framework in the mining sector, promoting agriculture commercialization, reducing energy losses and contributing to improving sustainable management of offshore and inshore fisheries.

6. The WBG performance in designing and implementing the strategy is rated as Fair. The CPS design was aligned with government's priorities. The strategy reflected a shift away from short-term post conflict assistance through ISN towards support for the development of longer term foundations for poverty reduction and sustainable development. The CPS had selected interventions in the sectors where the WBG had a comparative advantage and deep understanding of fragile condition and experiences from the prior Interim Strategy Note (ISN). International Finance Corporation (IFC) activities were relevant and most of the activities contributed to Strategic Area 1 of Strengthening Economic Resilience. The cumulative portfolio commitments increased significantly from US\$16.5 million in FY13 to US\$85 million in FY17, while the number of operations increased from four to six.⁶² WBG effectively leveraged trust funds for financing projects, analytical and technical work. Some of the programs faced implementation challenges due to lack of realism, over ambitious project design, complex community procurement and thin capacity within the government. In addition, frequent changes of task team leaders, limited on-the ground presence and lack of understanding of government's capacity to implement projects negatively impacted the project outcomes. The risks identified by the CPS were moderately mitigated.

7. The WBG program focused on areas identified as critical for achieving the Twin Goals of reducing poverty and increasing shared prosperity in a sustainable manner. The CPS program design had a clear objective of addressing these through a strong focus on inclusive growth and delivery of services

⁶² This number excludes small Recipient-Executed Trust Funds operations (under US\$5 million).

to rural communities, which is reflected in more than half of the WBG operations. However, no data exists to capture poverty trends⁶³ during the CPS period.

II. CPS PROGRAM PERFORMANCE

8. This section provides a broad overview of the CPS program performance, based on 18 indicators measuring 10 outcomes under the CPS two strategic areas (See Table 1 below).⁶⁴ Across the two areas of WBG's engagement, seven out of ten outcomes/objectives are achieved or mostly achieved, and more than 72 percent of target indicators are either achieved or mostly achieved (13 out of 18 indicators). Only 11 percent (2 out of 18 indicators) were not achieved. A detailed review of performance by each CPS outcome is found in Annex 1.

Table 1: Overall achievement of CPS Outcomes

CPS Outcome	Overall outcome rating	Outcome Indicator Ratings			
		Achieved	Mostly Achieved	Partially Achieved	Not Achieved
Strategic Area 1: Strengthening Economic Resilience - Satisfactory					
1. Improved efficiency of expenditure management	Achieved	2			
2. Strengthened regulatory framework in the mining sector	Partially Achieved			1	1
3. Increased production capacity of fishing industry	Achieved	2			
4. Promote agricultural commercialization among small holder farmers.	Partially Achieved			1	
5. Improved reliability and efficiency of energy supply	Partially Achieved	2			1
6. Improved access to and reduced cost of ICT services	Mostly Achieved	1	1		
7. Improved resilience to climate change and natural hazards	Achieved	1	1		
Strategic Area 2: Improving Public Service Provision - Satisfactory					
8. Increased access to infrastructure and services in rural communities	Mostly Achieved	1		1	
9. Increased access to employment opportunities for urban population	Achieved	1			
10. Improved government support for a functional local justice mechanism	Mostly Achieved		1		
Overall Outcome Rating - Satisfactory	Satisfactory	10	3	3	2
Percentage of each rating level		56%	16%	17%	11%

Strategic Area 1: Strengthening Economic Resilience

Rating: Satisfactory

9. The CPS under this strategic area focused on supporting government in strengthening the enabling environment for inclusive growth through: (i) improving expenditure efficiency; (ii) strengthening

⁶³ The most recent estimate exists for the period 2005/6-2012/13: the SCD estimates that aggregate poverty appears to have declined by 8 percentage points between 2005/06 and 2012/13, from 22 percent to 14 percent.

⁶⁴ Outcome rating is based on the following guidelines: Achieved: target achieved 100 percent; Mostly Achieved: target achieved at least at 50 percent; Partially Achievement: target achieved at less than 50 percent; and Not achieved: no progress was made.

regulatory framework in the mining sector; (iii) increasing production capacity of the fishing industry; (iv) promoting agricultural commercialization; (v) improving reliability and efficiency of energy supply; (vi) improving access to and reducing the cost of ICT services; and (vii) improving resilience to climate change and natural hazards. A combination of budget support, investment lending, technical assistance and analytical work underpinned the WBG engagements in this area.

Outcome 1: Improved efficiency of expenditure management.

10. The outcome of improving fiscal efficiency of expenditure management was achieved. The Bank supported SIG in maintaining macro and fiscal stability, a critical component to strengthening economic resilience, through a programmatic series of two development policy operations (DPOs) followed by a standalone DPO in response to the 2014 flash floods, and policy dialogue coupled with regular economic monitoring and analysis. The Bank's technical assistance strengthened the capacity of key ministries⁶⁵ and central agencies in analyzing trends in public expenditure. Bank's technical assistance supported expenditure management through a Public Expenditure Review (PER) which introduced BOOST⁶⁶—a new data analysis tool which is now updated on a yearly basis by the MoFT. These initiatives resulted in an overall improvement in expenditure management over the years.

11. The Bank's support through DPOs improved policy reform by: (i) reforming key elements of the budget cycle and introducing new chart of accounts; (ii) improving the financial viability of key State Owned Enterprises (SOEs) by facilitating a debt settlement between two SOEs; (iii) formulating a lending policy to guide on-lending and issuance of guarantees to SOEs; (iv) improving the conditions for private sector investment through establishing a more transparent and strengthened procurement process; (v) promoting revenue transparency in extractive industries; (vi) strengthening the regulatory framework for extractive industries; and (vii) promoting transparency in processes for land transactions.

Outcome 2: Strengthened regulatory framework in the mining sector.

12. Strengthening the regulatory framework in the mining sector was partially achieved. A comprehensive package of technical assistance and policy dialogue was provided to improve institutional and capacity development, including: (i) updating the mineral development policy; and (ii) overhauling legal and regulatory framework. However, progress was made only on the first item. A National Minerals Policy (NMP) was prepared and endorsed by Cabinet in March 2017. However, amendments to the Mining law were delayed, as the NMP regulations are being drafted in early 2018. Overall implementation of the CPS objective was subject to governance risk where the electoral cycle affected policy engagement and counterpart's ability to implement the necessary reform. Solomon Islands became a candidate for the Extractive Industries Transparency Initiative (EITI) in 2014, and validation⁶⁷ began in July 2016. However, in March 2017, the EITI Board found that Solomon Islands had made inadequate progress in implementing the 2016 EITI Standard, which resulted in suspension from EITI, and asked Solomon Islands to take corrective actions, especially to address the failure to disclose revenue data from producing mines in the country and insufficient provision of data on licenses and contracts. A new validation process that commenced in March 2018 is underway to assess progress made. Under the new CPF, the Bank will

⁶⁵ Expenditure analysis was prepared for the ministries of agriculture, education, health, women and youth.

⁶⁶ The BOOST initiative was launched by the World Bank in 2010 to facilitate access to budget data and promote effective use for improved decision-making process, transparency and accountability.

⁶⁷ Validation is the EITI's quality assurance mechanism; it measures the progress countries have made in meeting the requirements of the EITI standards.

provide a technical assistance to support the legislative, institutional and community engagement steps needed to implement the NMP. In addition, the Bank will take up the EITI issue if there is SIG interest.

Outcome 3: Increased production capacity of fishing industry

13. Impressive results have been achieved in improving production capacity and economic opportunities of the fishing industry. IFC's strategic investment in the Solomon Islands SolTuna processor has facilitated the development of capacity to manage fisheries and to increase household income levels in rural communities. SolTuna fish processing plant in Noro, Western Province has improved operational efficiency and increased tuna processing capacity from 90 MT in 2013 to 120 MT in 2017. Income opportunities in the fishing industry also improved among the tuna processing employees, with the number of SolTuna employees increasing from 1,473 in 2013 to 2000 in 2017, of which 64 percent are women. The program also provided technical assistance to improve SolTuna supply chain and environmental and safety performance within fishing and processing operations. IFC also provided advisory services to help decrease absenteeism, improve financial literacy and reduce employee turnover. This has helped reduce SolTuna's employee absenteeism from 32 percent in 2015 to 18 percent in 2016. Additionally, in 2017, IFC jointly with Global Agriculture and Food Security Program provided a US\$10 million loan to National Fisheries Development Ltd. (NFD), SolTuna's sister company, to expand NFD's fleet. The investment into the fish catching operator will lead to the increased combined capacity of SolTuna and NFD to harvest, process and export fish, and is part of a continuing program of investment and advisory support in the fishing sector. A second, similar investment of US\$10 million was committed in 2018.

14. The Bank has complemented the above effort through Solomon Islands' participation in the Pacific Islands Regional Oceanscape Program (PROP) to improve sustainable management of oceanic and coastal fisheries. Implementation of the program has been slow due to delays in recruiting staff within the Ministry of Fisheries and Marine Resources (MFMR), lack of familiarity with the Bank's fiduciary procedures and limited Bank presence on the ground. However, important achievements have been made in helping government strengthen their monitoring, control and surveillance system by financing recruitment and training of 16 compliance inspectors to help Solomon Islands combat illegal, unreported and unregulated (IUU) fishing. This has contributed to the EU's decision to lift the Yellow Card permitting the Solomon Islands to retain access to the European Union Market, the world's biggest importer of fisheries products.

Outcome 4: Promoted agricultural commercialization among small holder farmers

15. Moderate progress has been made in promoting small holder farming households to engage in productive partnerships with commercial enterprises. The Bank's support⁶⁸ to the Ministry of Agriculture and Livestock (MAL) has assisted farmers through staff-training, activity planning and improved budget process. This has resulted in an increase in agricultural services where about 37,004 farmers—out of which 46 percent were women—participated in extension and training activities. The program also helped establish 20 new agriculture partnerships and engage 6,500 members of farming households. However, promoting farming households' engagement in productive agribusiness has been slower than anticipated during the CPS PLR. The delay was due to the considerable and unanticipated time to establish and modify the processes for selecting the new agribusiness partnerships. Despite the slow implementation, there is a strong demand from rural households and businesses engaged in various stages of agriculture value chains. In addition to linking value chain participants, agribusiness partnerships are providing additional services to members. In this regard, 72 small rural businesses have access to financial services through

⁶⁸ Through the Rural Development Program (RDP) and Second Rural Development Program (RDP II)

the Agriculture Supplemental Equity Facility (AESF). This has allowed rural enterprises to invest more significantly in their businesses activity.

Outcome 5: Improved reliability and efficiency of energy supply

16. Reliability of energy supply improved, but the reduction of energy losses was small. The CPS targets in this area have been partially achieved. The Bank's technical and financial support⁶⁹ contributed to improve financial, operational and engineering capacity of Solomon Power. The increased generation availability and improvements in the operational efficiency of the distribution grid, improved quality of service and reduced electricity outages in Honiara from 10 hours to 3 hours. In addition, electricity tariff was reduced, driven partly by the reduction in diesel prices and through revising the tariff methodology based on the cost-of-service study under SISEP. Tariff reduction was also enabled by improvements in Solomon Power financial performance. However, while Solomon Power managed to reduce losses, reduction stayed short of the CPS target of improving system losses. Losses reduction is only happening now after the planned investments in the network are done, and following the introduction of improved metering. Finally, the Solomon Islands Energy Access Expansion Project (SIEAEP) is supporting access to electricity services in low income areas. The program is in early stages of implementation.

17. The WBG engagement in the energy sector was further deepened through the investment financing for Tina River Hydropower Development Project (TRHDP). TRHDP aims to increase the share of renewable energy and to improve the reliability of electricity supply. The project is expected to generate 15 MW and increase renewable energy generation in Honiara Electricity System (HES) from 1 percent in 2016 to 85 percent in 2022. The IFC has acted as transaction advisor to SIG throughout the project preparation, ensuring to promote a bankable structure and transparent tender process. The negotiation of the power purchase agreement tariff between the private investor, SIG and Solomon Power is expected to be agreed upon in 2018. The project is being complemented by a parallel Community Benefit Sharing Pilot project which will demonstrate how host communities can also benefit equitably from large scale natural resources development projects and enhance prospects for sustainability.

Outcome 6: Improved access to and reduced cost of ICT services

18. Access to reliable and affordable telecommunications services has increased for most of the population. The Bank's engagement through investment lending operation⁷⁰ helped increase tele-density, decrease tariffs of key communications services, improve legal and regulatory framework and increase the level of competition in the ICT sector. Mobile coverage and affordability increase significantly in remote rural islands where 78 percent of the population resides. Mobile subscribers per 100 people increased from 55 percent in 2012 to 70 percent in 2016, and mobile network coverage increased from 11 percent to 93 percent between 2009 and 2016⁷¹. While the mobile penetration rate achieved in 2016 is below the CPS target, still this is a substantial achievement, given the logistical challenges of network rollout and maintenance in rural and remote islands.⁷² In addition, the Bank's technical assistance facilitated a stable regulatory environment for the introduction of mobile banking, enabling financial inclusion for the unbanked in all provinces, as well as in Honiara. The number of mobile banking users is estimated at around 24,500, including 15,500 previously unbanked. In parallel, IFC jointly with *Australia and New Zealand Banking Group* and *Bank South Pacific* has implemented its mobile banking program. The program was designed to support the increased roll out of mobile banking and financial literacy

⁶⁹ Solomon Islands Sustainable Energy Project (SISEP)

⁷⁰ Telecommunication and Information and Communications Technology (ICT) Development project

⁷¹ Telgeography Global Comms Database

⁷² Just before the CPS, mobile penetration rate rose from 21.9 percent of the population in 2010 to 51.1 percent in 2011. Liberalization of the market and regulatory authority establishment helped this increase.

programs to a further 65,000 Solomon Islanders previously excluded from traditional banking services. As part of this program, IFC assisted to improve access to phone banking in remote areas, as well as delivering dedicated financial literacy trainings, with a particular focus on women in rural communities.

Outcome 7: Improved resilience to climate change and natural hazards

19. Notable progress has been made in promoting an integrated approach to improve climate and disaster resilience. The Bank developed a comprehensive program to support the government in strengthening climate and disaster risk information and early warning for improved disaster preparedness capabilities. Steps have been initiated to integrate climate change and disaster risk reduction in government policies. The National Disaster Management Plan (NDM) has been adopted by the National Disaster Council (NDC), and the new operational arrangements for the NDM Plan are in place. A draft for institutional reform to establish a resilient Development Framework (RDF) to integrate Disaster Risk Reduction (DRR) and Climate Change Adaptation (CCA) has been prepared and is waiting endorsement by the Permanent Secretary. The emergency radio communication system is fully operational and was used to transmit tsunami warning messages to urban centers following a December 2016 earthquake, where warning messages were received 20 minutes after the earthquake struck. Progress has also been made with the establishment of a seismic monitoring network, with the equipment already procured, construction of four seismic stations is underway and the refurbishment of the seismic monitoring base station in Honiara has been completed. The Bank program also directly supported the selection, design and construction of climate resilient infrastructure which benefits 55,000 people in the targeted vulnerable communities.

Strategic Area 2: Improving Public Service Provision

Rating: Satisfactory

20. The WBG's objective under this strategic area was to help the government address equitable delivery of key public services focusing engagement on (i) increasing access to infrastructure services in rural communities; (ii) increasing access to employment opportunities for urban population; and (iii) improving government support for a functioning local justice mechanism. The results were mostly achieved.

Outcome 8: Increased access to infrastructure and services in rural communities

21. The performance in achieving the outcome related to increasing access to infrastructure and services in rural communities is substantial, but with delays. The Bank's support through the Rural Development Program (RDP) benefited 267,509 rural people with improved access to high priority, small scale infrastructure such as education, health, energy, water supply and transport. The average travel time to access improved water supply sources were reduced by 13.5 percent and the number of villages reporting satisfactory access to improved services has increased by 92 percent⁷³. Additional support provided under the RDP II is expected to reach 140,000 beneficiaries through more than 260 community sub-projects. To date, 43 sub-projects (33 percent of the target) have been completed, and 19,398 (including 9,684 women) have benefitted from access to community infrastructure and services, bringing up the combined number of RDP I and RDP II beneficiaries to 286,907, which is below the CPS target. Limited capacity of implementation committees, unavailability of in kind community contributions, delayed payment or/and reduction of expected counterpart contributions by SIG, incomplete delivery of construction supplies and lack of qualified contractors hindered the program implementation. Mitigating

⁷³ Calculated as a basket of services such as education, health, energy, water supply and transport weighted according to the percentage of subprojects types financed by RDP.

measures were identified to address these sources of delays, which requires extensive monitoring, community facilitation support and firm implementation deadlines. In addition, access to markets and services for 60,495 beneficiaries increased through improvements of all-weather climate resilient roads in targeted rural areas.

Outcome 9: Increased access to employment opportunities for urban population

22. The urban poor benefitted from increased access to employment opportunities. The Bank-supported Rapid Employment Project (REP) demonstrated solid performance in providing short-term employment opportunities and skills training program for unemployed residents in Honiara. The program effectively improved the social inclusion of vulnerable groups (59 percent of participants are from communities ranked highest priority in the vulnerability index), including unemployed women (53 percent) and youth (58 percent). The program has exceeded CPS targets, generated over 750,000 paid labor days, and provided short-term employment to 13,000 people in Honiara. The program also provided skills training to 12,000 participants and coaching to 1,600 persons. According to a recent survey, 70 percent of community leaders in the targeted areas have better access to services and markets due to REP infrastructure, and 81 percent reported that REP was useful in finding subsequent employment. In addition, about 62,000 beneficiaries have gained access to improved road works and community infrastructure in the targeted areas.

Outcome 10: Improved governance support for a functional local justice mechanism

23. The Bank's support in establishing community governance and grievance management capabilities at the village level made solid progress. Community Officers and Village Peace Wardens are now established and integrated into provincial government systems in Renbell and Makira provinces. In some communities, community officers have built additional linkages with other community governance and development structures by serving on Crime Prevention Committees (CPCs) or on community committees under the Rural Development Program (RDP). A recent Beneficiary Survey confirmed that 76 percent of citizens in the targeted communities reported a positive interaction with a community officer, a positive change in the community. Further, 59 percent of the citizens experienced improvements in the accessibility of community grievance management mechanisms, and 77 percent of citizens experienced improvements in their effectiveness. In addition, 68 percent of the citizens perceived improvements in linkages with government, primarily through improved linkages with police, but also through improved linkages with provincial authorities. The program also benefitted from analytical pieces⁷⁴ to inform policy dialogue on local disputes, justice, drivers of conflict, gender, intergovernmental relations and sustainability issues.

Cross-Cutting Areas

24. While progress has been made in mainstreaming gender into the WBG's portfolio, much remains to be done. Empowerment of women and gender access issues were incorporated over one third of the Bank's project with indicators that measure specific gender targets. They include: (i) women's equitable access to resources/services; (ii) increasing the number of women in local decision making; (iii) gender and client sensitivity among front line service providers for Gender Based Violence; and (iv) skills training and employment opportunities for women in vulnerable urban communities. The implementation of the RDP has significantly contributed to women's empowerment, where participatory approach has

⁷⁴ Nature of disputes in rural communities and pathways of resort, Gender and social inclusion strategy, Sustainability Study.

enabled women to influence decision making in their community projects and encouraged women to be more active in their communities. The implementation of the REP targets specifically women (60 percent) in the socialization campaigns and sensitized training, as well as monitoring of their participation during project implementation. In addition, IFC also provided financial literacy skills training⁷⁵ to 400 women and men working in SolTuna, the largest non-government employer. Moreover, IFC gender program launched the Solomon Islands Professional Women Network, a platform for Solomon Islands professional women to share their experiences and learn from each other. Additionally, IFC jointly with the Solomon Islands Chamber of Commerce and Industries launched a *Waka Mere program*. Through the program, Solomon Islands businesses implement measures to increase the share of women in leadership positions, to build respective and supportive workplaces for women and men, and to promote opportunities for women in non-traditional roles. Despite the good progress in mainstreaming gender in WBG-funded projects, there is need for prior, good quality gender analysis during project preparation for a better targeting of gender interventions.⁷⁶

25. The CPS supported institutional resilience through selective analytical and advisory activities to improve the expenditure efficiency, essential for improved public service delivery. The Bank's advisory support to improve sustainable health financing, including public financial management, significantly helped improve the Ministry of Health and Medical Services (MHMS) understanding and consideration of health financing issues faced by the health sector. In addition, annual updates of the Expenditure Analysis helped MHMS and the Ministry of Education and Human Resources Development improve equity and efficiency of resource allocation during the annual planning and budgeting process. In addition, the Bank provided implementation support to household income and expenditure survey (HIES) and technical assistance on poverty measurement and analysis, to better inform planning and policy.

III. WBG PERFORMANCE

26. The overall WBG performance for the CPS period is rated *Fair*. The CPS design was appropriate to support the foundations of a longer-term development, after a post-conflict period. The program was also adequate to support areas critical for inclusive growth and services delivery to the poor. However, despite delivering a strong program, with seven out of ten CPS outcomes *achieved or mostly achieved*, the overall performance of the portfolio was modest: at the beginning of the CPS, performance was satisfactory; however, towards the end of the CPS implementation, three out of six projects were rated as moderately unsatisfactory—as described in paragraph 34).

A. Design/Relevance of the CPS Program:

Rating: Good

27. Relevance. The CPS objectives remained highly relevant to Solomon Islands National Development Strategy (NDS) 2011-2020 and the NDS (2016-2035) which remained valid throughout the strategy period. The FY13-FY17 CPS is the WBG's first full country strategy prepared for Solomon Islands, following an ISN in 2010. A full strategy was an appropriate instrument, and it reflected both the WBG's enhanced understanding of and engagement in Solomon Islands, and the country's greater confidence in leading its own development agenda.

28. Design. The CPS design was intended to support Solomon Islands in promoting sustainable inclusive growth, increasing social and economic opportunities and maintaining peace and stability. Extensive consultations and deep understanding of the fragile conditions and development challenges

⁷⁵ Training Women in SolTuna (TWIST) program.

⁷⁶ A Gender Portfolio Review (June 2016) found that some projects have gender interventions without prior gender analysis; and that for those which undertook a gender analysis, the quality of analysis is inconsistent and weak.

underpinned the design of the strategy. The CPS was built upon the engagement and experiences of the prior ISN. It was prepared in coordination with government and key development partners to reflect the specific challenges—especially those related to geographical constraints, sustainable growth and state building. In addition to financing, the WBG added-value to Solomon Islands came from the expertise and experience of working in other fragile and capacity constrained countries. The CPS program also ensured that relevant WBG flexibilities for fragile and conflict affected situation (FCS) were applied, and additional implementation support was mobilized as needed.

29. Instruments. The WBG's program maintained selectivity, combining IDA resources with trust funds and IFC investments. The CPS planned objectives under the two strategic areas were supported by an appropriate balance between budget support, investment lending, technical assistance and analytical diagnostics in areas where the Bank had a distinct comparative advantage. IDA investments focused on areas where the Bank has deep operational and analytical experience (e.g., community driven development, energy efficiency, urban livelihoods/employment, fisheries and climate change infrastructure) and where it can leverage donor financing. The CPS also proposed specific areas where IFC's investments and advisory services could complement those of the Work Bank to achieve expected outcomes. A series of Development Policy Operation (DPO) supported government's key structural reforms. At the PLR stage, there was no major strategic shift in the CPS program.

30. Realism of Results. The original results matrix lacked relevance and could not be assessed in a few areas. The PLR introduced course correction and updated the results matrix accordingly. Key focus included (i) WBG deep engagement in the energy sector through its support to TRHDP and support for operational efficiency and financial sustainability of Solomon Power; (ii) addressing widespread access shortfalls, through a new Electricity Access Expansion project focusing on scaling up energy services to unconnected households in peri-urban areas; (iii) scaling up support to REP to strengthen focus on community driven urban services and small infrastructure projects directed at vulnerable urban communities in Honiara; and (iv) addressing rural livelihoods and access to services through RDP. In the analytical work area, the Bank continued to provide knowledge and technical support to improve the efficiency and allocation of resources in the health sector for improved service delivery; and initiated an analysis of the public-sector remuneration. The PLR reflected these adjustments.⁷⁷ The new focus improved the intervention logic underpinning the CPS objectives. The number of outcomes were streamlined from thirteen to ten to better reflect the actual scope of the WBG's engagement. Of the 24 original outcome indicators, 3 were revised, 11 dropped for improved measurement, attribution and clarity, and 5 new indicators were added to measure results and ensure consistency in the ongoing program.

31. Risks. Risks were identified correctly and remained relevant throughout the CPS period. The overall risk to the program was rated substantial. Among substantial risks, the CPS acknowledged: (i) political volatility; (ii) macroeconomic—slow growth in the mining and logging; (iii) weak technical, financial and human capacity; (iv) fiduciary risks; and (v) vulnerability to natural hazards. Both political and macroeconomic risks materialized after the elections, with the new government unwilling to engage in a follow-on program once the IMF Extended Credit Facility expired in end-2015. In parallel, the Bank's engagement in macro-fiscal policy dialogue also diminished significantly as evidenced by a discontinuation in the provision of budget support since 2015. The government's expansionary fiscal policy has significantly eroded cash buffers built up in the years following the global financial crisis. With cash reserves covering only 0.8 months of forward recurrent spending in 2017⁷⁸, Solomon Islands is ill-equipped to handle even a small shock, and this constitutes a substantial risk to macroeconomic stability.

⁷⁷ See PLR, Annex 2 for details on changes introduced in the results matrix.

⁷⁸ Below the IMF recommended level of at least 2 months

Institutional and fiduciary risks were moderately mitigated through the Bank team providing training and capacity building support to line ministries and project management units. In addition, WBG expanded on-the ground presence in Honiara, which also helped the day to day engagement in addressing implementation issues.

B. Implementation of the WBG Program

Rating: Fair

32. The WBG delivered a solid program of lending during the CPS period. The CPS IDA lending delivery between FY13 and FY17 was US\$78.8 million, which was much higher than originally⁷⁹ envisaged. In addition, grants totaling US\$19.9 million from other sources were also approved (see table 2 below). The CPS period covers both IDA16 (FY12-FY14) and IDA17 (FY15-FY17) replenishment periods. The FY13-FY17 lending program included two DPOs, and a number of investment project financing (see Annex 2 for the list of project approvals). IFC made a US\$9 million investment in the SolTuna Company and US10 million in NFD (committed in 2013) and two US\$10 million loans to NFD (committed in 2017 and 2018), evidence of continued IFC support to the sector.

Table 2: Summary of Projects Approvals during FY13-17

FY	IDA (US\$ m)	Other (US\$ m)	Total (US\$ m)
FY13	0.00	2.86	2.86
FY14	18.00	10.35	28.35
FY15	23.75	4.45	28.20
FY16	1.50	0.00	1.50
FY17	35.53	2.23	37.76
Total	78.78	19.88	98.66

33. Trust Fund resources served as a vital complement to the Bank's program supporting lending activities, advisory and analytical services. During the CPS period, a total of US\$19.9 million Recipient Executed Trust Fund (RETF) were signed. RETFs have co-financed operations in rural development, urban employment, fisheries, climate change, and community governance and grievance management, as well as supported Advisory and Analytics (ASA) activities in mining, health and governance (see Annex 3). These trust funds were fully coordinated and integrated into the portfolio and into the results framework of the CPS.

34. Overall performance of the portfolio has been modest, and implementation challenges remained in few areas. During the CPS period, Solomon Islands portfolio increased from four to six projects, with IDA cumulative commitments increasing from US\$16.65 million in FY13 to US\$85 million at the end of FY17. Disbursement has increased from US\$13.5 million to US\$22.5 million, with the investment financing disbursement ratio standing at 25.8 percent at the end of FY17 (see Annex 4). Overall portfolio at the beginning of the CPS was satisfactory; however, towards the end of the CPS implementation, challenges have affected portfolio performance, where three out of six projects were rated as moderately unsatisfactory, with three actual problem projects. Implementation of some of these projects are hampered by systemic issues such as: (i) limited technical capacity within the implementing agencies; (ii) unfamiliarity with Bank's fiduciary procedure and contract management; (iii) irregular and unreliable communication due to geographic dispersion; (iv) delay in procurement supplies and technical support due to distance, cost and time; (v) limited supervision from the Bank's side; (vi) frequent changes within the Bank's staff; and (vii) heavy transaction and administrative costs associated with preparation, implementation and closure of small grant activities. In a recent joint SIG-Bank portfolio review, SIG and

⁷⁹ The CPS envisaged US\$20 million from IDA16 and US\$20 million from IDA17, a total of US\$40 million.

Bank identified ways of addressing those issues, including proactive management of the portfolio through intensive supervision along with adequate technical and financial support to the project management units.

35. Knowledge program during the CPS period was provided in various areas. The analytical and advisory work mainly focused on poverty analysis; rural community infrastructure and service delivery; health sector financing analysis; costing of the national education action plan and labor market analysis; and diagnosis of local conflict drivers and dispute resolution mechanisms. A programmatic approach to analytical work on governance issues emerged, with the government's interest in supporting a problem driven approach to address bottlenecks in service delivery in health and public service remuneration. The health service delivery work is focusing on identifying binding constraints that, if relieved, will have the greatest potential to increase drug and immunization coverage. The remuneration analysis supports the government's overall pay and compensation reform plan, and will provide a detailed review and analysis of staff allowances and the identification of the governance, fiscal and policy challenges. Technical assistance was also provided to the government to improve analytical capabilities in public expenditure analysis, informing and supporting innovation aimed at enhancing access to justice and mitigating conflict, mainstreaming gender in fisheries, direct support program for CSO engagement in mining and post disaster needs assessment. IFC provided advisory services to improve the economic potential of the fishing industry, payment systems, mobile banking and the preparation of the Tina River Hydropower Development Project. The WBG also prepared a Systematic Country Diagnostic Study (SCD) to inform the preparation of the new CPF.

36. Donor Coordination and Partnership. SIG has developed an Aid Management and Development Cooperation Policy to ensure that the utilization of external resources is aligned with the objectives of the NDS for 2016-2035 and its five-year Medium-Term Development Plan (MTDP) for 2016-2020. The Policy reaffirms SIG's leadership in defining aid programs, and defines roles and responsibilities of government agencies in terms of resources mobilization and projects and programs implementation. The Policy is supported by a Partnership Framework that sets out how both SIG and Development Partners work together to promote development cooperation. A bi-annual joint SIG-Development Partners Forum takes place to assess progress in MTDP implementation. The World Bank has actively participated in those forums during the CPS period. In addition, the WBG has maintained close coordination and harmonization with development partners. The Bank, as one of the budget support providers, continued to actively participate in the Core Economic Working Group (CEWG) meetings.⁸⁰ WBG is also participating in the donor's meeting once a month for information sharing and close coordination with other partners. Moreover, the Bank joined other development partners in co-financing or parallel financing of key projects.⁸¹ Finally, in late 2016, close collaboration was formally established between WBG, Australian Department of Foreign Affairs and Trade (DFAT) and ADB⁸² to monitor joint programs in the country, and regular meetings are held to monitor progress in project implementation. This coordination with all partners will continue across the new CPF period.

⁸⁰ The CEWG is a joint government-development partners mechanism to improve coordination and dialogue, and to provide an avenue for better management of economic and fiscal challenges facing the country.

⁸¹ The Bank, Australia, the EU and the International Fund for Agricultural Development (IFAD) supported the RDP; Australia financed the Tina River Hydro Development project (TRHDP) preparation costs and the Community Grievance and Governance project; the Bank, Australia, the Government of Korea, the International Renewable Agency, Abu Dhabi Fund for Development, the Green Climate Fund and the Asian Development Bank (ADB) are co-financing the TRHDP; and, finally, the Japan Social Development Fund (JSDF) has financed the Community Benefit Sharing Pilot Project, complementing investment made in the TRHDP.

⁸² The three partners signed a five-year "Commitment on Development in the Pacific" on October 26, 2016.

37. The WBG mobilized a range of resources and instruments to enhance the viability and quality of the TRHDP. IFC provided transaction advisory service to SIG to attract a private developer through an international competitive process and negotiation with a pre-qualified bidder. IDA provided extensive technical support from feasibility, safeguard studies to engaging world class experts to help SIG design an attractive investment project. IDA also assisted the government in mobilizing concessional financing to cover the majority of the project cost, and MIGA undertook some early appraisal work on the possible provision of a guarantee to the private sponsors to address the risks inherent in investing in a relatively untested investment environment.

IV. ALIGNMENT WITH CORPORATE GOALS

38. The CPS portfolio was aligned in few critical areas that are binding constraints to poverty reduction and shared prosperity. A significant portion of the WBG program focused on rural areas where poverty and vulnerability are concentrated. Four out of the six projects targeted rural poor and vulnerable communities. Following are some notable examples: 1) the Rural Development Program is expected to benefit approximately 65,000 rural households from improved community driven rural services and investments to improve agricultural productivity and income; 2) the Rapid Employment project contributed to increasing income opportunities through the provision of short term employment to the urban poor; 3) Tina River Hydro Development Project is expected to make affordable electricity for low income households to lower their expenditures on electricity and enhance their income earning capacity; and 4) IFC's investment to SolTuna fishery manufacturing, the second largest private sector employer in the country, has generated increased fishing productive capacity and new jobs, particularly for women.

V. LESSONS LEARNED

39. Improving WBG's future portfolio performance requires continued attention to address key generic issues experienced in most of the projects. The CPS experience reveals that, broadly, project preparation and implementation have been mostly affected by low technical capacity, lack of knowledge of fiduciary procedures, geographic dispersion, limited Bank's supervision and rotations of task team leaders. Going forward, greater efforts need to be made to ensure project readiness before implementation begins.⁸³ Regular reviews of project implementation, including fiduciary issues, involving line ministries along with the MoFT can greatly enhance portfolio implementation.

40. Addressing capacity constraints requires Bank's support to help the Government to adapt to recent innovations. In a low income and FCS country with significant communications constraints such as the Solomon Islands, there is a tension between client capacity constraints and the Bank's increasing corporate requirements and technology-based systems for project implementation. In such a context, it will be important for the WBG to help the Government to adapt to recent innovations and changes in Bank engagement modalities (e.g., Project Procurement Strategy for Development-PPSD, Systematic Tracking of Exchanges in Procurement-STEP, Mandatory Direct Payment Pilot, and Environmental and Social Framework-ESF), and to maintain some flexibility with respect to the use of technology platforms, in order to mitigate risks of disruption to Bank-funded operations, and to maximize the benefits of these new approaches.

41. In Community-Driven Development (CDD) projects, simplified implementation procedures and central technical support helps mitigate the challenges of service delivery in remote rural areas and outer islands. RDP II implementation shows that establishing community-driven development is complex and time consuming, mainly due to lack of understanding of processes, complex and expensive

⁸³ For instance, by ensuring intensive involvement of fiduciary staff in project preparation.

procurement procedure and logistical issues due to the remoteness of islands. For the CDD approach to be successful, communities need to be motivated to manage their own development and be able to access the skills needed for implementation. However, as the successful experience of RDP, REP and CRISP shows, centralization of technical support and procurement is a critical factor in getting CDD projects moving. In particular, the REP was successful in delivering community infrastructure and services by adopting simplified planning, budgeting, implementation and disbursement procedures, and procurement was handled by the Project Management Unit (PMU) rather than communities. This has significantly reduced procurement times and improved results. Going forward, centralization of technical support and streamlined procedures could be replicated in projects implemented in remote areas, especially community investment projects.

42. World Bank should explore options for consolidating community-based investment activities in the future. Four relatively small CDD projects are currently under implementation. During the CPS period, the RDP II and the Community Resilience to Climate and Disaster project (CRISP) provided community based infrastructure in rural areas, while the Community Governance and Grievance Management project produced positive impact at the community level, and REP provided community infrastructure in peri-urban areas. To improve the administrative efficiency and reduce project overlaps, particularly in the context of IDA scale-up and the government's limited capacity⁸⁴ to implement projects, it would be worthwhile initiating a process of analysis and consultation on the objectives and modalities of these different engagements—including with the task teams, government counterparts and other stakeholders, with a view to recommending options going forward.

43. To strengthen projects ownership and participation, communication is vital. Projects ownership is not only needed at the government level, but, equally important, at the beneficiary level. As the process of negotiating with landowners under the TRHDP has shown, the more involvement of stakeholders and consultations held at critical milestones, the more cooperation the project/strategy received from stakeholders. In addition, as Bank-funded projects have national visibility and reputations risks when multiple donors are involved—this is the case for TRHDP, the communication function becomes key to manage stakeholders' relations. However, consultation requires proper expectation management, and, therefore, continued communication among stakeholders remains key to managing expectations. As national institutions and counterparts have limited experience of effective institutional communication, this needs to be included in project design, continually monitored and supported by the Bank. Similarly, experience shows the importance of developing succinct, clear messages from technical work for use by all parties in the context of reform dialogue, particularly in the very small setting with significant informal contact.

44. Land acquisition and land use arrangements, if not properly conducted, can delay implementation of investment projects. One of the major obstacles for infrastructure development in Solomon Islands is the difficulty of acquiring customary land for public investment projects. Past projects have failed to take off due to lack of agreement among tribal leaders on land use. For the TRHDP, WBG along with the government undertook intensive community engagement and followed the guidance of tribal leadership to identify rightful customary landowners. This lengthy indigenous identification process informed the statutory process of land acquisition and compensation, thereby reducing the risk of disagreement among the tribe's members. This process could be used as a model for potential infrastructure projects.

⁸⁴ As indicated in paragraph 34, attracting and retaining staff with adequate skills and experience in project implementation agencies is a key constraint for portfolio performance.

45. Without a strong government champion, WBG engagement in the mining sector will yield limited impact. Policy change is a long process, especially in a sensitive sector such as mining in Solomon Islands, where communities own about 90 percent of lands, and where lands ownership and revenue sharing will be involved. The limited success noted in strengthening the regulatory framework in the mining sector could be explained by limited Government's traction for reforms in the sector. The new government seems more open to reforms in the sector. Going forward, the adoption of the National Mining Policy (NMP) and WBG's support in its implementation may open the possibility of deeper engagement in the sector.

46. Budget support is more than a funds transfer to the Government Treasury. Budget support to fragile states should not be viewed as simply a transfer of financial resources; rather, it should be considered as a key element of an aid package that also includes evidence based policy dialogue, analytical work, technical assistance and capacity building activities. This lesson will be used in the preparation of future development policy operations.

Annex 1. CLR--Summary of CPS Program Self-Evaluation

CPS Outcomes and Indicators	Evaluation Status and Summary	Lessons Learned	WBG Program
Strategic Area 1: Strengthening Economic Resilience			
Outcome 1: Improved efficiency of expenditure management: Achieved			
1.1. Number of ministries spending over 10% of their original allocations decreases from a baseline of 10 in 2011 through to 2017	Achieved. The number of ministries spending over 10% of their original budget allocation decreased from 17 in 2011 to 14 in 2016 [The baseline number during the CPS changed from 10 to 17 in 2011].	Close working relations supporting an ongoing dialogue between the Bank and government counterparts improved the quality of Bank’s assistance. Despite a decrease in the frequency of CEWG meetings, close working level relationships with key government counterparts ensured ongoing implementation of the government reform efforts and provided technical assistance in analyzing trends in public expenditures.	Financing: DPO series [P1256740, P143242, P149886] (closed) ASA: CEWG dialogue (ongoing), Economic monitoring (ongoing) Line Ministry Expenditure Analysis (completed) Health Sector Support Program TA [P155136] Poverty mapping (indicative) Solomon Islands Governance Analytics [P158417] (ongoing)
1.2. Number of ministerial expenditure briefs included in Volume 1 of the annual budget documentation produced using new data analysis tools Baseline: 0; Target: 28	Achieved. One-page expenditure briefs for all ministries (and expenditure heads) have been included in the annual documentation –Volume 1 for every year since 2014.	Budget support to fragile states should not viewed as simply a transfer of financial resources rather it should be considered as a key element of an aid package that also includes evidence based policy dialogue, analytical work, technical assistance and capacity building activities.	
Outcome 2: Strengthened regulatory framework in the mining sector: Partially Achieved			
2.1. EITI validation achieved Baseline: candidate status	Not achieved. EITI validation began in 2016, and on March 8, 2017 the	Without strong champions within the Government and civil	Financing:

CPS Outcomes and Indicators	Evaluation Status and Summary	Lessons Learned	WBG Program
Target: validation process recognizes moderate progress	International EITI Board found that progress in implementing the EITI Standard was inadequate. A significant aspect of the requirement has not been implemented and the broader objective of the requirement is far from fulfilled.	society, mining governance will remain weak.	DPO series [P1256740, P143242, P149886] (<i>closed</i>) ASA: Mining TA second phase [P157935] (<i>ongoing</i>) Direct Support Program for CSO engagement in EITI [P131459] (<i>completed</i>)
2.2. Updated mineral development law and regulations in place. Baseline: No mineral policy. Target: Mineral Policy in place and amendments to the Mining law drafted	Partially Achieved. Consultations for a National Minerals Policy (NMP) took place in several provinces in October 2016, and the NMP drafted and approved by Cabinet in March 2017. However, amendments to the Mining law were not made, as the NMP regulations are being drafted.	Policy change is a long process, especially in a sensitive area such as mining, where community lands ownership and revenue sharing will be involved.	
Outcome 3: Increased production capacity of fishing industry: Achieved			
3.1. SolTuna employees increase from 1,473 to 2,000, 65% of which are women	Achieved. As of May 2017, the number of SolTuna employees increased to 2000 of which 64% are women. IFC has implemented number of advisory services in SolTuna to decrease absenteeism, improve financial literacy and reduce employee turnover.	Leveraging on IFC's expertise on advisory services can improve a firm's performance. IFC's gender program and SolTuna have worked together to address gender issues. These efforts have helped SolTuna with dramatic reduction of employee total absenteeism reduced from 32% in 2015 to 18% in 2016. The controllable absenteeism declined from 16% in 2015 to 12% in 2016	Financing: IFC investment in SolTuna (<i>ongoing</i>) Pacific Regional Oceanscape Program (PROP) [P151777] (<i>ongoing</i>) ASA: Pacific Gender Indicators in Fisheries [P146728] (<i>completed</i>)
3.2. SolTuna processing plant capacity increased	Achieved. SolTuna processing capacity increased to 120 MT per day.		

CPS Outcomes and Indicators	Evaluation Status and Summary	Lessons Learned	WBG Program
from 90 MT per day to 110-115 MT per day by 2017			
Outcome 4: Promoted agricultural commercialization among small holder farmers – Partially Achieved			
4.1. Number of agribusiness partnerships established Baseline: 0 (2015) Target: 46 (2017)	Partially Achieved. 20 agribusiness partnerships established. The implementation has been delayed due to the unanticipated time taken to establish and selecting agribusiness partnership. 84 Expressions of Interest (EOI) for Agribusiness Partnership Grants were received under the second call for EOIs. 25 of these Eois passed the screening and are currently developing full proposals. By February 2018, the number of agribusiness partnerships is expected to reach at 43-44.	Several positive features emerged from the implementation of the agribusiness partnership: (i) there is a strong demand from rural individuals and household businesses, intermediaries and other engaged in various stages of agriculture; (ii) agribusiness partnerships are providing host of additional services to members; (iii) selection and delivery process set-up by the project have evolved into a cost-effective mechanism for delivering support to agriculture value chains.	Financing: Second Rural Development Program [P149282] <i>(ongoing)</i> ASA: Agriculture Public Expenditure Review (indicative)
Outcome 5: Improved reliability and efficiency of energy supply – Partially Achieved			
5.1. Average outage duration for each customer served on the Honiara grid reduced from 10 to 3 hours	Achieved. Average outage duration in Honiara now at 3 hours.	Implementation capacity is thin and significant implementation support is required for all technical aspects of the projects. Intensive supervision is also required to ensure progress in project implementation.	Financing: Solomon Islands Sustainable Energy [P100311] <i>(ongoing)</i> Tina River Hydro Development (approved) Community Benefit Share (approved)
5.2. Maintain or reduce domestic tariffs (US\$5c/kWh)	Achieved. New tariff released in January 2017 showing 20% decrease in tariff for large commercial	Project design needs to be simple and adapted to the local capacity to implement, or	

CPS Outcomes and Indicators	Evaluation Status and Summary	Lessons Learned	WBG Program
	customers and between 4-10% decrease in tariff for residential customers.	otherwise need to match project complexity with technical assistance to go with it.	Electricity Access Expansion (approved) ASA: IFC Transaction Advisory for Tina River Hydro Project <i>(ongoing)</i>
5.3. System losses reduced from around 20% to 12% by 2017	Not Achieved. System losses stand at 18%.	Targets need to be realistic, keeping in mind implementation challenges.	
Outcome 6: Improved access to and reduced cost of ICT services- Mostly Achieved			
6.1. Increase in mobile penetration from 55% to 80% of population.	Mostly Achieved. Introduced sound competition among Sols operators on quality of services, prices and coverage. Mobile subscription per 100 people increased from 55% to 70% of the population between 2012 and 2016. This is a 15 percentage points increase from the baseline of 55% (2012). Mobile network coverage increased from 11% to 93% during that period.	The Bank team engaged closely with the government throughout the liberalization process and consisted technical staff that were experienced in similar projects internationally as well as within the region. This enabled the team to provide sound and tailored advice to the government throughout the preparation process.	Financing: Telecommunications and ICT Development Project [P113148] <i>(closed)</i>
6.2. Decrease in tariffs for local mobile calls, calls to Australia and 128kbps internet access)	Achieved. Reduced tariff for domestic voice and data (local mobile 3-minute rate reduced by 53%); price rate of calls to Australia reduced by 33%; 128kbps internet rates reduced by 36%.	Adequate emphasis needs to be placed on providing technical training and capacity to the counterparts.	
Outcome 7: Improved resilience to climate change and natural hazards- Achieved			
7.1. Disaster Risk Resilience and climate change adaptation incorporated into national and provincial planning baseline in at	Mostly Achieved. National Disaster Management Plan adopted by the NDC for final consultation with new operational arrangements already in	Risk mainstreaming across sectors remains difficult due to the lack of strong political will to integrate.	Financing: Community Resilience to Climate and Disaster Risk [P112613] (ongoing)

CPS Outcomes and Indicators	Evaluation Status and Summary	Lessons Learned	WBG Program
least two provinces (baseline=zero)	place since end-2016. Ministry of Health and Medical Services in incorporating resilience into their planning process. One provincial led pilot investment completed. Seven community resilient community led rural pilot investment projects completed.	Availability and accessibility of risk information across sectors is still limited.	Increasing Resilience to Climate Change and Natural Hazards Project (IRCCNH) [P129375] (<i>ongoing</i>) ASA: Pacific Catastrophe Risk Assessment and Financing Initiative (PCRAFI) [P133255] (<i>completed</i>) Post Disaster Needs Assessment for Solomon Islands Floods in Honiara [P150910] (<i>completed</i>) Donor Partners: Japan (PHRD); Global Environment Fund (GEF); GFDRR
7.2. Number of people with access to disaster risk and adaption investments ⁸⁵ in targeted rural communities Baseline: 2000 (2015) Target: 15,000 (2017)	Achieved. 45,908 beneficiaries that benefitted from CCA and DRR investments.	Working with communities on DRM and CCA activities is always challenging due to remoteness of sites, lack of transport services, small labor/supply market and difficulty of mobilizing communities due to disintegration of social and cultural structure in some places.	
Strategic Area 2: Improving Public Service Provision			
Outcome 8: Increased access to infrastructure and services⁸⁶ in rural communities- Mostly Achieved			
8.1. At least a 10% reduction in travel time to access rural services such as: Pre-primary and primary school, non-water supply health service, and water supply	Achieved. 13.5% decrease in travel time to access improved water supply sources with 92% increase in number of villages reporting satisfactory access to infrastructure and/or services.	Establishing community-driven development is complex and time consuming. It is important to develop effective procedures for community engagement in the design and implementation	Financing: Solomon Islands Rural Development Program [P089297] (<i>closed</i>) Second Rural Development

⁸⁵ Investments such as community shelters, water supply and storage systems, earthquake/cyclone retrofit strengthening building, foundation raising for flood alleviation and shoreline protection systems. These investments will be implemented up to four provinces.

⁸⁶ It includes water supply, health, education facilities, transport, energy etc.

CPS Outcomes and Indicators	Evaluation Status and Summary	Lessons Learned	WBG Program
<p>8.2. Additional number of household members have access to community infrastructure or services Baseline: 267,509 (o/w 90,473 female) (2015) Target: 352,509(o/w female: 132,973)</p>	<p>Partially Achieved. 286,902 people including 100,157 women have benefitted from access to community infrastructure or services. Additional 20,000 people (50% of which are women) are expected to benefit from the approved sub-grants by early 2018. Improved access to markets and services if around 60,495 beneficiaries through upgrading 40 kms of roads to all-weather climate resilient standards and rehabilitating about 104 kms of roads.</p>	<p>of rural infrastructure and service delivery. Equally, centralization of technical support and procurement is a critical factor in getting CDD projects moving.</p>	<p>Program [P149282] <i>(ongoing)</i></p> <p>ASA: Rural Community Infrastructure and Service Delivery [P131189] <i>(completed)</i> Agriculture Public Expenditure Review <i>(indicative)</i></p> <p>Donor Partners: Australia-DFAT, EU, International Fund for Agricultural Development, FPCR Core Multi Donor Trust Fund</p>
Outcome 9: Increased access to employment opportunities for urban population- Achieved			
<p>9.1. At least 300,000 additional labor days completed (in addition to 324,000 completed by 2012); 50% of beneficiaries are women, 33% youth.</p>	<p>Achieved. Cumulatively 748,654 labor days provided short term employment to over 12,600 people (53% women and 58% youth) with an average of 58 labor days per person. Pre-employment trainings delivered to 11,599 participants.</p>	<p>Mainstreaming and aligning project activities with implementing partner priorities has helped maximize development impact and ensure sustainability.</p>	<p>Financing: Rapid Employment Project [P114987] <i>(ongoing)</i></p> <p>ASA: Education Skills Advice [P147482] <i>(completed)</i></p> <p>Donor Partners: Pacific Regional Infrastructure Facility Trust Fund (PRIF),</p>

CPS Outcomes and Indicators	Evaluation Status and Summary	Lessons Learned	WBG Program
			State and Peace Building Fund (SPBF)
Outcome 10: Improved government support for a functioning local justice mechanism – Mostly Achieved			
10.1. Support for community officers reflected in budgetary allocations. Baseline: 0; Target: 4 provincial governments	Mostly achieved. Two provinces (Makira/Ulawa and Rennell and Belona) reflected support for community officers in their budgetary allocation. A Participation Agreement has been concluded and signed for a third Province (Malaita). Negotiations towards a Participation Agreement are underway for a fourth Province (Guadalcanal)	The ownership and commitment of the implementing agency, participating provinces and the project steering committee has been critical to ensuring the progress of the project, despite the implementation challenges resulting from the thin capacity of the PMU, diversity of provincial contexts in which the project operates and remoteness of some of the areas where the project operates. Closer operational partnerships with other relevant ministries (e.g. police, justice, finance, etc.) will be critical to the sustainability of the project going forward.	Financing: Community Governance and Grievance Management Project [P147005] (<i>ongoing</i>) ASA: Justice Delivered Locally [P122365] (<i>completed</i>) Managing Grievance and Conflict in Solomon Islands [P132587] ⁸⁷ (<i>completed</i>) Donor Partners: Australia-DFAT, Japan's Institutional Development Fund (IDF)

⁸⁷ The *Managing Grievance and Conflict in Solomon Islands* [P132587] delivered the following analytical pieces: (i) a Policy Note: Toward More Effective and Legitimate Institutions to Handle Problems of Justice in Solomon Islands; (ii) a Briefing Note: From Logging to Mining; and (iii) Institutional and Fiscal Review of Local Courts.

Annex 2. CLR--Lending Operations: Planned Vs Actual Approvals

FY	CPS Planned	Amount (US\$ m)			Amount (US\$ m)	
		IDA	TF		IDA	TF
FY13				P129375-Increasing Resilience to Climate Change		2.7
				P143772-Improving Services for Victims of Gender Based and Domestic Violence		0.1
FY14	Increasing Resilience to Climate Change and Natural Hazards		8.4			
	Community Officers (CO) Project		1.0			
	Mining Sector Phase II	4.0				
	Rural Development Program -AF	3.5	5.0	P089297-Rural Development Program-AF	3.0	
	Rapid Employment Program-AF		1.5	P149652-Rapid Employment Project-AF		1.8
				P149652-Rapid Employment AF		1.3
				P112613-Community Resilience to Climate and Disaster		7.3
	Sustainable Energy-AF		1.9	P100311-Sustainable Energy -AF	13.0	
	Development Policy Operation (DPO)			P143242-Development Policy Operation	2.0	
FY15	Pacific Regional Oceanscape Program (PROP)			P151777-Pacific Islands Regional Oceanscape Program	9.8	1.4
	Rural Development Program II	4.0		P149282-Rural Development Program II	9.0	
				P149886-S.I. Recovery Financing DPO	5.0	
				P147005-Community Governance and Grievance Management Project		3.1
	Telecoms and ICT Development	3.0				
	Tina Hydro Partial Risk Guarantee	4.0				
FY16	Rapid Employment Project II	3.0		P114987-Rapid Employment Project AF	1.5	
	Sustainable Energy II	2.0				
FY17	Electricity Access Expansion			P151618-Electricity Access Expansion		2.2
				P114987-Rapid Employment AF	1.9	
				P161319-Tina River Hydropower Dev. Project	33.6	
	Tina River Hydro Benefit Sharing					
Total		23.5	17.8		78.8	19.9

Annex 3. CLR--Planned and Actual Advisory Services and Analytics

CPS Engagement Areas	CPS Planned ASA	Actual ASA
Economic Resilience	<p>Economic Dialogue and Core Economic Working Group Agriculture Commodity scoping and options</p> <p>EITI Implementation TA</p> <p>Urban Land Governance TA IFC Transaction Advised for TRHDP</p>	<p>Economic Monitoring and Dialogue</p> <p>P150910-PDNA Solomon Islands Floods April 2014 P131459-Solomon Island CSO Engagement in EITI P157935-Mining TA</p> <p>IFC Transaction Advisory Services for TRHDP</p>
Service Delivery	<p>Justice Delivered Locally</p> <p>Rural Community Infrastructure and Service Delivery Report and TA</p> <p>Solomon Islands Line Ministry Expenditure Analysis Health Facility Costing Study Portfolio Gender Review</p>	<p>P122365-Justice Delivered Locally P132587-Managing Grievance and Conflict in Solomon Islands⁸⁸ P131189-Rural Infrastructure in Solomon Islands</p> <p>P147482-Education and Skills Advice P133136-Health Sector Support Program TA⁸⁹ P133136-Health Sector Support Program TA Gender Portfolio Review P146728-Pacific Gender Indicators in Fisheries</p>
Institutional Resilience (Cross-Cutting)	<p>Health Sector PFM Support TA Health Governance Diagnostic Poverty Assessment</p> <p>Just in Time Policy Notes on Pay Reform, fiscal sustainability Poverty Mapping Systematic Country Diagnostic</p>	<p>P133136-Health Sector Support Program TA</p> <p>Poverty Assessment Solomon Island HIES Support P158417-Solomon Islands Governance Analytics</p> <p>Poverty Mapping P161371-Systematic Country Diagnostic</p>

⁸⁸ Three deliverables were produced: (i) a Policy Note: Toward More Effective and Legitimate Institutions to Handle Problems of Justice in Solomon Islands; (ii) a Briefing Note: From Logging to Mining; and (iii) Institutional and Fiscal Review of Local Courts.

⁸⁹ Two deliverables: Line Ministry Expenditure Analysis; and Health Facility Costing Study

Annex 4. CLR--Solomon Islands—Portfolio Trends

Data as of	FY11	FY12	FY13	FY14	FY15	FY16	FY17
PORTFOLIO AND DISBURSEMENTS							
Active Projects #	5	5	4	5	6	5	6
Net Commitments Amt \$m	18.15	18.65	16.65	39.95	51.25	47.75	85.08
Total Disbursements \$m	5.43	11.08	13.53	18.67	14.16	13.52	22.50
Total Undisbursed Balance \$m	13.54	7.80	3.39	21.95	35.22	32.75	60.50
Disbursements in FY \$m	3.69	6.48	2.45	5.14	7.16	3.94	8.63
Disbursement Ratio for IPF only %	26.2	52.6	41.9	149.2	12.9	11.2	25.8
IBRD/IDA Disb Ratio	26.2	52.6	41.9	149.2	16.8	11.7	28.7
Slow Disbursements %	0.0	0.0	0.0	0.0	0.0	0.0	16.7
PORTFOLIO RISKINESS							
Actual Problem Project #	0	1	0	0	0	2	3
Problem Project %	0.0	20.0	0.0	0.0	0.0	40.0	50.0
Potential Problem Project #	3	3	1	0	1	1	1
Projects At Risk #	3	4	1	0	1	3	4
Projects At Risk %	60.0	80.0	25.0	0.0	16.7	60.0	66.7
Commitments At Risk \$m	8.70	16.65	4.00	.00	7.30	34.05	44.85
Commitments at Risk %	47.9	89.3	24.0	0.0	14.2	71.3	52.7
Proactivity %			100.0				50.0
IEG RATINGS (FY12 - FY15)							
# of Exits		1	1		3		
No. of Projects Evaluated by IEG		1	1		3		
IEG MS+ Outcome Sat %		100.0	100.0		100.0		
ICR Quality Sat %		100.0	100.0		50.0		
Net Disconnect %	0.0	0.0	0.0	0.0	0.0	0.0	
Bank Perf. MS+ @ Entry (%)		100.0	100.0		100.0		
Bank Perf. MS+ @ SPN (%)		0.0	100.0		100.0		
M&E Quality %		0.0	100.0		33.3		
Borrower Overall Performance % Sat		0.0	100.0		100.0		

Annex 3. Selected Indicators of Bank Portfolio Performance and Management

Data as of 4/12/2018	FY13	FY14	FY15	FY16	FY17	3/31/2018
PORTFOLIO AND DISBURSEMENTS						
Active Projects #	4	5	6	5	6	6
Net Commitments Amt \$m	16.65	39.95	51.25	47.75	85.08	85.08
Total Disbursements \$m	13.53	18.67	14.16	13.52	22.50	27.66
Total Undisbursed Balance \$m	3.39	21.95	35.22	32.75	60.50	56.04
Disbursements in FY \$m	2.45	5.14	7.16	3.94	8.63	5.16
Disbursement Ratio for IPF only %	41.9	149.2	12.9	11.2	25.8	8.4
IBRD/IDA Disb Ratio	41.9	149.2	16.8	11.7	28.7	6.3
Slow Disbursements %	0.0	0.0	0.0	0.0	16.7	0.0
PORTFOLIO RISKINESS						
Actual Problem Project #	0	0	0	2	3	3
Problem Project %	0.0	0.0	0.0	40.0	50.0	50.0
Potential Problem Project #	1	0	1	1	1	2
Projects At Risk #	1	0	1	3	4	5
Projects At Risk %	25.0	0.0	16.7	60.0	66.7	83.3
Commitments At Risk \$m	4.00	.00	7.30	34.05	44.85	78.48
Commitments at Risk %	24.0	0.0	14.2	71.3	52.7	92.2
Proactivity %	100.0				50.0	0
IEG RATINGS (FY12 - FY16)						
# of Exits	1		3	1		
No. of Projects Evaluated by IEG	1		3	1		
IEG MS+ Outcome Sat %	100.0		100.0	100.0		
ICR Quality Sat %	100.0		50.0	0.0		
Net Disconnect %	0.0	0.0	0.0	0.0	0.0	0.0
Bank Perf. MS+ @ Entry (%)	100.0		100.0	100.0		
Bank Perf. MS+ @ SPN (%)	100.0		100.0	100.0		
M&E Quality %	100.0		33.3	100.0		
Borrower Overall Performance % Sat	100.0		100.0	100.0		

Annex 4. Operations Portfolio (IBRD/IDA and Grants)

As of 02/28/2018

Closed Projects 14

IBRD/IDA*

Total Disbursed (Active)	23.16
of which has been repaid(1)	0.00
Total Disbursed (Closed)	25.47
of which has been repaid	17.74
Total Disbursed (Active + Closed)	48.63
of which has been repaid	17.74
Total Undisbursed (Active)	56.04
Total Undisbursed (Closed)	
Total Undisbursed (Active + Closed)	56.04

Active Projects

Project ID	Project Name	<u>Last ISR</u>			<u>Original Amount in US\$ Millions</u>				
		Supervision Rating		Fiscal Year	IBRD	IDA	Grants	Cancel.	Undisb.
		<u>Development Objectiv</u>	<u>Implementation Progress</u>						
P112613	CRISP	MU	MU	2014	0.0	0.0	9.1	0.0	4.8
P151777	PROP Solomon Islands	MU	MU	2015	0.0	9.8		0.0	8.2
P149282	Rural Development Program II	MU	MS	2015	0.0	9.0		0.0	0.0
P114987	SB - Rapid Employment Project	S	S	2010	0.0	6.6		0.0	0.5
P100311	SB-Solomon Islands Sustainable Energy	MS	MS	2009	0.0	17.0		0.0	8.8
P161319	Tina River Hydro Development Project	MS	MS	2017	0.0	33.6		0.0	33.8
Overall Result					0.0	76.0	9.1	0.0	56.0

* Disbursement data is updated at the end of the first week of the month.

a. Intended disbursements to date minus actual disbursements to date as projected at appraisal.

Annex 5. Statement of IFC's Held and Disbursed Portfolio

As of 02/28/2018

(In USD Millions)

		<u>Committed</u>					<u>Disbursed Outstanding</u>				
FY Approval	Company	Loan	Equity	**Quasi			Loan	Equity	**Quasi		
				Equity	*GT/RM	Participant			Equity	*GT/RM	Participant
FY17	NFD	4.69	0.00	0.00	0.00	0.00	4.69	0.00	0.00	0.00	0.00
FY13	SOLTUNA	5.54	0.00	0.00	0.00	0.00	5.54	0.00	0.00	0.00	0.00
Total Portfolio:		10.23	0.00	0.00	0.00	0.00	10.23	0.00	0.00	0.00	0.00

Annex 6. Summary of the CPF consultations

1. The Process

The World Bank Group in Solomon Islands maintains close working relationships with the government, local and international civil society organizations, the private sector and other development partners. The World Bank is an active member of the Core Economic Working Group (CEWG)—a consultative group made of representatives of key government ministries and key development partners, which advises the government on policy and institutional reforms—and participates in regular development partners coordination meetings.

Consultations on the Country Partnership Framework took place in two steps. The first step consisted in regular dialogue with the central government, including the Prime Minister’s Office, the MoFT, the Ministry of Development Planning and Aid Coordination and relevant line ministries, and regular discussions with other key development partners; this step led to the drafting of the concept note of the CPF. The second step of consultations took place in March 2018 with civil society organizations and academia, donors, the private sector, the central and provincial governments, and implementing agencies of IDA-financed projects. The latter consultation was combined with a review of the World Bank portfolio performance. These discussions provided inputs in the formulation of the final version of the CPF.

Given the range of views and priorities expected among stakeholders during the second step of consultations, these took place in 5 groups: (i) the first group included CSOs and Academia; (ii) the second was made of donors and UN agencies; (iii) the third group comprised the private sector; (iv) the fourth group included the central government ministries and provincial governments representatives; and the fifth group included representatives from implementing agencies of World Bank-funded projects.

In addition to the face-to-face consultations, an online consultation was organized. From late-March 2018, a summary of the draft CPF, together with a PowerPoint presentation relating to the CPF’s formulation, related key documents (e.g., SIG’s National Development Strategy, the WBG’s Solomon Islands Systematic Country Diagnostic, and an overview of the Country Partnership Framework) was made available online on the World Bank website and Facebook for review and comments from the public. However, there is no feedback yet.

2. Consultation Feedback

All participants found the CPF focus and objectives adequate. They broadly agreed with the proposed CPF focus areas and objectives, particularly the focus on managing uneven development and promoting inclusive and sustainable growth, as well as the key objectives of strengthening public expenditure and fiscal management, enhancing sustainable and inclusive growth in agriculture and fisheries, strengthening regulatory framework in the mining sector, and improving connectivity and service delivery to under-served communities. Participants also confirmed that the WBG’s CPF objectives are aligned with Solomon Islands’ development needs and SIG’s NDS and development priorities. There were, however, also requests for the World Bank to support lands management and forestry, provided that SIG take the lead in those areas. Feedback was provided not only on possible areas of engagement for this CPF, but also other potential areas for future engagement.

2.1. Feedback by key theme

Five consistent areas emerged from the consultations from most of the groups, namely: (i) economic management, public financial management and transparency; (ii) Lands management, mining and forestry; (iii) Need to spread economic development and opportunities to rural areas; and (v) Infrastructure.

Area 1: Economic Management, Public Financial Management and Transparency

Issues Raised by Many Participants

- Mismanagement of Community Development Funds (CDFs)
- Any aim to redirect CDF's for project funding only reinforcing reliance on CDFs
- Risk of using public funds for election campaigns
- Drain on public resources due to mismanagement
- Government belief in continued donor assistance, which undermines fiscal responsibility and accountability
- Rotation of MPs resulting in representatives with limited knowledge of the scale of development challenges facing the country.

Ideas to Address these Issues

- Frank acknowledgment of issue within planning documents
- More transparent use of CDFs
- Closer coordination with civil society
- Use of status of international organizations and donor organizations to influence change
- Improve access and engagement of public with economic reports and research from development organizations

Suggestions for Bank Involvement

- Prioritize improvement of the public financial management in supporting the Government
- Hold induction sessions with other donors for all new parliamentarians on the status of Solomon Islands' finances and development challenges
- Capacity building programs in rural areas that focus on educating citizens to demand clearer accountability from their elected representatives
- Make statements publicly to underscore awareness of problem
- Privately engage MPs and use status to highlight severity of issue
- More explicitly list corruption as a challenge in the CPF document
- Simplify language and concepts in economic reporting to increase understanding of economic issues amongst the wider Solomon Islands population
- World Bank to continue actively participating in the Core Economic Working Group.

Area 2: Lands Management, Mining and Forestry

Issues Raised by Participants

- Difficulty of land purchasing repeatedly raised by private sector
- National infrastructure development hindered by a disagreement over land transfer processes
- Bina Harbor and Auki Airport both provided as examples where the issue of lands is particularly pronounced
- Potential for land transfer issues to complicate opportunities and benefits from future extractive industries

Ideas to Address these Issues

- Help create an independent land commission to avoid vested interest representation [note: there is already a Lands Commission]
- Support strong policies in extractive industries (mining and forestry)
- Review difficulty of previous legislation that went unenforced in regard to land ownership and extractives, particularly in relation to logging

Suggestions for Bank Involvement

- A number of participants recognized limitations for international organizations, including the World Bank, in this area and suggested government leadership was critical
- Challenge of land ownership should be more prominently noted in relation to support for Bina Harbor in Malaita.
- Strengthen minerals policies regarding land ownership
- Support the creation of an independent land commission
- Coordinate more closely with other donor organizations to suggest to SIG a set of standards on land reform

Area 3: Need to spread economic development and opportunities to rural areas

Issues Raised by Participants

- Rural to urban migration and resulting underemployment in Honiara could undermine and threaten all development within Solomon Islands
- Lack of capacity and understanding of development issues within rural areas
- Too technical terminology excludes rural populations with less formal education to participate in discussions
- Make sure that the CPF does not disproportionately benefit urban areas of Solomon Islands

Ideas to Address these Issues

- Greater engagement in all provinces, including outside provincial capitals
- Ensure rural resource owners see more direct benefits from mines and access to other public services such as education, and key infrastructure

Suggestions for Bank Involvement

- Expand the Rapid Employment Project into rural populations.
- Simplify language around governance and development issues to increase participation in rural areas
- Focus new minerals and extractives policies to benefit rural resource owners

Area 4: Infrastructure

Suggestions for Bank Involvement

- The World Bank's move into the water sector, road transport, and aviation is welcome.
- World Bank is requested to help improve connectivity in Solomon Islands to maximize the benefits of the upcoming undersea cable.
- Undersea cable: world Bank could help SIG to better prepare the use of the upcoming undersea cable

- Suggest World Bank's support for telecommunications regulation

2.2. Summary of Consultations by Group

A. Consultation with Civil society organizations

(March 6, 2018)

Participants: CSO's and academic institutions represented in the consultations included Transparency Solomon Islands, The Solomon Islands Family Support Centre, Ilukim Sustainability (ISSI), Solomon Islands National University (SINU), the Central Bank of Solomon Islands (CBSI), the Media Association of Solomon Islands (MASI), Oxfam, Save the Children, SINCW, The Economic Associations of Solomon Islands (EASI) and Live and Learn, Solomon Islands.

On the draft CPF, the attendees provided the following feedback:

Area 1. Economic management, Public Financial Management and Capacity Building

- Public financial management is a crucial issue to engage with before any effective national development could take place
- Mismanagement/corruption of public funds is a risk in Solomon Islands.
- World Bank has a status and respect among the government, which should be used to affect how government uses financial resources.
- Corruption/Mismanagement should be noted as a challenge in the 'risks' section of the CPF

Area 2. Lands Management, Mining and Forestry

- Leadership of the Government is key to improving lands administration
- Land administration is a crucial issue to engage with before any effective national development could take place
- In the extractive industries (mining, logging), there is need to ensure resource owners see more direct benefits from mines, loggings, and have access to public services such as education and key public infrastructure.
- World Bank should engage in forestry/improving logging management

Area 3. Need to spread economic development and opportunities to rural areas

- There is need to ensure rural communities engage with the information shared by the World Bank; therefore, use simple messages and avoid too technical language
- The CPF would disproportionately benefit urban areas of Solomon Islands, unless progress was made with improving the government's use of Community Development Funds and mismanagement of funds at the provincial government level. This could be addressed by capacity building programs in rural areas that focused on educating citizens to demand clearer accountability from their elected representatives.
- The Rapid Employment Project in Honiara financed by the Bank was successful; the same needs to be done for rural populations.

Other

- World Bank should focus its support on a limited number of sectors;
- The Bank should avoid costly advisory services as the value of them is not immediately clear to governments and communities.

B. Consultation with Development Partners and UN Agencies:

(March 7, 2018)

Participants: Attendees included representatives from the Australian High Commission, the United States Consul, the British High Commission, the Japanese Embassy, the Asian Development Bank, UNICEF, the European Union, the South Pacific Commission, and the Japan International Cooperation Agency.

Participants provided the following feedback:

Area 1. Economic Management, Public Financial Management and Capacity Building

- World Bank should continue supporting the Core Economic Working Group.

Area 2. Lands Management, Mining and Forestry

- The issue of land ownership is crucial, and should be more prominently noted in relation to support for Bina Harbor in Malaita.
- The World Bank should continue to lead in the mining sector to help Solomon Islands' economy transition from logging to mining; the World Bank is encouraged to engage early with existing mechanisms such as the EITI as exposing the previously isolated sector to international norms may be beneficial. Some participants noted that a poor history of abiding by international agreements in the past had damaged the mining sector's attractiveness for investment.

Area 3. Infrastructure

- The World Bank's move into the water sector is welcome.
- World Bank is requested to help improve connectivity in Solomon Islands to maximize the benefits of the upcoming undersea cable.

Risks

- There is a risk of preparing the CPF just a year before the election; what happens if a new Government in 2019 changes policy direction? There is need to review the CPF following upcoming elections to adjust the plan based on the elected government program.

C. Consultation with representatives of the private sector:

(March 9, 2018)

Participants: Attendees included representatives from Solomon Islands Electricity Authority (SIEA), Kramer Ausenco Engineering, the China Civil Engineering Construction Corporation (CCECC), Pacific Islands Forum Fisheries Association, Gold Ridge Mining Limited, Wings, The Island Sun and Sun Printing, Kokonut Pacific Solomon Islands, Solomon Islands Chamber of Commerce, Morris and Sons, Elite Services Solomon Islands, Bred Bank and Blums.

Participants provided the following feedback/comments:

Area 1. Economic Management, Public Financial Management and Capacity Building

- Disruptions and delays in public sector payments for private services were cited as an issue that was damaging private sector activity and was a suggested area for reform.

- There is need for more capacity building for government agencies to implement development programs (such as Tina River Hydropower Development Project).
- Need for the World Bank to help reforms in the public procurement to improve procurement processes in infrastructure projects.
- Participants suggest the concept of an induction regarding development challenges and experiences for new parliamentarians following elections as a key opportunity to reach out to decision makers.
- World Bank should have more frank engagement with the government on factors inhibiting development within the country, including public service capacity shortfalls.
- Closer collaboration with the new Public Private Partnership Unit in the Ministry of Finance is needed.

Area 2. Lands Management, Mining and Forestry

- Land ownership and transfer reform was repeatedly cited as an area for more involvement from the World Bank from numerous representative;
- An independent land commission should be established to avoid vested interest representation. However, a number of representatives suggested leadership in relationship to land reform was required from government, not the World Bank.
- Donors should support help SIG create a set of standards regarding land ownership, transfers and purchasing norms.
- The World Bank should consider a review of why previous legislation relating to forestry was not implemented successfully.
- Representatives from extractive industries expressed strong support for minerals policy assistance from the World Bank.

Area 3. Need to spread economic development and opportunities to rural areas

- More involvement in provinces and rural areas was advocated by participants.

Area 4. Infrastructure

- Attendees also recognize limitations in areas the World Bank could engage in, but there is strong support for the World Bank's infrastructure development support plans.

D. Consultation with representatives from the Central Government and Provincial Governments

(March 21, 2018)

Participants: Attendees included permanent secretaries from the MoFT Development Planning and Aid Coordination (MDPAC), Fisheries and Marine Resources (MFMR), Tourism and Culture, Aviation and communication, executive secretaries from the Honiara City Council and Malaita, Makira-Ulawa, Rennell & Bellona, and Temotu provincial governments.

Participants provided the following feedback/comments:

Area 1. Economic Management, Public Financial Management and Capacity Building

- Low government capacity to implement projects is a risk; therefore, World Bank support for capacity building is needed
- World Bank should continue leading the Core Economic Working Group (CEWG)

Area 2. Lands Management, Mining and Forestry

- World Bank should support land reform, as land ownership is an impediment to investment;

- SIG also welcomed WBG TA in mining, and tourism
- Forestry and mining governance should be supported;

Area 3. Need to spread economic development and opportunities to rural areas

- Participants welcome World Bank financing for projects in outer islands (transport, REP and RDP)

Area 4. Infrastructure

- Support to road transport, aviation, water, budget support is welcome
- Undersea cable: world Bank could help SIG to better prepare the use of the upcoming undersea cable
- Suggest World Bank's support for telecommunications regulation
- Can the World Bank also support inter-islands shipping?

Other

- IFC involvement in the tourism sector is welcome;
- Participants commend the CPF consultation process;
- SIG appreciated the World Bank portfolio review; this exercise should take place regularly

E. Consultations with Implementing agencies of IDA-funded projects

(March 14, 2018)

During the portfolio review which took place from March 13 to 16, 2016, two hours were dedicated to the draft CPF presentation and consultations. Participants from projects implementing agencies and line ministries broadly agreed with all the CPF focus and objectives. In particular, they commended World Bank plan to finance projects in outer provinces.

Annex 7. The 2016-2035 NDS and MTDP for 2016-2020

NDS Objective One: Sustained and inclusive economic growth

- Medium Term Strategy 1: Reinvigorate and increase the rate of inclusive economic growth
- Medium Term Strategy 2: Improve the environment for private sector development and increase investment opportunities for all Solomon Islanders
- Medium Term Strategy 3: Expand and upgrade weather resilient infrastructure and utilities focused on access to productive resources and markets and to essential services
- Medium Term Strategy 4: Strengthen land reform and other programs to encourage economic development in urban, rural and customary lands

NDS Objective Two: Poverty alleviated across the whole of the Solomon Islands, basic needs addressed and food security improved; benefits of development more equitably distributed

- Medium Term Strategy 5: Alleviate poverty, improve provision of basic needs and increase food security.
- Medium Term Strategy 6: Increase employment and labor mobility opportunities in rural areas and improve the livelihoods of all Solomon Islanders
- Medium Term Strategy 7: Improve gender equality and support the disadvantaged and the vulnerable

NDS Objective Three: All Solomon Islanders have access to quality health and education

- Medium Term Strategy 8: Ensure all Solomon Islanders have access to quality health care; combat communicable and non-communicable diseases
- Medium Term Strategy 9: Ensure all Solomon Islanders can access quality education and the nation's manpower needs are sustainably met

NDS Objective Four: Resilient and environmentally sustainable development with effective disaster risk management, response and recovery

- Medium Term Strategy 10: Improve disaster and climate risk management, including prevention, risk reduction, preparedness, response and recovery as well as adaptation as part of resilient development
- Medium Term Strategy 11: Manage the environment in a sustainable resilient way and contribute to climate change mitigation

NDS Objective Five: Unified nation with stable and effective governance and public order

- Medium Term Strategy 12: Efficient and effective public service with a sound corporate culture
- Medium Term Strategy 13: Reduce corruption and improve governance at national, provincial and community levels
- Medium Term Strategy 14: Improve national unity and peace and promote cultural heritage at all levels
- Medium Term Strategy 15: Improve national security, law and order and foreign relations

Annex 8. Solomon Islands: Summary of SCD Priorities

SCD Tier 1 Priorities

Tier 1 priorities are priorities that are highly relevant to growth, equity and security with some possibility of achieving an alignment with the incentives of political elites. The four critical areas identified are:

- productivity and resilience of smallholder agriculture and fisheries, including their contribution to nutrition;
- effective functioning and connectivity of urban and other growth centers;
- effective mining governance and measures to spread the benefits of mining; and
- strengthened local level institutions

SCD Tier 2 Priorities

Tier 2 priorities are priorities that are highly relevant to growth, equity and security but where alignment is unlikely to be achievable in the near term. These areas are:

- provision of quality, basic education for all
- expanded access to water, sanitation and waste services;
- better quality health services for all;
- catalyzing significant tourism development;
- stronger fiscal and public expenditure management; and
- formal social protection system

SCD Tier 3 Priorities

Other priorities are priorities includes those where there is not much relevance to *security, growth and equity* where constraints are already being addressed reasonably successfully or where the extent of their misalignment with elite incentives effectively makes them non-starters. These are:

- expanded or higher tier access to electricity;
- increasing the share of rents secured from the oceanic fishery and sustainable management of fisheries;
- opportunities for international labor mobility;
- reforming customary land governance and public land administration;
- governance of CDFs; and
- strengthening forestry governance

Annex 9. Solomon Islands: Applying selectivity filters to SCD priorities to design the CPF Program

SCD Priorities mapped under CPF Focus Areas and Objectives	Priority Degree	NDS & MTS priority	Ongoing Program	SIG New Formal Request		Reflection in the CPF *
				Lending	TA/ASA	
Focus Area 1. Strengthening the Foundations of Well-being						
1.1. Improve renewable power generation and access to electricity						
- Expanded or higher tier access to electricity	Tier 3	NDS1, MTS 3	Yes	Yes	No	Yes, ongoing and IDA18 Lending
1.2. Improve access to water and sanitation services						
- Expanded access to water, sanitation and waste services	Tier 2	NDS 2, MTS 5	No	Yes	No	Yes, IDA18 Lending
Focus Area 2. Promoting Inclusive and Sustainable Growth						
2. 1. Improve fiscal management						
- Better quality health services for all	Tier 2	NDS 3, MTS 8	Modest	No	Yes	Yes, ASA
- Stronger fiscal and public expenditure management	Tier 2	NDS 1	No	Yes	Yes	Yes, IDA18 DPO
- Governance of CDFs	Tier 3	NDS 1	No	No	No	Yes, DPO disb. trigger
2.2. Increase productive opportunities in agriculture						
- Productivity and resilience of smallholder agriculture and fisheries, including their contribution to nutrition	Tier 1	NDS 1	Yes	Yes	No	Yes, ongoing and IDA19 Lending
2.3. Improve fishery production capacity						
- Productivity and resilience of smallholder agriculture and fisheries, including their contribution to nutrition	Tier 1	NDS 1	Yes	Yes	No	Yes, ongoing and IDA19 Lending
- Increasing the share of rents secured from the oceanic fishery and sustainable management of fisheries	Tier 3	NDS 1	Yes	No	No	Yes, ongoing program
2.4. Increase investment opportunities in tourism						
- Catalyzing significant tourism development	Tier 2	NDS1, MTS 2	No	No	Yes	Yes, IFC
2.5. Strengthen the mining sector regulatory framework						
- Effective mining governance and measures to spread the benefits of mining	Tier 1	NDS 1, MTS 2	No	No	Yes	Yes, ASA and DPO
Focus Area 3. Managing Uneven Development						
3.1. Improve connectivity						

SCD Priorities mapped under CPF Focus Areas and Objectives	Priority Degree	NDS & MTS priority	Ongoing Program	SIG New Formal Request		Reflection in the CPF *
				Lending	TA/ASA	
- Effective functioning and connectivity of urban and other growth centers	Tier 1	NDS 1, MTS 3	Yes	Yes	Yes	Yes, IDA18 Lending and ASA
3.2. Improve access to service delivery in underserved communities						
- Strengthened local level institutions	Tier 1	NDS 5	Yes	No	No	Yes, ongoing and IDA19 Lending
SCD Priorities not considered under the CPF						
- Provision of quality, basic education for all	Tier 2	NDS 3, MTS 9	No	No	No	No
- Formal social protection system	Tier 2	NDS 2	No	No	No	No
- Opportunities for international labor mobility	Tier 3	NDS 2, MTS 6	No	No	No	No
- Reforming customary land governance and public land administration	Tier 3	NDS 1, MTS 4	No	No	No	No
- Strengthening forestry governance	Tier 3	NDS 1	No	No	No	No

Annex 10. IDA18 Special Themes in Solomon Islands

Climate and disaster risks. Solomon Islands is highly vulnerable to natural disasters that include cyclones, floods, droughts, earthquakes, tsunamis, landslides, and volcanoes. The country is expected to incur an average US\$20 million per year in losses due to earthquakes and tropical cyclones. The Emergency Events Database (EM-DAT), an international disaster database, shows that for the past twenty-seven years (1980-2016), the country's largest damage from natural disasters was 14 percent of GDP. In April 2014, flash flooding in Guadalcanal Province was estimated to have displaced 10,000 people and caused damages and losses equivalent to 9 percent of the GDP. In the next 50 years, estimates show that the Solomon Islands has a 50 percent chance of losing more than US\$240 million to natural hazard events and suffering more than 1,600 casualties.⁹⁰ SIG has taken steps to increase resilience and reduce risk from natural hazards and climate change, including developing a Climate Change Policy (2012), and undertaking legislation and institutional reforms in its five-year Strategic Priorities (2015-2020) to create an enabling environment for climate change mitigation, adaptation, and disaster risk reduction. Finally, SIG's Intended Nationally Determined Contribution (INDC) is to reduce GHG emission by 18,800 tons of carbon dioxide equivalent (tCO₂eq) per year by 2025 and by 31,125 tCO₂eq per year by 2030. The Solomon Islands National Adaptation Program of Action (NAPA) has determined, through a broad national consultative process, that agriculture and food security, human settlements, water and sanitation and human health are priority vulnerable sectors requiring urgent support to enhance resilience against the predicted impacts of climate change. World Bank has been supporting SIG in this area and will continue to do so during the CPF period through the ongoing Community Resilience to Climate and Disaster Risk (CRISP), the Increasing Resilience to Climate Change and Natural Hazards Project (IRCCNH), RDP and TRHDP.

Risk and Resilience Assessment. The Solomon Islands Risk and Resilience Assessment⁹¹ suggested four broad principles that could guide the approach the Bank takes in engaging with the country: (i) potential engagements should be carefully screened for fragility risks, upstream; (ii) projects should account for the specific economic geography and political economy of Solomon Islands; (iii) trade-offs between immediate project effectiveness and the broader implications for state capability of parallel systems should be explicitly accounted for; and (iv) engagements should follow an iterative approach to addressing the identified development problems. These principles were implicitly applied in responding to SIG's request for support, as SIG emphasized that Bank's investment should not be concentrated in Honiara, but spread to outer islands, especially those with significant population size, to expand benefits and the State's presence to those islands, but also to mitigate the risks of potential conflicts over the State's resources sharing. In addition, to contribute to building Solomon Islands institutions, the CPF program will support (i) public financial management through the DPO and the assistance provided to the health sector; (ii) public resource management and enhanced accountability mechanisms in the mining sector; and (iii) capacity building in the energy, water, road transport and aviation. Each project proposed during the CPF period will need to specify how they intend to address governance concerns.

Gender. Gender has been mainstreamed into the WBG Program under the past CPS, and will remain a key priority of this CPF. In this context, the WBG will build on existing gains and strive to improve better outcomes for both men and women. The CPF will focus upon several key areas: (i) ensuring that the use of major infrastructure projects that address the problems of low connectivity in the areas of energy, transport and water and sanitation equally benefit women and men, and provides equal work and

⁹⁰ GFDRR, Solomon Islands, accessed 5 March 2018, <<https://www.gfdr.org/en/solomon-islands>>

⁹¹ Solomon Islands Risk and Resilience Assessment (2017), background paper prepared for the Solomon Islands Systematic Country Diagnostic, World Bank Group.

business opportunities which the projects create to both genders; (ii) ensuring that the Bank's support for enhanced service delivery identifies, provides for and monitors the access of such services to men, women and children and institutionalizes these practices as much as possible into government, private industry and community practices; iii) ensuring that gender equality outcomes are targeted in WBG programs that support government policies promoting inclusive and sustainable growth; and (iv) identifying and delivering selective 'niche' interventions that address significant problems such as the challenge of gender-based violence. Going forward, gender-based violence prevention and grievance redress mechanisms will be introduced in the implementation of the WBG program, especially in the infrastructure projects, especially in the Solomon Islands Road and Aviation Project, CAUSE and the Electricity Access and Renewable Energy Expansion Project, with the objective of preventing, mitigating, and addressing gender-based violence and violence against children in the projects. A gender-based violence needs analysis is being prepared as part of preparation of this CPF and as a contributor to completion of a Country Gender Action Plan.

Annex 11. Summary of development partners activities in Solomon Islands

Solomon Islands National Development Strategy (NDS) Objective	Sector	ADB	Australia	Japan	New Zealand	Pacific Com.	UNDP	UNICEF	UNFPA	UN Women	WHO	WBG
One: Sustained and inclusive economic growth	Agri., Fish., and Forestry		X	X		X						X
	Aviation			X	X							
	Economic Growth		X	X		X	X					X
	Energy	X	X	X	X	X						X
	Mining					X						X
	Revenue		X		X							
	Labor Mobility		X		X							
	Telecommunications		X	X								
	Transport	X	X	X		X						
	Tourism		X	X	X							X
Two: Poverty alleviated across the whole of the Solomon Islands, basic needs addressed and food security improved; benefits of development more equitably distributed	Health		X	X		X		X	X		X	
	WASH	X	X					X				
	Gender equality		X			X		X	X	X		
Three: All Solomon Islanders have access to quality social services, including education and health	Education	X	X	X	X	X		X				
Four: Resilient and environmentally sustainable development with effective disaster risk management	Climate Change/DRR		X			X	X	X			X	X
	Environment			X		X	X					
	Humanitarian		X					X		X		
	Rural Development		X			X						X
Five: Unified nation with stable and effective governance and public order	Gender Equality		X			X	X		X	X		
	Governance & PFM	X	X				X					X
	Justice & Policing		X		X	X				X		
	Peace Building						X					
	Youth				X	X	X	X	X	X		

Source: Joint Solomon Islands Government-Development Partners Dialogue, Honiara, May 17, 2018

Australia is the largest provider of Official Development Assistance (ODA) to Solomon Islands, providing almost two thirds of DAC bilateral overseas aid in 2016-17. In 2017-18, total Australian ODA to Solomon Islands is estimated at AU\$142.2 million, of which AU\$92.7 is bilateral funding managed by the Department of Foreign Affairs and Trade (DFAT). Australia's program focuses on three strategic objectives as outlined in the Aid Investment Plan (AIP) for 2015–16 to 2018–19: (i) Supporting stability; (ii) Enabling economic growth and (iii) Enhancing human development. The three strategic objectives are aligned with the Solomon Islands National Development Strategy and are mutually reinforcing. Over the life of the AIP, Australia will continue to adjust the relative weight of its programming between these three objectives as Solomon Islands continues to recover from conflict. This will be achieved mainly through a gradual and careful shift out of aid investments that underpin stability and prevent wealth destruction, and into investments that directly facilitate economic growth and enable wealth creation. Australia will also help achieve outcomes for women and girls in Solomon Islands by integrating effective responses to gender inequality into new and existing programs. Following the conclusion of the Regional Assistance Mission to Solomon Islands (RAMSI) on June 30, 2017, Australia's commitment to peace and stability in Solomon Islands continues through investment of AU\$141 million over four years in new programs in policing, justice and governance. Australia's support is enabling economic growth through investments in transport, infrastructure, energy, water, private sector, rural development and skills development. Australia delivers almost a quarter of the bilateral aid managed by DFAT through Solomon Islands government systems. Australia's budget support to the Ministries of Education and Health help deliver basic education and health services to all nine provinces in Solomon Islands.

Japan has provided assistance to Solomon Islands since independence. Based on the Solomon Islands National Development Strategy and assistance policy spelled in the Pacific Islands Leaders Meeting, held once in three years since 1997, the Government of Japan provides assistance for the economic and social sectors to improve the living standard and sustainable economic development, including infrastructure, improvement of social services and environmental conservation and climate change. Japan's 2012 Country Assistance Policy focuses on the themes of: (i) overcoming vulnerability; (ii) strengthening economic growth; (iii) improving medical services; (iv) education, particularly through scholarships; and (v) environmental conservation and climate change adaptation. Japan has provided an average of US\$12.5million in grant aid and technical assistance to Solomon Islands per year since 2005. Major current investments include the ongoing upgrade of the Kukum highway, the project for upgrading of Honiara International Airport, Honiara Transport Master Plan, External Ex-Post Evaluation for Project for Improvement of Water Supply System in Honiara and Auki, and the project for the Improvement of Radio Broadcasting Network for Administration of Disaster Prevention in Solomon Islands. Japan's aid allocation for Solomon Islands was Yen 635 million in 2013/14, Yen 1,184 million in 2014/15 and Yen 3,000 million in 2015/16.

New Zealand. Solomon Islands is one of the largest bilateral recipients of New Zealand development assistance, with an allocation of NZD55 million for 2015/16-2017/18 triennium. This is complemented by additional funding from contestable and regional program funding, including contributions to regional organizations. New Zealand Aid Program funding for Solomon Islands is focused on sustainable economic development (fisheries, tourism/transport infrastructure and improving tax administration), improving education outcomes for all children, and ongoing support to safety and stability (policing and support for youth). New Zealand is the lead donor in education, as a building block for sustainable economic development. Almost 30 percent of New Zealand financing goes to education. New Zealand assistance also includes a strong focus on transport infrastructure, including a NZ\$25m investment to rehabilitate Munda airport in Western Province. New Zealand support for fisheries is aimed at helping Solomon Islands

improve management of this important resource. New Zealand's aid allocation for Solomon Islands was NZD28.4 million in 2015/16, NZD25.2 million in 2016/17 and is estimated at NZD 30 million in 2017/18—these amounts exclude investments in airport upgrades.

Taiwan, China, has provided US\$33m in general budget support since 2008 to finance the Rural Constituencies Livelihood Fund which provides funds for parliamentarians to spend in their electorates. Taiwan, China has also funded construction of government buildings and also supports agricultural activities in rice, vegetables and pigs and medical personal, equipment and training for the National Referral Hospital.

The Asian Development Bank (ADB). Since 1973, the ADB has provided assistance totaling about US\$315.13 million, including 19 loans (US\$123.42 million), 15 grants (US\$160.52 million), and 75 technical assistance projects (US\$31.2 million). In addition to its direct funding, ADB has also mobilized cumulative co-financing of around US\$158 million for 10 investment projects and US\$9.2 million for 13 technical assistance projects. ADB has also supported SIG's reforms initiatives with a significant support from Private Sector Development Initiatives (PSDI). At \$5.3 million, Solomon Islands has received the second largest share of PSDI funds among the countries in which PSDI is active. ADB is a key partner in the CEWG, and is providing budget support to encourage public financial management reforms. In line with the priorities outlined in the Solomon Islands Government's National Development Strategy 2016-2035, ADB's ongoing aid program focuses on four sectors: (i) transport (US\$58.17 million); (ii) energy (US\$20.67 million); (iii) public sector management (US\$0.72 million); and (iv) education (US\$0.50 million). ADB pipeline includes projects in the transport sector (US\$44 million), hydropower (US\$30 million for Tina River Hydropower Development Project), water supply (US\$20 million) and economic management (US\$15 million).

The European Union. The National Indicative Program (NIP) for 2014-2020 under the 11th European Development Fund (EDF) has a total commitment of EUR40 million distributed to the following focus sectors: (i) water, sanitation and hygiene (EUR18 million); (ii) rural development (EUR12 million); (iii) governance (EUR6 million); and (iv) support measures for unforeseen needs such as emergency assistance (EUR4 million). From the earlier 10th EDF, a Rural Water Sanitation and Hygiene program of EUR17.4 million (SBD 159.73m) and a Governance program of EUR4 million are still being implemented. Furthermore, through the Technical Cooperation Framework (TCF), support is being provided to the Ministry of Development Planning and Aid Coordination (MDPAC) to plan, monitor and evaluate results-oriented program frameworks designed to serve NDS objectives at national, provincial, ward and village level. In addition, Solomon Islands benefits from thematic and regional programs and instruments.

The United Nations is active in Solomon Islands, with the United Nations Development Programme (UNDP), the United Nations Children's Fund (UNICEF), UN Women (UNWOMEN), United Nations Population Fund (UNFPA), World Health Organization (WHO), United Nations Office for the Coordination of Humanitarian Affairs (UNOCHA), United Nations Department of Safety and Security (UNDSS), United Nations Capital Development Fund (UNCDF) and the Food and Agriculture Organization (FAO) all implementing programs. There are also other non-resident UN Agencies that have projects or specific activities directly with the Government. The United Nations operational activities in the Pacific sub-region have been guided by a United Nations Development Assistance Framework (UNDAF) for the period 2013-2017, a 5-year strategic program framework that outlines the collective response of the UN system to development challenges and national priorities. For 2018-2022, the United Nations in the Pacific will adopt the United Nations Pacific Strategy (UNPS) 2018-2022. The UNPS is an overarching outcome level framework guiding all UN agencies working in the Pacific for the period 2018-2022 and is aligned with the

National Development Strategy 2016-2035. Current assistance by individual donors is set out in the matrix above, using relevant heads of expenditure in the Government of Solomon Islands' own budget framework for reporting on donor engagement by sector.

Pacific Community. The Pacific Community (originally called South Pacific Commission—SPC) is the principal scientific and technical organization supporting development in the Pacific region. It is an international organization established by treaty (the Canberra agreement) in 1947 and is owned and governed by its 26 members including all 22 Pacific Island countries and territories. For more than 70 years, through its Secretariat, the Pacific Community has been providing the Pacific Islands region, including Solomon Islands, with essential scientific and technical advice and services. Sectors covered by the Pacific Community's advice are shown in the matrix above. The Pacific Community's headquarters are in Nouméa, New Caledonia, and it has regional offices in Fiji, Vanuatu and the Federated States of Micronesia, a country office in Solomon Islands, and field staff in other countries and territories. Pacific Community has an annual budget of EUR85 million per annum, comprised of Core, Programme and Project funding. Major donor partners are Australia, the European Union, New Zealand, France, GIZ and GEF.

AUGUST 2010

